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**"), incorporated under Portuguese law, with a fully paid up share capital of €1,293,063,324.98, represented by 1,456,924,237 ordinary shares with no nominal value, with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto and registered under the sole registration and taxpayer number 501 214 534 with the Commercial Registry Office of Porto, is an authorised credit institution for the purposes of Decree-Law no. 59/2006, of 20 March 2006 (as amended from time to time, 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**"), described in this base prospectus, dated 22 February 2018 (the "**Base Prospectus**"), as further supplemented, the Issuer may from time to time issue mortgage covered bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the Dealer (as defined below).

Covered Bonds will be issued in registered (*nominativas*) form (the "**Registered Covered Bonds**") and be represented in book-entry form (*forma escritural*). 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 the Dealer specified and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together, the "**Dealers**"), whose appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

This document comprises a base prospectus for the purposes of Article 135-C of the Portuguese Securities Code (as amended from time to time and which was approved by Decree-Law no. 486/99, of 13 November 1999, the "**Portuguese Securities Code**") which implemented Article 5.4 of Directive no. 2003/71/EC, of 4 November 2003, as amended (the "**Prospectus Directive**"), of Article 26 of the Commission Regulation (EC) no. 809/2004, as amended (the "**Prospectus Regulation**") and pursuant to Article no. 143(1) 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 for the purposes of admitting Covered Bonds to trading on regulated markets under Directive 2004/39/RC of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments, as amended, and Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended, and further application has been made to Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. for the admission of Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon ("**Euronext Lisbon**"). 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 Euronext Lisbon. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) no. 1060/2009, as amended from time to time (the "**CRA Regulation**") will be disclosed in the Final Terms.

Arranger

Banco BPI

Dealer

Banco BPI

This Base Prospectus is dated 22 February 2018

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PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Covered Bonds includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”) (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE

A determination will be made at the time of issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for a Tranche of Covered Bonds is a manufacturer in respect of that Tranche, but otherwise neither the Arranger nor the Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules. The Final Terms in respect of any Covered Bonds (or pricing supplement, as the case may be) will include a legend entitled “MiFID II Product Governance” which will outline the product approval process of any manufacturer, the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

BENCHMARK REGULATION

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Interbank Offered Rate (“**EURIBOR**”) or the London Interbank Offered Rate (“**LIBOR**”) which are provided by the European Money Markets Institute (“**EMMI**”) and the ICE Benchmark Administration Limited (“**ICE**”) respectively. As at the date of this Prospectus, EMMI and ICE do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “**BMR**”).

As far as the Issuer is aware, the transitional provisions in Article 51, including its pars. (1) and (3), of the BMR apply such that EMMI and ICE are not currently required to obtain authorisation or registration.

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 inability of the Issuer to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur 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.

Capitalised terms but not otherwise defined in this risk factors section shall have the meanings given to them under "Terms and Conditions of the Covered Bonds".

RISKS SPECIFIC TO THE ISSUER

Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege ("*privilégio creditório especial*") created under the Covered Bonds Law over the Cover Pool (as defined in Terms and Conditions of the Covered Bonds) maintained by the Issuer. Although primarily based and secured by credits comprised in the Cover Pool, an investment in the Covered Bonds also involves a reliance on the creditworthiness of the Issuer, which 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. 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.

The Covered Bonds will not represent an obligation or be the responsibility of the Arranger or of the Dealer(s) 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.

The Global Financial Volatility may impact the performance of the Issuer

The Issuer's performance is reliant on and influenced by economic activity and the conditions of global financial markets.

After the economic and financial credit crisis of 2007-2008, global growth has recovered and financial markets stabilized on the basis of proactive economic policies around the globe, with particular emphasis on central banks' policies in developed economies. Short term interest rates have been slashed to the minimum threshold, in some cases turned negative, and the major central banks supplied ample funding and liquidity to the world financial system, embarking on so-called non-conventional monetary policies. Last year, the monetary policy of the main central banks remained strongly accommodative, but stronger growth and improvements on the inflation front have dictated a gradual move towards the reduction of global monetary policy stimuli. These moves have been made with a lot of caution due to the unusual low inflation and inflation expectations, still well below central bank's confortable levels and targets. After a second upward movement in its key rates in December 2016, the U.S. Federal Reserve ("**Fed**") decided for three additional raises in March, June and December 2017, putting the fed funds rate interval at 1.25per cent-1.5per cent. Moreover, last October the Fed started the process of balance sheet normalization, reducing the amount of reinvested securities in the portfolio that reach maturity while keeping the bias in favour of additional hikes in key interest rates in 2018. Meanwhile, the European Central Bank ("**ECB**") has also been cautiously reducing the ultra-accommodative nature of its policy, although this process has been treated with a lot of prudence given the still low inflation and inflation expectations in the euro area, despite the improved economic growth prospects. In April 2017 ECB reduced the amounts of debt purchased under the Public Sector Purchase Programme ("**PSPP**") to a monthly pace of EUR 60 bln from an initial EUR 80 bln, shaving again the amount of monthly acquisitions to EUR 30 bln in January 2018. Although abating from the beginning of 2017, political factors continue to constrain the outlook, adding uncertainty. There are still relevant doubts relating to the EU-UK negotiations regarding the Brexit process; at the same time, other relevant factors, like an upcoming early Italian election or the political situation in Catalonia, remain a source of uncertainty. On the positive side, it has also been relevant the final approval of the Trump's Administration fiscal package late in 2017, supporting economic forecasts for 2018 and 2019, although there are still some doubts about the final impact of these measures.

Almost ten years after the onset of the international financial crisis, the global economic situation continues to be characterized by slow growth and low inflation compared to the historical norm, although there are clear improvements in both fronts. Additionally, high debt levels persist in several economies, both at public and private sector level, and are also restraining aggregate demand growth and hindering the economy's response to ultra-loose monetary conditions.

There is now a more positive mood, particularly regarding the euro-area's economic outlook: specifically, the fading out of some political upheavals (the French, Dutch and British elections held in the first half of 2017) gave room to a more optimistic view. In the US, the approval of the fiscal stimuli package in December 2017 should also sustain growth, boosting confidence of companies and stimulating investment; however, final results of this looser fiscal policy will also depend on the Fed's stance that would become stricter if these policies are perceived as inflationary. Negative developments in the international trade area due to the implementation of protectionist policies may also occur, as well as any disruption with a major global player (especially China) causing unexpected dislocations in geopolitical risks, although low probabilities are attributed to these events.

In the Eurozone, the speculation about future monetary policy stance has abated and market participants seem to have fully priced another step of ECB tapering at the start of 2018; the programme is expected to end next September. Although the present framework of strong growth momentum and still low inflation is very favourable and eases the potential impact on financial markets of a less expansionary monetary policy stance, circumstances might change, causing volatility, with more negative impact in the risk premia of peripheral countries perceived to be more vulnerable, such as Portugal. In this case, the sovereign risk premium would be pressured with negative implications for financing costs internally. A similar scenario can also occur in case other major central banks, namely the Federal Reserve or Bank of Japan, are perceived to move faster towards the normalization of monetary policy than markets are expecting, given the present dependence of ample liquidity in the international financial markets.

A worst-case scenario might include a disorderly increase in long term interest rates, with negative impacts on households' and firms' confidence indices and economic growth. In an adverse scenario, this could have a negative impact on balance-sheet valuations and risk perceptions might change, with impact on the capacity of the Issuer to access international wholesale financial markets which may adversely affect the performance of the Issuer.

United Kingdom's Exit from the European Union

On 23 June 2016, the United Kingdom held a referendum, which voted in favour of an exit from the European Union, which creates several uncertainties within the United Kingdom, and regarding its relationship with the European Union. On 29 March 2017, the United Kingdom served notice in accordance with Article 50 of the Treaty on European Union of its intention to withdraw from the European Union. The negotiation of the United Kingdom's exit, which is scheduled to take place on 29 March 2019, have evolved to a new phase after an agreement was reached on issues such as (i) how much the United Kingdom will need to pay as the so-called "divorce bill", (ii) what happens to the Northern Ireland border, and (iii) what happens to United Kingdom citizens living elsewhere in the European Union and European Union citizens living in the United Kingdom. Such new phase will address the future relations between the two economic blocks and involves a plan for a two-year transition period set to smooth the way to post-Brexit relations.

Despite the recent constructive discussions on the terms and timing of the United Kingdom's exit from the European Union, it is not possible to determine the impact of the referendum, the United Kingdom's departure from the European Union and/or any related matters may have on the Issuer. Furthermore, the process of the United Kingdom departing from the European Union may introduce significant new uncertainties and instability in the financial markets, as well as political instability in Europe, and it may also materially affect the economies of countries, including Portugal, which have political and economic ties with the United Kingdom.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the Issuer and/or its ability to satisfy its obligations, including under the Covered Bonds.

Euro-zone debt crisis

The instability that affected the euro-zone sovereign debt markets since 2010 has abated and peripheral markets risk premium (notably Portugal, Spain, Italy and Ireland) have returned to levels more in line with the ones experienced prior to the debt crisis. Comparing to the 2010-2012 debt crises in Europe, the

European institution framework is now more robust and capable to withstand adverse shocks that may come from this process. Both Ireland and Portugal ended with success their external financing programs with the European Commission (the "**EC**"), the ECB and the International Monetary Fund (the "**IMF**") (the EC together with the ECB and the IMF, the "**Troika**") and are now issuing regularly on the sovereign debt market; fiscal consolidation continued in peripheral markets and several structural reforms have been enacted in the more vulnerable economies, including Spain and Italy; finally, the completion of the Asset Quality Review in the European banking system and the progress in the Banking Union, including the launch of the Single Supervisory Mechanism and of the Single Resolution Mechanism, also gave more resilience to the monetary union architecture. In this field it is worth mentioning that the Banking Union is still uncompleted, namely the mechanisms for banking resolution as well as the deposit guarantee scheme, given the absence of a more integrated risk and burden sharing among Eurozone peers, situation that may pose some challenges in case some disruptive event occur.

The main factor behind the sustained fall of risk premium in the peripheral countries was the implementation of the PSPP by the ECB since March 2015 and extended until September 2018. Despite this support, the increasing strength of populist political forces in several European countries led Governments to change their stance and favour more expansionary fiscal policies. In some cases previous reforms or expenditure cuts which were implemented in order to render public accounts more sustainable have been reverted, causing some worries among market participants. Indeed, given the rigidity of certain public expenditure items, certain increases may be seen as permanent, curtailing Government's leeway in case of a negative economic shock.

Additionally, the banking sector problems aggravated in 2016, especially in Italy, where non-performing loans ("**NPLs**") are particularly high and some banks received public financial support. In Portugal, the delay in the process of sale of Novo Banco, S.A. ("**Novo Banco**") was a pending question aggravating the country's risk perception due to uncertainty regarding the potential operation's costs for the public sector. The current market perception towards the banking system is now more favourable but some worries regarding non-productive assets remain as well as some uncertainty regarding legacy costs related to the BES/Novo Banco process.

In a hypothetical scenario of huge financial instability in the international financial markets, which seems less likely in the near term, a more disruptive framework might return, and create difficulties in the access of peripheral markets institutions to the international capital markets, especially given the incomplete nature of the European Banking Union and the lack of a properly capitalized mechanism within the EMU framework, that would provide help at the country level, in a crises scenario. In the case of Portugal, the eligibility of public debt to participate in the PSPP depends on maintaining an investment grade rating, which is currently assigned by three of the credit rating agencies recognized by the ECB, DBRS Ratings Limited ("**DBRS**"), Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Limited.

In the event of negative developments in the financial markets, the Issuer's ability to access the capital markets and obtain funding to support its business activities on acceptable terms may be adversely affected. A lack of ability to refinance assets on the balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force the Issuer to liquidate assets held at depressed prices or on unfavourable terms.

An eventual deterioration of the financial and economic environment is a source of challenges for the Issuer, and may adversely affect its business, financial conditions and results of operations in the following ways:

- Since the economic and financial crisis of 2007-2008, whose consequences have been aggravated by the European sovereign debt crisis in 2010-2012, the business was affected notably through higher funding costs, both wholesale and retail, and by the depreciation of its shares price and asset values. In case of further deteriorations on market conditions, the Issuer will be affected. Any worsening of the current economic climate could jeopardise the Issuer’s strategy and adversely affect its profitability;
- The decline in interest rates in the developed reference markets, including the euro, with negative interest rates registered in the whole spectrum of the yield curve (negative Euribor rates) constitutes also a challenge for the Issuer;
- The Issuer is exposed to potential losses if certain financial institutions, or other counterparties to the Issuer, become insolvent or are not able to meet their financial obligations to the Issuer;
- Numerous banks worldwide have been and are being supported in part by various "rescue plans" and other types of support by their home country governments or are perceived to have huge amounts of capitalisation needs. The Issuer is uncertain as to how much longer governmental support will be needed to keep these banks solvent and whether governments will have the means or the political will to continue this support. Any failure of government support to continue could result in more bank failures and heightened lack of confidence in the global banking system, thus increasing the challenges faced by the Issuer and other financial institutions.

Economic and financial situation in Portugal may impact the condition, business and results of the Issuer

The economic and financial crisis in Portugal, specifically the developments that have been on the basis of the Economic and Financial Assistance Programme (*Programa de Assistência Económica e Financeira*, the “**PAEF**”) by the Troika in the period 2011-2014, have affected negatively the Issuer’s financial condition, business and results of operations and any further deterioration of the economic conditions may further affect the Issuer.

Since a substantial part of the Issuer’s activities is performed in Portugal, the Issuer depends on the developments in the Portuguese economy, which in turn is affected by the developments of the economic and financial situation in the Eurozone.

After steady economic growth during the years of 1995 – 2000, the Portuguese economy registered a small and unbalanced expansion in the first decade of the 21st century, mainly driven by domestic demand while several imbalances emerged, namely as far as the external situation and debt levels are concerned. As a consequence of the international financial crisis and consequent great recession, the Portuguese economic framework deteriorated and by 2009 Portugal’s GDP contracted by 3 per cent. The economy recovered in 2010, but the intensification of the euro sovereign debt crisis exposed the domestic vulnerabilities, particularly the lack of external competitiveness reflected in high debt across private and public sectors and external financing needs, imbalances that urged to be corrected in order to achieve a more sustainable growth path.

The Portuguese economy registered a contraction of 6.8 per cent.[1], from the end of 2010 to 2013, during the period of external financial assistance. Domestic demand has been particularly affected, having dropped 14.3 per cent. in this period with emphasis to investment whose contraction was particularly abrupt, above 30 per cent. Private consumption has also receded, about 10 per cent., reflecting the fall in disposable income and the deterioration seen in the labour market. Indeed, in the same period, unemployment reached historical highs, at 17.5 per cent.[2] in the first quarter of 2013. The economy returned to growth in the second half of 2013 whereas unemployment fell despite remaining high compared with the historical pattern.

Since 2014, Portugal returned to growth, advancing 0.9 per cent. in that year, 1.8 per cent. in 2015, and 1.5 per cent. in 2016. The estimates of major institutions (Banco de Portugal, IMF, European Commission) suggest that GDP expanded 2.6per cent in 2017, which, if confirmed, will be the higher growth pace for more than a decade. The economy started accelerating in the mid-2016, departing from a low base, and capitalized on cyclical and structural factors. Externally, low interest rates and the return of risk appetite, as well as low oil prices and stronger external demand, have been key stimulating the recovery. However, there were also at play internal and structural factors supporting the economic activity, with emphasis to the larger tradable sector and improved competitiveness at the firm level. Unemployment decreased steadily in this period: the unemployment rate was 8.2 per cent. in Q3 2017[3], supporting domestic demand, in particular private consumption. Near term growth prospects keep favourable, as the domestic economy is benefiting from the strong momentum in global growth (especially euro-zone countries, with emphasis to Spain), still low oil prices and ultra-expansionary monetary policy, in addition to specific domestic factors that include the surge in activities related with the tourism sector. In 2018 the economy is expected to decelerate, with most of the institutions projecting a 2.2per cent-2.3per cent growth pace, mostly reflecting the expected deceleration in external demand and gradually less expansionary monetary policy by the ECB.

Despite the favourable positive scenario – growth close to 2.5per cent, comparing to almost stagnation since 2000 – there are several obstacles and risks to consider that may cause economic growth to disappoint. Apart from external factors that may have a negative impact on growth – sudden increase in interest rates, return of risk aversion, instability in international financial markets, deceleration of external demand – internally the stock of capital continues at very low levels. Hence, for the present positive momentum to be sustained it would be necessary a continuous increase in investment, in particular in machinery and equipment, in order to boost productivity and increase potential growth. The eventual failure of this process will dictate the country's probable vulnerability once the global economic cycle turns and will jeopardize the process of convergence towards core EMU countries' standards of living. Additionally, domestic demand continues to be hindered by structural factors, related to high debt level at the private and public sectors. The external openness degree has been gradually increasing, which is by itself positive on a long term prospective given

[1] Source: Instituto Nacional de Estatística ("**INE**") data.

[2] Source: INE.

[3] Source: INE.

the small dimension of the Portuguese economy vis a vis its peers. Nevertheless, a greater exports intensity also increases the sensibility to external shocks which could arise if external demand disappoints, or if financial instability returns to international financial markets due to faster than expected pace of tightening by the U.S. Federal Reserve, due to an eventual lack of support from the ECB (tapering effect), or eventually by the intensification of geopolitical risks. All these are potentially adverse developments that would impact negatively the economic activity, eventually pressuring financing costs for domestic agents and putting at stake some of the improvements already achieved, with unfavourable consequences for the Issuer.

Portugal has successfully restored market access, issuing annually between €17 billion to €20 billion long term debt in the period 2014-2017 through syndications and auctions[4], excluding debt exchanges. In 2018, total issue of Obrigações do Tesouro ("OT's") is expected to reach €15 billion, according to the Treasury financing programme. These issues have met strong demand by foreign investors and an increasing part has been taken by institutional investors, reflecting the renewed optimism amongst international investors as far as the sovereign risk is concerned. A new issue of €4 billion in debt by Portugal through syndication was concluded in January 2018 representing circa 30per cent of the financing expected in the year. Given the significant decrease in funding costs, Portugal obtained authorization to make several early repayments of the IMF assistance loan. At end 2017, circa 80per cent of the initial loan has already been reimbursed, with an amount outstanding of circa €5 billion.

The ECB PSPP has been one of the main supports for the Portuguese sovereign bond market in recent years, promoting declining financing costs for the State. By the end of 2017, the ECB held more than 10per cent of public debt outstanding – considering non-consolidated debt (official creditors held circa 33per cent), an amount which exceeds the weight of retail debt (Certificados do Aforro, Certificados do Tesouro and OTRV's). Although central bank intervention is expected to be very gradually and cautiously scaled down, the stoppage of public debt acquisitions under the PSPP is presently the major risk perceived regarding the sovereign risk premia evaluation. Hence, any disturbance in this process, or a bad management of the central bank communication might curb the downward trend of the risk premia, adding pressure to Portuguese financing costs. In this regard, the scheduled replacement of the ECB President, in 2019, can also cause some disturbances, as the next Governor is expected to be closer to more orthodox and strict policy views, eventually penalizing the southern, more vulnerable, economies.

Additionally, there are also domestic factors that may induce further deterioration in the Portuguese sovereign risk perception, including the failure to achieve the fiscal targets expressed in the 2018 Budget, which are ambitious, or to achieve a continuous decline of the public debt ratio in the years ahead. According to the State Budget 2018, fiscal deficit should have reached 1.4per cent of GDP in 2017 whilst the public debt ratio should have declined to 126,2per cent, circa 4p.p. below 2016 level. Furthermore, the Government plans to continue to diminish the fiscal deficit, to 1per cent in 2018, while the public debt to GDP ratio is projected to decline to 123,5per cent. Those are ambitious targets, especially considering the implied dimension of primary surpluses, above 2per cent of GDP. This scenario is subject to several risks, including the fact that fiscal consolidation is projected to occur mostly via the increase in fiscal revenues (through economic growth), the containment of the public debt burden and also the restraint in public investment.

[4] Source: Source: Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E. ("**IGCP**").

Indeed, some recent policies have contributed to add some rigidity to current expenditure (especially through personnel expenditure and pension allowances) on a longer term perspective, hindering counter-cyclical fiscal policy options in case of negative shocks.

Failure to achieve higher growth standards or to proceed with fiscal consolidation and reach a sustained downward path of the public debt would negatively impact prospects of progressively reducing dependence from external markets and the ECB to finance public borrowing requirements. Additionally, any further deterioration of global economic conditions, including the return of strong instability in international financial markets, adverse changes in the credit risk of other countries in the EU, problems related to the solvency of Portuguese or international banks or changes in the Eurozone's scenario, may lead to additional concerns relating to Portugal's economy and state financing. Furthermore, in case global risk perceptions worsen substantially, the structural imbalances that persist – visible on high debt levels both at public and private sector level and on negative net foreign assets position, one of the worst among developed countries (circa -105.4 per cent. of GDP[5] in Q2 2017) – will highlight the still high vulnerability of the Portuguese economy and be reflected on the international capital and financial markets. Thus, the mentioned uncertainties had and may continue to have a significant impact in the Issuer's financial condition, business and results of operations.

Regarding the banking system, the regulatory regime in force established that credit institutions and investment firms should preserve a common equity tier 1 ("**CET1**") capital ratio not below 7 per cent.. According to the Bank of Portugal, the CET1 ratio reached 13.5 per cent. for the Portuguese banking system in the Q3 2017, up from 11.4 per cent. registered in December 2016. The banking system is adjusting but continues to operate in a difficult environment. Balance-sheet challenges persist largely on account of the heavily indebted corporate sector. Even though weak credit fundamentals, in combination with extremely low interest rates on mortgage portfolios and declining lending volumes, continue to constrain the performance of the sector, there are signs of improving profitability based on the reduction of provisions and operational costs. Recent developments relating to Portugal's banking system include the recapitalization programme of CGD (Caixa Geral de Depósitos, S.A.), a bank totally held by the State, through a public capital injection of €2.5 billion and the issuance of 0.93 billion debt taken by private investors. The public capital injection and €0.5 billion of the private debt issue were concluded in March 2017. Additionally, last October the US equity fund Lone Star signed the agreement to acquire 75per cent of Novo Banco, concluding a 3 year long process with success and adding to the current more benign perception on the Portuguese banking system. Lone Star has injected €1bn into Novo Banco and, under the terms of the deal, will also seek to raise €400m of Tier 2 capital in the market. Lone Star bought the stake from Portugal's bank Resolution Fund, which will retain the other 25 per cent. Despite the Novo Banco completed sale, there are also eventual contingent costs for the public sector, as the Resolution Fund kept a position of 25per cent of the bank and eventual legacy costs might arise, with potential costs for the public sector. Eventual major negative surprises in this front would be negatively reflected both in the sovereign risk premia as well as on the banking sector perceptions abroad, with an eventual negative impact for the Issuer.

[5] Source: Bank of Portugal.

Between 2011 and 2012 the rating classification of the Republic's sovereign debt suffered several downgrades and was classified as sub-investment asset by all rating agencies with the exception of DBRS rating agency, a Toronto based rating provider, also recognized by the ECB as far as collateral eligibility is concerned. However, more recently the assessment of major rating agencies improved. Current ratings are as follows: Standard & Poor's Credit Market Services Europe Limited ("S&P"): BBB- as of 15 September 2017, with a stable outlook as of 15 September 2017; Moody's Investors Service Ltd ("Moody's"): Ba1 as of 27 July 2014, with a positive outlook as of 1 September 2017; Fitch Ratings Limited ("Fitch"): BBB as of 15 December 2017, with a stable outlook as of 15 December 2017; and DBRS: BBB (low) as of 30 January 2012, with stable outlook as of 21 April 2017, reaffirmed on 3 November 2017. In the short run, this positive trend on ratings classification is expected to continue but in a longer term perspective further increases in the sovereign's classification should be contingent on structural improvements, namely as far as the major imbalances are concerned. On the contrary, in case of weaker economic growth or unexpected negative external shocks, the positive trends seen in the sovereign's risk classification might change and eventually reverse, undermining the basis for the positive outlook or eventually even causing downgrades[6].

Current economic conditions in Portugal entail the containment in the demand for credit and for financial products and services in the markets in general. Alongside with financial assets quality deterioration, these may have an adverse effect on the financial condition and results of the Issuer.

Banking Markets and Competition faced by the Issuer

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

The Issuer faces intense competition in all of its areas of operation (including, among others, banking, investment banking, specialised credit and asset management). The competitors of the Issuer in the Portuguese market are Portuguese commercial banks, savings and investment banks and foreign banks that entered the Portuguese market. Mergers and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share. According to data collected from APB – Portuguese Banking Association, currently, the Portuguese financial system is quite concentrated. In 2016, the five largest banks controlled 84.4 per cent. of total assets, and the two largest, 46.3 per cent.. The principal competitors of the Issuer in the banking sector (ranking in terms of assets as of 31 December 2016) are Caixa Geral de Depósitos, the Millennium BCP group, the Novo Banco and the Santander/Totta group.

Although the Issuer 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 some or all segments in which it operates, or that it will be able to maintain or increase the level of its results of operations.

Additionally, the business, earnings and financial condition of the Issuer have been affected by the crisis in the global financial markets and the global economic outlook. The earnings and financial condition of the Issuer have been, and their respective future earnings and financial condition are likely to continue to be,

[6] Source: Bloomberg data

affected by depressed asset valuations resulting from poor market conditions. The actual or perceived failure or worsening credit of other financial institutions and counterparties could adversely affect the Issuer.

The Issuer's exposure to adverse political, governmental or economic developments related to its international presence

The oil price level and production remain determinant factors in conditioning Angolan economic activity, as oil still represents close to 96 per cent. of total exports and circa half of the Executive's tax revenues, emphasizing the need to accelerate the diversification process. After a year of exceedingly low oil prices in 2016, there has been a recovery to levels close to USD 70 at the beginning of 2018: in particular, the average price of Angolan exported barrels until November 2017 was USD 51.2, higher than the 2017 State Budget assumption of USD 46. In November, oil price reached USD 57.8, a 21 per cent. y-o-y increase, while oil production increased 2.5 per cent. y-o-y to 1.75 million barrels a day. However, on average, oil production recorded a 6.1 per cent. decrease in the first 11 months of 2017, in comparison to the same period of the previous year, reaching 1.63 mbd in this period (1.74 mbd in 2016). So, it will be important to analyse how the Angolan oil output is going to evolve in this year, considering the restrictions in production, related to the natural wear of oil fields and to the lower investment in research and development, as well as the restraints in production imposed under the OPEC agreement.

According to the last information published by the Government, the budget deficit should have deteriorated to 4.5 per cent. of GDP in 2016 and to 5.3 per cent. in 2017. In the previous year, fiscal revenues increased in comparison to 2016, especially due to oil taxes. In fact, the increase in oil price should have contributed to the 24 per cent. rise in oil taxes in 2017; however, this revenue continued to register low levels in comparison to the past (9.3 per cent. of GDP in 2017 vs levels above 30 per cent. of GDP before 2014). For 2018, the Government is expecting a deficit of 2.9 per cent., below the forecast of the IMF (5.5 per cent.). In the 2018 Budget, the Executive assumes the level for oil prices at USD 50.0 for 2018 and expects that oil production will increase to 1.70 mbd which we consider too optimistic, given technical problems in oil fields and the restrain under the OPEC agreement; however, the oil price level assumed can be seen as being conservative, considering the recent evolution of Brent prices in the international markets (close to USD 70), fact that gives the Executive some leeway in terms of the fiscal policy management and that is generally supportive for economic growth.

Despite the intention to reduce the budget deficit, public debt has been reaching very high levels in Angola when compared to peer countries and some institutions (as IIF, IMF or rating agencies) have been calling the attention for probable sustainability problems ahead: the Government estimates that the ratio of public debt should have decreased to 61 per cent. of GDP in 2017, from 72 per cent. in the previous year. The problem of sustainability is also recognized internally by the Executive, that has recently called the attention to the excessive weight of debt service on non-oil fiscal revenues (more than 100per cent vis a vis recommended maxima of 25per cent)[7] as well as to the large proportion of short term maturities and debt denominated in external currencies, causing stress to the fiscal execution in the short term. Additionally,

[7] Source: Ministério das Finanças de Angola, "Programa de Estabilização Macroeconómica 2017-2018"

the Government announced their intentions to renegotiate outstanding bilateral debt, in particular the contracts that are guaranteed by oil revenues. Although the present generic understanding is that Angola just intends to manage its liabilities more actively in 2018, it cannot be excluded the possibility of actions that may eventually be considered as a default event by the major rating agencies, especially if oil prices evolve adversely (although this is not our central scenario) and/or the access to external financing is somehow curtailed.

The exchange rate was kept constant against the dollar since April 2016, despite the pressures coming from falling reserves and a challenging external balance deficit. The new Government, that took power after August 2017 elections, made an extensive diagnosis of the main economic imbalances and detailed some of the measures considered necessary to tackle those imbalances. One of the measures announced is to reduce the gap between the so-called informal exchange rate (by end 2017 the kwanza traded close to 400 against the USD) and the official rate. Hence, last January the monetary local authority (Banco Nacional de Angola, "**BNA**") announced the adoption of a floating exchange rate regime (controlled), and the currency devalued circa 16per cent against the euro, the new reference for Angola and the central bank. After being kept constant at 186.3 kwanzas per euro, the currency slipped to 221.26 in the first auction held under the new fx regime rules. Although this policy is considered the wisest given the present imbalances in the macroeconomic front, it cannot be excluded adverse developments in the future, with potential negative impacts for the Issuer. In particular, on the inflation front, the Government targets might be surpassed, which might be challenging given the sensitivity of the population to the prices of staple food and transports.

Growth outlook is still grim: the Government expects economic activity to have stagnated in 2016 (0.1 per cent.), in contrast with the forecast of the IMF (-0.7 per cent.). For 2017, the Government projected a 1.1 per cent. growth rate in the State Budget for 2018, which compares to 2.1 per cent. estimated initially, with oil sector contracting by 0.5 per cent and non-oil sector increasing by 1.9 per cent.. For 2018, the Government is optimistic, and anticipates a 4.9 per cent. growth rate; the oil sector should increase 3.1 per cent., while the non-oil sector should reach a 4.4 per cent. expansion rate. Considering the optimistic scenario drawn for the oil production as well as the set of contractionary economic policy measures envisioned by the Government[6], despite the conservative price level assumed for oil prices, it is possible that economic growth might disappoint. The IMF is more pessimistic, expecting a more modest acceleration towards 1.6 per cent. growth. What is more, the Fund's outlook is equally dim in the medium term, expecting growth rates not larger than 1.5 per cent. until 2022. Going forward diversification is expected to accelerate and growth should be probably driven by the non-oil part of the economy, as the OPEC agreement means that Angola will continue to limit its production to a certain limit; additionally, it is also important to highlight the mature state of the Angolan oil fields and the decrease in research and development by the main oil operators. The largest negative risk is connected to a possible reversal of the current favourable evolution of Brent prices in the international prices; moreover, other negative risks exist in the near future, especially the ones related to the intention to renegotiate debt contracts expressed by the Angolan government, as well as fiscal stress and huge debt burden, besides the possibility that access to financing is restricted in the international financial markets, situation that might imperil the Issuer's capacity to generate value from the Angolan market.

In sectorial terms, according to the official scenario, growth will be larger in the energy (60.6 per cent.), agriculture (5.9 per cent.) and diamond (4.4 per cent.) sectors. In terms of the oil sector, output up until November averaged 1.63 mbd, a decrease of 6.1 per cent. in comparison with the same period of 2016.

In dollars, in 2016, the goods balance improved 16 per cent. relative to the same period of 2015, as the decrease in imports (34 per cent.) surpassed the drop in exports (12 per cent.) – the performance of exports was supported by the increase in prices towards the end of the year, causing a 13 per cent. y-o-y increase in its value in Q4. For the first three quarters of 2017, exports rose 15 per cent. in comparison to the same period of 2016 (measured in USD), while imports stagnated around 0.3 per cent. y-o-y; trade balance improved almost 26 per cent. in this period of analysis. Despite the favorable evolution of the trade balance, the Government estimates that the current account registered a deficit of circa 5.1per cent of GDP in 2017.

Economic Indicators and Forecasts

	2011	2012	2013	2014	2015	2016	2017P	2018F
Real Gross Domestic Product growth (yoy, %)	3,9	5,2	6,8	4,8	3,0	0,1	1,1	4,9
Oil Sector	-5,6	4,3	-0,9	-2,6	6,5	-2,3	-0,5	3,1
Non-oil sector	9,7	5,6	10,9	8,2	1,5	1,2	1,9	4,4
Oil production (million barrels/day)	1,63	1,72	1,73	1,63	1,76	1,72	1,65	1,70
Price of Angolan oil (average, USD/barrel)	108,7	111,0	107,5	100,8	51,4	40,6	48,4	50,0
Consumer Price Index (yoy change, end-of-period)	11,4	9,0	7,7	7,5	14,3	42,0	23,4	17,6
Fiscal Balance (% GDP)	10,3	6,7	0,3	-6,6	-3,3	-4,5	-5,3	-2,9
Non-oil Primary Fiscal Balance (% GDP)	-27,8	-30,1	-29,0	-29,2	-16,7	-9,9	-10,7	-8,9
Gross Foreign International Reserves (million of USD, end of period)	27.514	32.155	32.213	27.739	24.419	24.353	-	-
Average exchange rate (AKZ/USD)	93,7	95,3	96,5	98,3	120,1	165,9	165,9	-

Source: BNA, Ministry of Finance, IMF (World Economic Outlook, October 2017), BPI calc..
Note: P - preliminar; F - Forecast

Net foreign reserves resumed their downward trajectory during 2017, standing at USD 14.2 billion in November 2017, a 30 per cent. drop in comparison to November 2016. The context of lower oil prices (in comparison to 2011-14), the artificial stabilization of the exchange rate of the Kwanza against the USD at KZ 165.9, and the pressure coming from the demand for foreign exchange to import goods and services (given Angola's high dependence from imports to meet domestic demand needs) explain this unfavourable evolution of international reserves.

Given the adverse external framework since mid-2014 due to the deep fall in oil prices, BNA took a pre-emptive restrictive stance in an attempt to counter external accounts pressure as well as the upward trend in inflation. Accordingly, BNA raised its benchmark rate by 200 basis points in 2015 and 500 basis points in 2016. Last move on the reference rate has been in November 2017 (+200 basis points) to 18 per cent..

Annual inflation reached an average of 32 per cent. in 2016, and 32.7 per cent in the period January-November 2017. According to the Government's forecasts, inflation is seen to decline slightly by end 2018, to 28.7 per cent., that compares with 27.6 per cent y/y in November 2017. However, considering recent policy measures, namely the devaluation of the exchange rate, it is possible that consumer prices increase at an higher pace than expected.

As of November 2017, total lending to the economy[8] registered a 12 per cent. y-o-y decrease, reflecting a 11 per cent. y-o-y drop in credit to the private sector. At the same time, total deposits recorded a -0.6 per

[8] Source: Banco Nacional de Angola.

cent. change y-o-y, with a decrease in deposits denominated in foreign currency (-4.5 per cent. y-o-y) and an increase in deposits in local currency (+1.5 per cent.).

The kwanza is not freely convertible and may not, except in the limited circumstances, be exported from or imported into Angola. This means that cross-border payments and transfers need to be effected in foreign currency, which may result in an additional risk to the Issuer.

International accounting firms indicated at end–December, that in 2017 Angola should be considered a high inflation economy in accordance with IAS 29. Issuer's consolidated result at 31 December 2017 includes an extraordinary negative impact of € 107.4 million on BFA's contribution booked in Q4, of which -69 M.€ (Issuer's estimate) resulting from the application of IAS. The amounts estimated by the Issuer in the stake in BFA from the application of IAS 29 in the consolidated financial statements of 31 December 2017 consider an inflation rate of 23 per cent. in Angola in 2017 and imply: (i) a slight increase (2 per cemt.) of the value of the 48.1 per cent. equity stake in BFA, due to the revaluation of non-monetary assets (tangible assets), (ii) Issuer's consolidated shareholders equity increase (by the same amount), albeit with: (1) estimated negative impact on net results, due to the loss in the net monetary position (-69 M.€) and (2) counterbalanced by a positive impact on revaluation reserves (foreign exchange).

CONTRIBUTION FROM BFA AND BCI

Em M.€	2016	1Q 17	2Q 17	3Q 17	4Q 17	2017	Δ M.€ 2016/2017
[1.] Contribution as reported	**168**	**-165**	**54**	**60**	**-60**	**-111**	**(279)**
Non-recurring impacts							
Impact from the sale of 2% of BFA and deconsolidation		-212				-212	-212
Extraordinary impacts at BFA [2)]					-107	-107	(107)
[2.] Total		-212			-107	-320	(320)
[3.] Contribution before non-recurring impacts [=1-2]	**168**	**47**	**54**	**60**	**47**	**208**	**+ 40**

Source: Issuer's 2017 results presentation (unaudited)

Notes:

- Contribution from BFA and BCI before non-recurring impacts of 208 M.€ (+40 M.€ yoy)

- BFA's result (excluding non-recurring impacts) in the 4th quarter was in line with last quarters

- BFA contribution "as reported" was affected by:

  - negative impact of 212 M.€ from the sale of 2% of BFA and deconsolidation in the 1st quarter

  - estimated negative extraordinary impact of 107 M.€2) in the 4th quarter, of which -69 M.€ (after taxes) from the accounting of the stake in BFA in accordance with IAS29

The Issuer can give no assurance that it will be successful in Angola, Mozambique or any of the other international markets where it operates. The Issuer's international operations are exposed to the risk of adverse political, governmental or economic developments in the countries in which it operates. These factors could have a material adverse effect on the Issuer's financial condition, business and its results of operations.

The Issuer is subject to compliance risk with existing and future regulations, the breach of which can cause damages to the Issuer

The Issuer operates in a highly regulated industry and its banking activities are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the European Banking Authority ("**EBA**"), the European Securities and Markets Authority ("**ESMA**"), the European Insurance and Occupational Pensions Authority ("**EIOPA**"), the CMVM and the Insurance and Pensions Funds Supervisory Authority ("**ASF**"), as well as the BNA and other supervisory authorities, from the EU and the countries in which the Issuer conducts its activities. Such regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

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

The financial market tensions and increasing difficulties in the transmission mechanism of the central banking system for the Euro ("**Eurosystem**") monetary policy have created the need for the establishment of integrated supervision in the euro area (the Single Supervisory Mechanism) as a first step towards a banking union and the materialisation of a true economic and monetary union. The Banking Union should rely – in the long term – on three complementary pillars: the Single Supervisory Mechanism, the Single Resolution Mechanism and the European Deposit Insurance Scheme. The Council Regulation (EU) No. 1024/2013, of 15 October 2013, established the Single Supervisory Mechanism composed of the ECB and competent national authorities (NCAs) of participating Member States. The Single Supervisory Mechanism is further regulated by Regulation (EU) No. 468/2014, of the ECB, of 16 April 2014. The ECB will be responsible for the prudential supervision of credit institutions in the euro area, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the EU and each Member State, with full regard and duty of care for the unity and integrity of the internal market. The Regulation (EU) No. 806/2014, of the European Parliament and of the Council, of 15 July 2014, established uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (comprised of the Single Resolution Board and the national resolution authorities) and a Single Resolution Fund. The Single Resolution Mechanism of banks will contribute to the resolution of institutions without affecting systemic stability and the financial situation of the countries where they operate. A proposal for a Regulation of the European Parliament and of the Council amending the Regulation (EU) No. 806/2014 in order to establish an European Deposit Insurance Scheme is currently under discussion at a EU level. A common system of deposit protection will help reduce the likelihood of potential deposit runs, which, in a contagion situation, would rapidly constrain banking liquidity. These three pillars of the Banking Union are based on the assumption that a single prudential rulebook will be maintained, which may be more flexible for macro-prudential policy purposes, under the

European Union coordination.

Article 45 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**EU Crisis Management Directive**", the "**BRRD**" or the "**Bank Recovery and Resolution Directive**") provides that Member States shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities (known as "**MREL**"). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The EBA was in charge of drafting regulatory technical standards on the criteria for determining MREL (the "**MREL RTS**"), which was set up in the Commission Delegated Regulation (EU) 2016/1450, of 23 May 2016, with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities (the "**Delegated Regulation**").

The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on certain criteria including systemic importance. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written-down or converted under that law (including through contractual provisions).

The MREL requirement was scheduled to come into force by January 2016. However, the EBA has recognised the impact which this requirement may have on banks' funding structures and costs. Therefore, it has proposed a long phase-in period of 48 months (four years) until 2020.

If the resolution authority finds that there could exist any obstacles to resolvability by the Issuer, a higher MREL requirement could be imposed. Any failure by the Issuer to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

As part of the EU banking reforms, the EC published on 23 November 2016 a proposal for a Directive of the European Parliament and the Council on amendments to the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**MREL Proposal**"). The MREL Proposal aimed at harmonising national laws on recovery and resolution of credit institutions and investment firms, in particular as regards their loss-absorbency and recapitalisation capacity in resolution and proposes the creation of a new asset class of "non-preferred" senior debt that should only be bailed-in after other capital instruments but before other senior liabilities. In result of the MREL Proposal, on 27 December 2017, Directive 2017/2399/EU of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal. This Directive shall be implemented by Member-States into national legislation by 29 December 2018.

Additionally, as a consequence of the persistence of the financial crisis and the subsequent government intervention, regulation in the financial services sector has increased substantially and is expected to continue to do so, which may include the imposition of higher capital requirements, demanding duties of information and restrictions on certain types of activity or transaction. Also, new regulations may restrict or limit the type or volume of transactions in which the Issuer participates, or that the fees or commissions that the Issuer charges on certain loans or other products must be changed, and consequently any of these events may have a material adverse effect on the Issuer's business, financial condition and the results of its operations.

The fulfilment of both the current and future capital requirements as set out by the European authorities and by the Bank of Portugal could lead the Issuer's Group to attract additional capital and/or to face adverse consequences

The own funds requirements' represent a measure of the activity risk, notably of the credit risk, market (currency and trading portfolio risks included) and operational risks, which are calculated according to the prudential regulations in force.

Regarding credit risk, the Issuer's Group applies the standard approach to obtain the prudential capital requirements. As to the operational risk, the Issuer's Group uses the basic indicator approach. The capital should not only cover the applicable requirements on current activity (such as the solvability ratio requirements and any other requirements imposed by the supervisory authorities) but also take into account the strategic needs of growth, subject to market conditions (such as the cost of capital and cost of debt) as well as preserve a solid reputation among its customers, shareholders and other stakeholders.

The own funds required to meet those objectives are calculated taking into account the financial statements of the Issuer, pursuant to the applicable law or regulations in force. Basel III Recommendations were enacted as European Union law through the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions (the "**CRD IV**") and the Regulation 575/2013 of the European Parliament and of the Council of 26 June establishing new and detailed prudential requirements to be observed by institutions (the "**CRR**"). The CRR is directly applicable to the Member States since 1 January 2014 and includes provisions regarding, for instance, own funds requirements, minimum capital ratios, liquidity ratios.

Regarding capital ratios, the banks were obliged to a minimum compliance with a gradually increase until 1 January 2019.

Pilar 1 minimum requirements stand at 4.5 per cent. for Core Tier 1, 6 per cent. For Tier 1 and 8 per cent. For total capital ratio.

CRD IV includes general rules and supervision powers, wages, governance and disclosure requirements as well as an introduction of 5 additional capital buffers:

- A capital conservation buffer of 2.5 per cent. of risk-weight assets;
- Countercyclical capital buffer rate between 0 and 2.5 per cent. of Core Tier 1 assets, pursuant to the conditions to be established by the competent authorities;
- Systemic risk buffer: i) applicable to the institutions with a global systemic importance: between 1 and 3.5 per cent.; ii) applicable to other institutions with a systemic importance: between 0 and 2 per cent.; and iii) macroprudential systemic risk: between 1 and 3 per cent. or between 3 and 5 per cent., depending on the economical conjecture.

These buffers, apart from the macroprudential systemic risk, were determined to apply gradually from 2016, although the Member States could anticipate this.

The Bank of Portugal, in the exercise of its powers as national macro-prudential authority, has decided that the capital conservation buffer would be phased-in; as of January 2017, the buffer was set at 1.25 per cent., as of January 2018, the buffer is set at 1.875 per cent; and as of January 2019, the buffer is set at 2.5 per cent..

The Bank of Portugal, in the exercise of its powers as national macro-prudential authority, has set the countercyclical buffer rate at 0 per cent. of the total risk exposure amount, which started in 1 January 2016. This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of Bank of Portugal or the ECB (Single Supervisory Mechanism), as applicable. The Bank of Portugal reviews this decision on a quarterly basis.

Considering the minimum capital levels already defined on both the CRR and CRD IV, banks shall comply with:

- Minimum CET1 ratio: 7 per cent. (4.5 per cent. base value and an additional 2.5 per cent. of capital conservation buffer);
- Minimum Tier 1 ratio: 8.5 per cent. (6 per cent. base value and an additional 2.5 per cent. capital conservation buffer);
- Total ratio: 10.5 per cent. (8.0 per cent. base value and an additional 2.5 per cent. capital conservation buffer).

The CRD IV has been transposed in Portugal by Decree-Law no. 157/2014 which has amended several laws and decree-laws, including the General Regime for Credit Institutions and Financial Companies ("**RGICSF**", enacted by Decree-Law no. 298/92, dated 31 December, as amended from time to time). These were accompanied by the entry into force of Bank of Portugal's Notice No. 6/2013, of 23 December 2013, which established how the transitional provisions of the CRD IV would apply to minimum capital requirements and the respective calculation.

A 5 year transitory period was projected in order to adapt the previous applicable rules to the newregulations.

As of 31 December 2017, Issuer's capital ratios were:

Capital ratios fully loaded
CONSOLIDATED

M.€	31 Dec. 2016		31 Dec. 2017			
	As reported	Proforma (including the sale of 2% of BFA and deconsolidation)	As reported	Proforma (IFRS9 and sale of subsidiaries & businesses)	Capital requirements 2018 (SREP)	Capital requirements fully loaded (SREP)[1]
CET1 ratio	11.1%	10.3%	12.3%	13.0%	8.75%	9.75%
Tier I ratio	11.1%	10.3%	12.3%	13.0%	10.25%	11.25%
Total capital ratio	11.2%	10.3%	14.0%	14.7%	12.25%	13.25%
Leverage ratio			6.8%		3.0%[2]	

Capital ratios phasing in
CONSOLIDATED

M.€	31 Dec. 17
	As reported
CET1 ratio	13.2%
Tier I ratio	13.2%
Total capital ratio	14.6%
Leverage ratio	7.4%

- Total capital ratio fully loaded of 14.0%
- Total capital ratio fully loaded proforma considering the full recognition of the impact from IFRS 9 application and the sale of subsidiaries and businesses announced in Nov. and Dec. reaches 14.7%
- BPI meets SREP minimums for CET1, T1 and total ratio
- Leverage ratio of 6.8% fully loaded

1) Minimum requirements applicable in 2021.
2) Minimum value in calibration.

Source: Issuer's 2017 results presentation (unaudited)

Changes in the Basel Committee's recommendations, and/or new recommendations, can adversely affect the Issuer

Recent developments in the banking market have suggested that even stricter rules may be applied by a later framework ("**Basel I**V"), which is expected to follow Basel III and will require more stringent capital requirements and greater financial disclosure. Basel IV is likely to comprise higher leverage ratios to be met by the banks, more detailed disclosure of reserves and the use of standardised models, rather than banks' internal models, for the calculation of capital requirements.

The Basel Committee is working on several policy and supervisory measures aimed at enhancing the reliability and comparability of risk-weighted capital ratios. These measures include revised standardised approaches for credit risk and for operational risk, a set of constraints on the use of internal model approaches for credit risk, including exposure-level, model-parameter floors, and a leverage ratio minimum requirement, and aggregate capital floors for banks that use internal models based on the proposed revised standardised approaches.

In 2014, the Basel Committee issued a final regulatory text for a new standardised approach for measuring counterparty credit risk exposures, which is included in the Proposals (as defined below). Moreover, in January 2016, the Basel Committee completed the Fundamental Review of the Trading Book, a comprehensive revision of the capital adequacy standard for market risk, which is also included in the Proposals. The new standard entails substantial revisions to both the standardised approach and the internal models approach. Furthermore, in March 2016, the Basel Committee published a proposal for a new standardised measurement approach for operational risk, which would replace all existing approaches for operational risks, including the Advanced Measurement Approach, which is the internal model-based approach for measuring operational risk in the current framework.

In December 2014, the Basel Committee issued a consultative document on the design of a capital floor framework. The framework would be based on the proposed revised standardised approaches, to limit the risk of capital requirements being too low due to the use of internal models. The new floor framework would replace the current capital floor, based on the Basel I standard, for banks using internal models.

In December 2015, the Basel Committee published its second consultative document on a revised standardised approach for credit risk. The document proposes, among other things, to reduce reliance on external credit ratings, increasing risk sensitivity and reducing national discretions.

In March 2016, the Basel Committee proposed constraints on the use of internal model approaches for credit risk. In particular, the Basel Committee proposed to remove the option of using the IRB approaches for certain exposures; to adopt exposure-level, model-parameter floors; and to provide greater specification of parameter estimation practices.

The new framework is in the process of being finalised for all relevant workstreams and there is a high degree of uncertainty with regards to the Basel Committee's final calibration of the proposed reforms, and subsequently, how and when these reforms will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact on future capital requirements.

New requirements related to the liquidity ratios may affect profitability

Basel III recommendations endorse the implementation of liquidity coverage ratios of short and medium/long term liabilities, known as Liquidity Coverage Ratio and the Net Stable Funding Ratio. The Liquidity Coverage Ratio ("**LCR**"), addresses the sufficiency of the high quality liquidity assets to meet short-term liquidity needs under a severe stress scenario and is calculated in accordance with the Commission Delegated Regulation (EU) 2015/61 of the EC, of 10 October 2014. The Net Stable Funding Ratio ("**NSFR**") seeks to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one year period and is estimated in accordance with Basel III methodology.

In 2017, for the purpose of the LCR, financial institutions should maintain a portfolio of high quality liquid assets corresponding to 80 per cent. of its total net cash outflows in the following 30 days. As of 2018, this requirement increased to 100 per cent.

As of 31 December 2016, as per Issuer's 2016 Annual Report, at the end of 2016, the LCR was 161 per cent. (in the consolidated accounts), based on the rules for fully-implemented CET1 capital.

As of 31 December 2017, as per Issuer's 2017 results presentation (unaudited), the Issuer's LCR (average 12 months, according to EBA guidance) was 171 per cent. (average amount (last 12 months) of LCR components calculation: Liquidity Reserves (3 857 M.€); Total net outflows (2 263 M.€).

Although this implementation process is now concluding, there are still some uncertainties regarding the implementation of Basel III, which could entail additional changes to the Issuer and may have a negative impact on the Issuer's results.

The performance of the financial assets is in general inversely correlated with its liquidity. The fulfilment of those ratios by the Issuer may lead to the constitution of portfolios with high liquidity assets but low profitability. Additionally, it may lead to an increase in the financing costs, since the ratios favours the long-term financing over the short-term. These changes may have a negative impact on the Issuer's results.

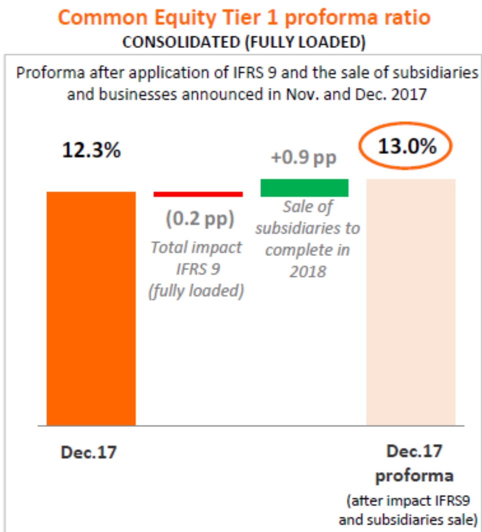
Risks relating to the rules governing the formation of impairments and provisions

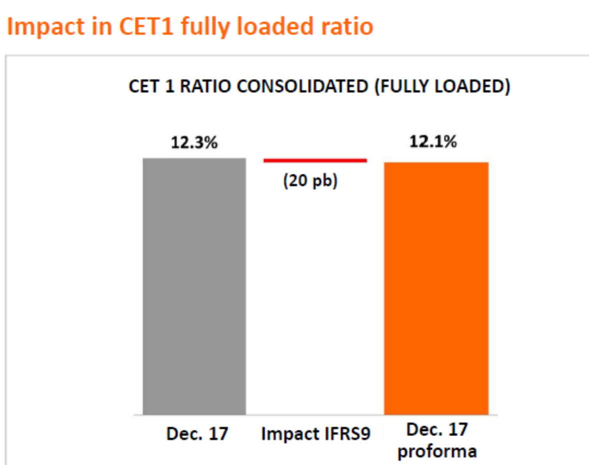
European and Portuguese regulations establishes minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Any change in the applicable requirements could have a material adverse effect on the results of operations of the Issuer.

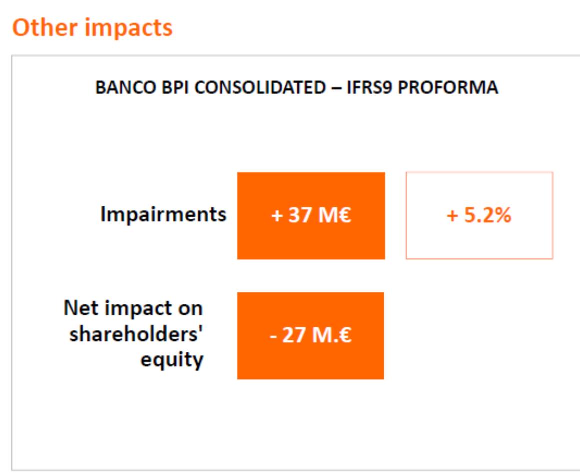
IFRS 9 introduces changes in the way in which financial institutions calculate impairment loss on their financial instruments, in particular as regards loans to Customers. IFRS 9 uses an expected loss model (Expected Credit Loss – ECL) replacing the incurred loss model used by IAS 39. In accordance with this new model, entities must recognize expected losses prior to the occurrence of the loss events. There is also the need to include forward-looking information in the estimates of expected loss, with the inclusion of future trends and scenarios, namely macroeconomic scenarios. The ECL concept required by IFRS 9 also has differences in relation to the Expected Loss concept set out in CRD IV.

The IFRS 9 was implemented in January 2018, pursuant to Commission Regulation (EU) 2016/2067 of 22 November 2016, amending Regulation (EC) No 1126/2008 (the "IFRS9 Regulation"). The inclusion of the forward-looking approach and changes to the assessment of significant credit risk deterioration, as per the IFRS9 Regulation, can lead to an impact on Issuer's business activities, financial condition or results of operations. The impact is related to the potential increase in the value of provisions and the higher sensivity of the value of provisions based on Issuer's assumptions on the future economical outcome.

As per Issuer's 2017 results presentation (unaudited), the full impact from the application of IFRS 9 accounting standard in the CET1 fully loaded ratio was -0.2 p.p..







Source: Issuer's 2017 results presentation (unaudited)

Compliance Risks faced by the Issuer

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

Additionally, on 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the "General Data Protection Regulation") becomes enforceable. Being a regulation, it is directly effective in all Member States without the need for the implementation of additional national legislation. The implementation and compliance with this regulation (and any additional national legislation passed in the context of the General Data Protection Regulation) is complex and entails significant costs and time, given that the General Data Protection Regulation introduces substantial and ambitious changes. Non-compliance with the General Data Protection Regulation may cause reputational damages and the application of very significant fines. The final impact on and costs arising for the Issuer from the implementation and compliance with the General Data Protection Regulation cannot be anticipated.

The creation of a deposit protection system applicable throughout the EU may result in additional costs to the Issuer

On 2 July 2014, Directive 2014/49/EU providing for the establishment of deposit guarantee schemes (the "**recast DGSD**") and the harmonization of the deposit guarantee systems throughout the EU entered into force. The recast DGSD introduces harmonised funding requirements (including risk-based levies), protection for certain types of temporary high balances, a reduction in pay-out deadlines, harmonisation of eligibility categories (including an extension of scope to cover deposits by most companies regardless of size) and new disclosure requirements and was transposed in Portugal through Law no. 23-A/2015, of 26 March 2015, amended by Law no. 66/2015, of 6 July 2015.

Furthermore, a proposal for a Regulation of the European Parliament and of the Council amending the Regulation (EU) No. 806/2014 in order to establish an European Deposit Insurance Scheme is currently under discussion at a EU level.

As a result of these developments, the Issuer's Group may incur additional costs and liabilities which may adversely affect the Issuer's operating results, financial condition and prospects. The additional indirect costs of the deposit guarantee systems may also be significant, even if they are much lower than the direct contributions to the fund, as in the case of the costs associated with the provision of detailed information to clients about products, as well as compliance with specific regulations on advertising for deposits or other products similar to deposits, thus affecting the activity of the relevant banks and consequently their business activities, financial condition and results of operations.

Potential impact of the recovery and resolution measures on BPI's activity

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

The provisions of the BRRD aim at harmonizing the resolution procedures of, among other things, credit institutions of European Union Member States and provide the authorities of such Member States with tools that aim to prevent insolvency or, when insolvency occurs, to mitigate its adverse effects, by maintaining the systemically key functions of said institutions.

This new framework provides for, among others, the following features:

- Preparation and planning stage: Preparation for adopting measures of recovery and resolution, including (a) drawing up and submitting recovery plans by credit institutions to the competent authority for evaluation, which shall provide for the measures to be taken for restoring their financial position following a significant deterioration of their financial position and (b) drawing up of a resolution plan for each credit institution or group;

- Early intervention stage: When the institution breaches the applicable legal requirements governing its activity or is likely to breach them in the near future, the competent authority is conferred with power to, among others: (a) limit or modify exposure to risk; (b) require additional information; (c) set restrictions or prohibitions on certain activities and changes to group structures; (d) restrict or prohibit the distribution of dividends to shareholders or the payment of interest to holders of additional tier 1 instruments; (e) replace managers or directors; and (f) require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution.

- Resolution measures: The resolution measures that may be implemented by the resolution authority, either individually or in conjunction, are:

  - Sale of business tool**:** transfer to a purchaser, by virtue of a decision of the resolution authority, of shares or other instruments of ownership or of some or all of the rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution, without the consent of the shareholders of the institution under resolution or of any third party other than the acquirer;

  - Bridge institution tool**:** establishment of a bridge institution by the resolution authority, to which shares or other instruments of ownership or some or all of the rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution are transferred without the consent of the shareholders of the institution under resolution or of any third party;

  - Asset separation tool (to be used only in conjunction with another resolution measure): transfer, by virtue of a decision of the resolution authority, of rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of an institution under resolution or of a bridge institution to one or more asset management vehicles, without the consent of the shareholders of the institutions under resolution or of any third party other than the bridge institution. The asset management vehicles are legal persons owned in total or partially by the relevant resolution fund;

  - Bail-in tool: write-down or conversion by the resolution authority of certain obligations of an institution under resolution, as defined under the applicable law (other than, for instance, covered deposits and secured obligations, such as Covered Bonds). However, to the extent that the Cover Pool is insufficient to meet all claims of the holders of Covered Bonds, such holders of Covered Bonds will have an unsecured claim over the Issuer for the uncovered claims, thus being subject to bail-in. In exceptional circumstances, when the bail-in tool is implemented, the resolution authority may exclude or partially exclude certain liabilities from the application of the write-down or conversion powers. This exception shall apply in case it is strictly necessary and proportionate and shall fall under the specific requirements provided by law.

Resolution measures may be applied to institutions if the resolution authority considers that the relevant institution and/or certain other members of the institution's group meet the following conditions ("**Resolution Conditions**"): (a) such institutions and/or certain other members of the respective institution's group are failing or likely to fail, (b) there is no reasonable prospect that such failure will be avoided within a reasonable timeframe by the adoption of any measures by the relevant institutions and/or certain other members of the relevant institution's group, the application of early intervention measures or through the application of a Non-viability Loss Absorption Measure (as defined below), (c) a resolution action pursues any of the public interests listed below and (d) which would not be pursued more effectively by the commencement of winding-up proceedings against the relevant institution:

- ensures the continuity of essential financial services for the economy;
- prevents serious consequences to financial stability, including by preventing contagion between financial entities and maintaining market discipline;
- protects the interests of taxpayers and the public treasury by minimising the use of public funds;
- protects the funds and assets held for and on behalf of clients and related investment services; and
- safeguards the confidence of depositors and investors protected by any applicable depositors and investors compensation schemes.

For the purposes of applying resolution measures, an institution, and/or certain other members of the institution's group, is considered to be failing or likely to fail when either: (a) it is, or is likely in the near future to be, in breach of requirements for maintaining its licence; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (d) it requires extraordinary public financial support, except when, in order to remedy a serious disturbance in the Portuguese economy and preserve financial stability, the extraordinary public financial support takes the form of: (i) a State guarantee to back facility agreements, including liquidity facilities provided by central banks according to the central banks' conditions and newly issued liabilities; or (ii) a public investment capitalisation transaction, subject to, at the time such public investment is carried out, none of the Resolution Conditions, nor any of the Non-viability Loss Absorption Tool Conditions (as defined below) having to be met by the relevant institution.

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

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

Finally, pursuant to the RGICSF, prior to the application of a resolution measure, the resolution authority shall engage an independent entity for the purposes of carrying out a valuation of an institution's assets, liabilities and off-balance sheet items. In the application of any resolution measure, the resolution authority shall ensure that an institution's first losses are borne by the respective shareholders, followed by the creditors (save for depositors covered by a deposit guarantee scheme) of an institution, in an equitable manner and in accordance with the order of priority of the various classes of creditors under normal insolvency proceedings.

As regards the bail-in resolution tool, it may be used alone or in combination with other resolution tools where the relevant resolution authority considers that an institution meets the Resolution Conditions and gives such resolution authority the power to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims into equity, which could also be subject to any future application of the general bail-in tool. In addition to the resolution tools described above, the RGICSF provides for the resolution authorities to have the further power to permanently write-down, or convert into equity (common equity tier 1 instruments), capital instruments such as Tier 2 instruments and Additional Tier 1 capital instruments at the point of non-viability of an institution or such institution's group and before any other resolution action has been taken (the "**Non-viability Loss Absorption Measure**"). Any shares issued upon any such conversion into equity may also be subject to any application of the bail-in tool.

For the purposes of the application of any Non-viability Loss Absorption Measure, the point of non-viability under the RGICSF is the point at which any of the following conditions (the "Non-viability Loss Absorption Tool Conditions") is met:

- the resolution authority determines that an institution or such institution's group meets any of the Resolution Conditions and no resolution measure has been applied yet;
- the resolution authority determines that an institution or such institution's group will no longer be viable unless the relevant capital instruments are written-down or converted; or
- extraordinary public support is required and without such support the institution would no longer be viable.

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

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

Minimum Requirement for own funds and Eligible Liabilities could have a material effect on the Issuer

In accordance with Article 145-Y of the RGICSF, financial institutions will be required to meet a minimum requirement for own funds and eligible liabilities ("**MREL**") capable of being bailed in. The requirement will be equal to a percentage of total of liabilities and own fund of the financial institution. The Bank of Portugal, in the exercise of its powers as national macro-prudential authority and having duly notified the ECB, under Article 5 of Council Regulation (EU) No. 1024/2013, of 15 October 2013, which did not object to such decision, and after having also consulted the National Council of Financial Supervisors, under Article 2 (3) (b) of Decree-Law No. 228/2000, of 23 September, as amended from time to time, decided to impose capital buffers to credit institutions identified as systemically important institutions ("O-SIIs"). For that purpose, as set out in the legal and regulatory provisions, the Bank of Portugal published on 29 December 2015 a table with the names of the banking groups identified as O-SIIs in 2015 and the respective capital buffers, as a percentage of the total risk exposure amount. These buffers shall consist of CET1 capital on a consolidated basis and are applicable since 1 January 2017 onwards. In the case of the Issuer the buffer is 0.50 per cent., after the phasing-in period – see below. Simultaneously, the Bank of Portugal also published a more detailed document on the methodology for identification and calibration of the O-SII´s buffer. Later, on 30 November 2016, the Bank of Portugal published a table with the names of the banking groups identified as O-SIIs in 2016 and the respective capital buffers, as a percentage of the total risk exposure amount. These O-SIIs buffers shall consist of CET1 capital on a consolidated basis on the date hereof, are applicable to Banco BPI as follows: from 1 January 2018, 0.125 per cent; from 1 January 2019, 0.25 per cent.; from 1 January 2020, 0.375 per cent.; from 1 January 2021, 0.50 per cent..

In order to comply with this ratio, the Issuer may be requested in the future to issue additional liabilities capable of being bailed in.

The impact on BPI of the recent resolution measures in Portugal cannot be anticipated

Following the decision by the Bank of Portugal on 3 August 2014 to apply a resolution measure to Banco Espírito Santo, S.A. ("**BES**"), most of its business was transferred to a bridge bank, whose corporate designation is "Novo Banco", created especially for that purpose. The capitalization of "Novo Banco" was ensured by the Resolution Fund.

The Resolution Fund has its own resources as provided for in the RGICSF. Nevertheless, the implementation of the Single Resolution Mechanism had a significant impact in this regard as the initial and periodic contributions from the participating institutions have been (by reference to the date of the implementation of the BRRD in Portugal) and are now fully transferred to the Single Resolution Fund. Therefore, in order to understand what are exactly the resources of the Resolution Fund, the provisions of the RGICSF in this regard must be construed in conjunction with the provisions of the Regulation (EU) No. 806/2014.

In this context, the Resolution Fund can count with the resources arising from the following sources: (a) contributions over the banking sector, (b) initial, periodic and special contributions from institutions participating in the Resolution Fund and collected before the implementation of the BRRD in Portugal, (c) initial, periodic and special contributions from institutions participating in the Resolution Fund collected pursuant to Decree-Law no. 24/2013, of 19 February, and due under the transitional regime provided for in Law no. 23-A/2015, of 26 March (aimed at enabling compliance with the obligations undertaken by the Resolution Fund in the context of the application of resolution measures before 31 December 2014), (d) initial, periodic and special contributions from the investment firms not subject to the ECB's supervision, branches of credit institutions of third countries, entities relevant for the payments system not subject to the ECB's supervision, (e) proceeds derived from investment applications and from the Resolution Fund activity, (f) donations, (g) loans, and (h) other proceeds legally or contractually allocated to the Resolution Fund.

In the specific case of the resolution measure relating to BES, the Resolution Fund provided € 4.9 billion to pay up the share capital of "Novo Banco". Of this amount, € 377 million corresponded to the Resolution Fund's own financial resources, resulting from the contributions already paid by the participating institutions, € 3.9 billion corresponded to a loan granted by the Portuguese State to the Resolution Fund which will subsequently be repaid and remunerated by the Resolution Fund and € 700 million corresponded to a banking syndicated loan made to the Resolution Fund, with the contribution of each credit institution depending on various factors, including their size. As of 31 December 2017, the Issuer's share of this loan was € 116.2 million. If only BPI 's share of €116.2 million, of the €700 million loan, granted by the credit institutions to the Resolution Fund to capitalise Novo Banco, is considered, BPI 's participation would be in the region of 16.6 per cent..

The periodic contributions to the Resolution Fund required from each participating institution shall be determined by applying a contribution rate to an amount corresponding to (i) the average monthly balance of the total liabilities of each participating institution, minus (ii) such institution's own funds and liabilities for deposits covered by the Deposit Guarantee Fund ("Fundo de Garantia de Depósitos"). The applicable contribution rate is determined based on a base rate adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution.

The periodic contribution rate to be applied is set by the Bank of Portugal. For 2014 and 2015, the rate was 0.015 per cent. For 2016, the rate was 0.02 per cent. For 2017, the rate was 0.0291 per cent. For 2018 the rate will be of 0.0459 per cent.

On 21 March 2017, the Resolution Fund announced the completion of an amendment agreement between the parties to the 2014 Portuguese State Loan, the 2015 Portuguese State Loan and the Participants Loan (jointly, the "Loans") whereby (i) the maturity dates of the Loans have been extended to 31 December 2046, the date on which the Resolution Fund is required to pay the full principal amount of the Loans, (ii) the parties have agreed that the new maturity dates of the Loans would be further adjusted in the future to the extent required to ensure that the Resolution Fund would be able to perform its payment obligations under the Loans based only on the proceeds from the regular revenues of the Resolution Fund, (iii) the parties have further agreed that the Loans would rank *pari passu* without any preference among themselves and (iv) the Resolution Fund has undertaken that, before the full payment of any amounts due and payable in respect of the Loans, it would not make any payments of principal or interest under any other loans obtained by it after 31 December 2016 to fund any contingent liabilities arising in connection with the resolution measures applied to BES and Banif – Banco Internacional do Funchal, S.A. ("**Banif**"). A press release confirming the completion of this amendment agreement was also published by the Ministry of Finance on the same date. The agreement reached between the parties to the Loans was designed with the goal of ensuring that the Resolution Fund would be able to fully perform all of its actual or contingent liabilities in connection with the resolutions of BES and Banif, using the ordinary contributions made by the participating institutions and the contribution from the banking sector, thereby avoiding the need for any special contributions.

On 31 March 2017, the Bank of Portugal announced that a share purchase and subscription agreement relating to the share capital of Novo Banco was entered into between the Resolution Fund and Lone Star. On 18 October 2017, the Bank of Portugal and the Resolution Fund concluded the sale of Novo Banco to Nani Holdings, SGPS, S.A. (a 100 per cent. subsidiary of LSF Nani Investments S.à.r.l), with a share capital increase fully subscribed by Nani Holdings, SGPS, S.A. in the amount of € 750 million, which was followed by a further share capital increase occurred by the end of 2017 in the amount of € 250 million. Nani Holdings, SGPS, S.A. now holds 75 per cent. of Novo Banco's share capital and the Resolution Fund holds 25 per cent. of Novo Banco's share capital.

According to the information contained in the statement of the Bank of Portugal regarding the sale of Novo Banco, which may be consulted at www.bportugal.pt, and in the European Commission's press release, which may be consulted at www.europa.eu, the agreed conditions for the sale of Novo Banco include a contingent capital mechanism, under which the Resolution Fund, as shareholder, undertakes to make capital injections of up to € 3.89 billion in case certain cumulative conditions materialise related to: (i) the performance of an identified set of assets of Novo Banco; and (ii) the evolution of Novo Banco's capitalisation levels. The possible capital injections to be made under this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made under the terms of the transaction and are subject to a maximum absolute limit. On the date hereof, any amounts which the Resolution Fund may need to disburse under the contingent capital mechanism described in the paragraph above cannot be estimated, and accordingly any impact which any such disbursements could have on the Resolution Fund and its resources and on the credit institutions which are contributing participants of the Resolution Fund, including the Issuer, can also not be estimated.

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

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

On 20 December 2015, the sale of the business of Banif and of most of its assets and liabilities to Banco Santander Totta, S.A. ("**Banco Santander Totta**") for the amount of €150 million was announced. Accordingly, the overall activity of Banif was transferred to Banco Santander Totta except the assets transferred to an asset management vehicle (Oitante, S.A.) set up in the context of the application by the Bank of Portugal of the aforementioned resolution measure. This transaction involved an estimated public support of €2,255 million to cover future contingencies, of which €489 million was provided by the Resolution Fund (which was financed by a loan in the same amount granted by the Portuguese State (the "**2015 Portuguese State Loan**")) and €1,766 million directly by the Portuguese State, as a result of the determination of the assets and liabilities to be sold as agreed between the Portuguese authorities, European bodies and Banco Santander Totta. The current outstanding principal amount of the 2015 Portuguese State Loan is € 353 million.

As mentioned above, the Resolution Fund is ultimately financed by the banking system, and thus the outcome of any disposals to be made by or on behalf of the Resolution Fund will ultimately be borne by the institutions required to fund the Resolution Fund, including BPI. However, given the aforementioned agreement between the State and the Resolution Fund, BPI and the other institutions participating in the Resolution Fund are not expected to be required to make special contributions to the Resolution Fund as a result of any actual or potential liabilities incurred or to be incurred by the Resolution Fund in connection with the resolution measures applied to Banif.

The Resolution Fund has disclosed on its website (www.fundoderesolucao.pt) its annual management report and accounts for the financial year ended on 31 December 2016 ("**Resolution Fund 2016 Accounts**"), from which the information below has been summarised or extracted.

By law, the financing of any eventual losses incurred by the Resolution Fund in the pursuit of its statutory purpose is of the exclusive responsibility of the participating institutions. On 31 December 2016, these losses amounted to € 4,760 million, corresponding to the Resolution Fund's own negative resources, according to the last publicly disclosed information in this regard (see pages 14, 17 and 18 of the Resolution Fund's 2016 Accounts with respect to the Resolution Fund's activity, and pages 33, 34, 42 and 43 with respect to its financial statements of the same document). Additionally, these accumulated losses essentially reflect the recognition of an impairment loss in 2016 of 100% of the shares held in Novo Banco S.A., in the amount of € 4,900 million, and, less significantly, the impairment loss of the credit right over Banif for the financial support provided concerning the intake of losses for the year 2015 (see page 49). As mentioned above, the Resolution Fund now holds 25 per cent. of Novo Banco's share capital.

It should further be noted that, as at 31 December 2016, the Resolution Fund was involved in several legal proceedings, either as a defendant or as an interested counterparty. In particular, the resolution measure applied to BES, in the form of a transfer of the majority of its activity and assets to a bridge bank (Novo Banco), can be identified as the main underlying cause of the increasing number of judicial lawsuits against the Resolution Fund. It should be noted that lawsuits regarding the application of resolution measures are legally unprecedented, which makes it impossible to apply related case-law in their assessment and to estimate the possible associated contingent financial effect (see page 50, note 22).

On 30 March 2016, the Memorandum of Understanding on the Dialogue Procedure with Unqualified Investors which are Holders of Commercial Paper of the Espírito Santo Group ("*Memorando de Entendimento sobre um Procedimento de Diálogo com os Investidores não Qualificados Titulares de Papel Comercial do Grupo Espírito Santo*") was signed between the Portuguese Government, the Bank of Portugal, the Portuguese Securities Market Commission (CMVM), BES and AIPEC - Associação de Indignados e Enganados do Papel Comercial. The work developed in the context of this dialogue procedure resulted in a solution framework which implies the express renunciation, by those investors in agreement, of all rights, claims and legal proceedings against the Resolution Fund, and against Novo Banco S.A. and its future shareholders. In accordance with the public information, as of the date of the Resolution Fund 2016 Accounts, the Resolution Fund shall address this solution with financing from the banks, with a possible State guarantee (see page 50, note 22.1). This solution is currently being implemented, also further to approval of according legislation by the Portuguese legislative bodies.

In accordance with the law, the Resolution Fund shall pay compensation to the shareholders and to the creditors of a credit institution subject to a resolution measure in the event that it is determined that they have borne losses superior to those they would have borne had the resolution measure not been applied and had the credit institution subject to resolution entered into liquidation at the moment this measure was applied. Furthermore, in accordance with the law, the Bank of Portugal has designated an independent entity for the purposes of carrying out an estimate of the credit recovery levels of each class of creditors of BES in the hypothetical scenario of liquidation on 3 August 2014, had the resolution measure not been applied. As announced in a Bank of Portugal statement published on 6 July 2016, given the independent character of the designated entity, the contents of its report and respective conclusions do not necessarily correspond to the opinion or position of the Bank of Portugal. This statement also presents a summary of the results of the independent estimate carried out by the designated entity, and clarifies that BES' secured and privileged credits were transferred to Novo Banco under the terms of the resolution measure established by the Bank of Portugal. The right to compensation by the Resolution Fund, with respect to the ordinary creditors whose credits were not transferred to Novo Banco, will only be decided at the close of BES' process of liquidation. Until then, it will still be necessary to further clarify a complex set of legal and operational questions, notably concerning entitlement to the right to compensation by the Resolution Fund. As such and all things considered, it is impossible for the time being to estimate the compensation amount to be paid upon termination of the BES liquidation. The Resolution Fund considers that there are still insufficient elements to assess the existence and/or value of this potential liability, both in terms of the resolution measure applied to BES and the resolution measure applied to Banif (see page 51, note 23.2).

On 29 December 2015, the Bank of Portugal clarified that the Resolution Fund is responsible for neutralising, by way of payment of compensation to Novo Banco, any possible negative effects of future decisions arising from the resolution procedure, and which result in liabilities or contingencies for the bank. Considering the lack of judicial precedent in this regard, it is impossible to reliably estimate the potential contingent financial effect (see page 52, note 23.3).

As mentioned above, the sale of Novo Banco included the aforementioned contingent capital mechanism and the Resolution Fund accepted to retain 25 per cent. of Novo Banco's share capital.

The Resolution Fund has provided a guarantee in the amount of € 746 million over the bonds issued by Oitante S.A. With the aim of ensuring that the Fund will have the necessary financial resources at its disposal for the enforcement of this guarantee at the maturity date, in the event that Oitante, the principal debtor, defaults on its obligations, the Portuguese State has counter-guaranteed the abovementioned bond issue. In the last quarter of 2016, Oitante S.A. carried out early partial redemptions in the total amount of € 90 million, thereby reducing the amount of the guarantee provided by the Resolution Fund to € 656 million (see page 51, note 23.1).

The recognition and payment of costs by the Resolution Fund with respect to Novo Banco's sale process is under clarification. This may possibly result in the Resolution Fund incurring expenses of € 16.5 million (of which € 9.7 million refer to the years 2014 and 2015, and € 6.8 million refer to the year 2016) (see page 52, note 23.4). The costs with respect to 2017 are not included in the Resolution Fund 2016 Accounts, from which this information has been extracted.

In light of the foregoing, the final impact the resolutions of Banif and/or of BES, as described above, may have on the Issuer cannot be anticipated.

Changes to tax legislation and to other laws or regulation can adversely affect the Issuer

The Issuer might be adversely affected by changes in the tax legislation and other laws or regulations applicable in Portugal, EU, Angola and other countries in which it operates or may operate in the future, as well as by changes of interpretation by the competent tax authorities or courts of legislation and regulation. The measures taken by the Portuguese Government to balance public accounts and to stimulate the economy may result in higher taxes or lower tax benefits. Further changes or difficulties in the interpretation of or compliance with new tax laws and regulations might negatively affect the Issuer's business, financial condition and results of operations.

Risks relating to changes in legislation on deferred tax assets could have a material adverse effect on the Issuer

The CRR – which reflects the international regulatory framework for Banks developed by the Basel Committee in 2010 (the so-called Basel III), in relation to capital requirements and computation of solvency ratios of credit institutions – requires Deferred Tax Assets (DTA) to be deducted from Common Equity Tier 1 capital.

Article 39 of the CRR, however, contains an exception for DTA that do not rely on future profitability, foreseeing that such DTA are not deducted from Common Equity Tier 1 capital. For such purposes, DTA are deemed not to rely on future profitability when:

a) They are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss when the annual financial statements of the institution are formally approved, or in the event of liquidation or insolvency of the institution;

b) The abovementioned tax credit may, under national tax law, be offset against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to the supervision on a consolidated basis;

c) Where the amount of tax credits referred to in point (b) exceeds the tax liabilities referred to in that point, any such excess is replaced without delay with a direct claim on the central government of the Member State in which the institution is incorporated.

The deduction of DTA to Common Equity Tier 1 capital would thus have a special impact on credit institutions established in Member States where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses – namely Italy, Spain and Portugal.

In this regard, the Italian and Spanish Governments enacted, in 2011 (Italy) and 2013 (Spain, with retroactive effects to 2011), amendments to national tax law that allow the conversion of DTA into tax credits, with the aim of fulfilling the requirements for non-deductibility of DTA from Common Equity Tier 1 capital of resident credit institutions.

The Portuguese Government approved Law no. 61/2014, of 26 August 2014, as amended from time to time, which implements a similar regime, allowing Corporate Income Taxpayers to convert DTA arising from credit impairment losses and post-employment and long-term employment benefits into tax credits.

This Law foresees that any DTA arising from the abovementioned items, accounted in taxable periods starting on or after 1st January 2015, or registered in the taxpayers accounts in the last taxable period prior to that date, may be converted into tax credits when the taxpayer: (i) reports an annual accounting loss when the annual financial statements of the institution are formally approved by the competent corporate bodies; or (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body. The conversion of DTA depends, however, on the constitution of a special reserve, equivalent to the amount of the tax credit obtained increase by 10 per cent, as well as on the issuance of warrants to the Portuguese Republic. The tax credits obtained with the conversion of DTAs may be offset against any State taxes on income and on assets payable by the taxpayer or any companies included in the same tax group or in the same group for purposes of prudential consolidation under the CRR.

The amendments to the DTA conversion regime enacted by Law no. 23/2016, of 19 August, establish that the DTA conversion is not applicable to any DTA arisen from the mismatch between the accounting and tax regimes from 1st January, 2016 onwards, without precluding its applicability to DTA generated concerning previous fiscal years.

As at 31 December 2017, the BPI Group had in its accounts € 412 million DTA, of which € 19 million related to reported losses and € 393 million related to temporary mismatches. Of these, € 205 million are dependent on future profitability and € 207 million are protected under the Portuguese fiscal regime. An adverse development could result if part of these DTA's are not recovered and consequently impact on the profitability and equity of BPI.

The DTA related to reported losses are deducted from regulatory capital, and the DTA related to temporary mismatches that depend on future profitability are partially deducted to capital (the portion that exceeds the threshold of 10 per cent. of CET1) and partially weighed at 250 per cent. Finally, the DTA related to temporary mismatches protected by the Portuguese fiscal regime are weighed at 100 per cent. Eventual changes to the Portuguese fiscal regime could negatively affect the protected DTA (that would eventually be converted into DTA related to temporary mismatches that depend on future profitability). However, at this point, there are no expected changes in the fiscal regime that could negatively affect the calculation of DTA on capital ratios.

Risks associated with the implementation of its risk management policies

Within its normal activity the Issuer is exposed to a number of risks that include market risk, credit risk, country risk, liquidity risk, counterparty risk, operational risk and legal risk. The Issuer has implemented management policies and procedures designed to ensure that each of those risks is duly monitored and controlled.

Although the Issuer has followed best practices in this area and takes into account what are believed to be worst case scenarios in calculations, the policies and procedures it employs to identify and manage these risks may not be fully effective.

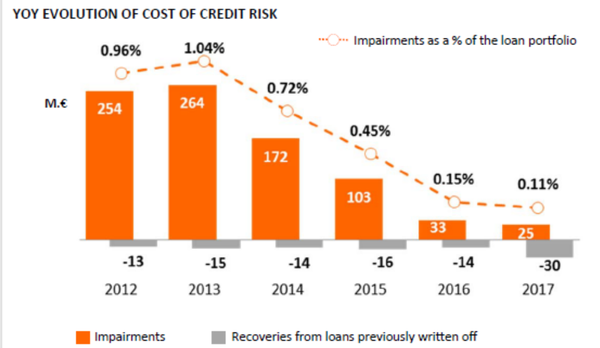
Credit Risk faced by the Issuer

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' business. Adverse changes in the credit quality of Issuer' borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in financial systems, could affect the recovery and value of the Issuer's assets and require to record impairment losses of loans and advances to Customers and other impairments and provisions. This would have a material adverse effect on the Issuer's financial condition and results of operations. The Issuer faces the risk of its borrowers and counterparties being unable to fulfil their payment obligations.

While the Issuer analyses its exposure to such borrowers and counterparties on a regular basis, as well as its exposure to certain economic sectors and regions which the Issuer believes to be particularly critical, payment defaults may result from circumstances which are unforeseeable or difficult to predict. In addition, the security and collateral provided to the Issuer may be insufficient to cover its exposure, for instance, as a result of sudden depreciations in the market which dramatically reduce the value of collateral. As such, in case borrowers or other material counterparties fail to comply with their payment obligations to the Issuer, this would have a material adverse effect on each of the Issuer's financial condition and results of operations. The Issuer is strongly dedicated to the management of credit risks and to the analysis of credit transactions. Credit portfolio management is an ongoing process that requires interaction between the various teams responsible for the management of risk during the consecutive stages of the credit process, with the purpose of improving risk control methodologies, risk assessment and control tools, as well as in procedures and decision circuits.

The Issuer continues to record credit-quality indicators at relatively good levels, having reinforced the provision of credit risk.

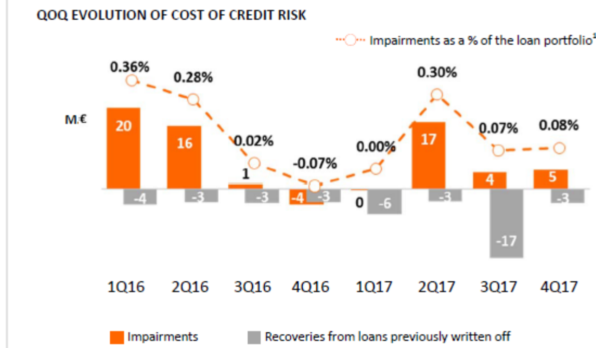
Cost of credit risk[1)]



COST OF CREDIT RISK
(Impairments after deducting recoveries from loans previously written off)

	2012	2013	2014	2015	2016	2017
M.€	242	249	158	87	19	-5
% loan porfolio	0.91%	0.98%	0.66%	0.38%	0.09%	-0.02%

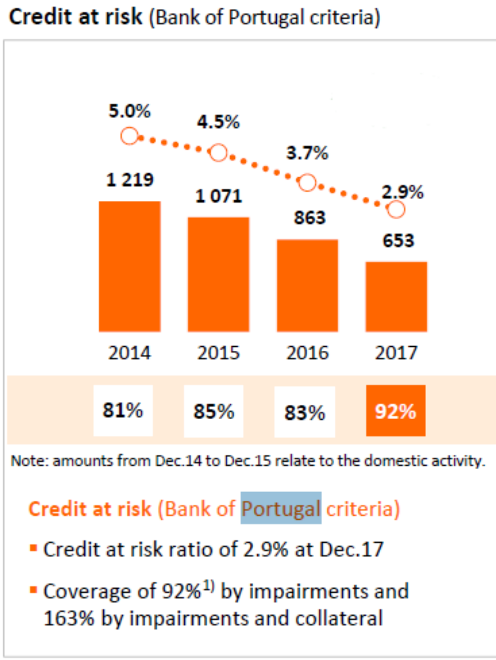
Note: amounts from Dec.12 to Dec.15 relate to the domestic activity.

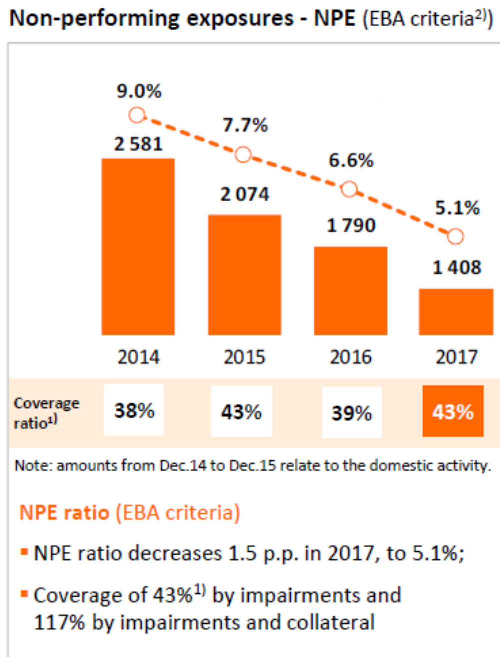


COST OF CREDIT RISK
(Impairments after deducting recoveries from loans previously written off)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
M.€	16	12	-2	-7	-6	14	-13	1
% loan porfolio[1]	0.29%	0.22%	-0.04%	-0.12%	-0.11%	0.24%	-0.04%	0.02%
% loan portfolio (last 12 months)	0.32%	0.24%	0.16%	0.09%	-0.01%	-0.01%	-0.06%	-0.02%

1) In annualised terms. In the annualisation of the indicator, a recovery of 14.2 M.€ in the third quarter related to a single situation was not annualised. The "Cost of credit risk" ratio corresponds to the definition of "Cost of credit risk as a % of the loan portfolio", which could be found in the Annex – Alternative Performance Measures of this Bases Prospectus.





1) Cover by impairments accumulated in the balance sheet for loans and guarantees; does not consider collaterals.

2) NPE ratio and forborne ratio considering the prudential supervision perimeter.

Source: Issuer's 2017 results presentation (unaudited)

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

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

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

An increase in the Issuer Group's losses resulting from defaulted loans or possible losses which exceed the amount of impairment losses accumulated in the balance sheet may have a significantly adverse effect on the Issuer.

Market Risk faced by the Issuer

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 intended to mitigate and control these and other market risks, and exposure to such risks is constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer’s financial condition and results of operations.

Infrastructure Risk faced by the Issuer

The Issuer faces the risk that computer or telecommunications systems could fail, despite efforts to maintain these systems in good working order. Given the high volume of transactions the Issuer process 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 its 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 it has in place, the Issuer’s ability to conduct business may be adversely affected by disruption to the infrastructure that supports its operations and the communities in which it does business.

Operational Risk faced by the Issuer

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

Legal risk is also included in the above definition. Legal risk represents the risk of losses arising from non-compliance with the regulations in force (due to inadequate document retention, failure to change processes as required by new legislation and/or differences in the interpretation of the law) or resulting from legal action.

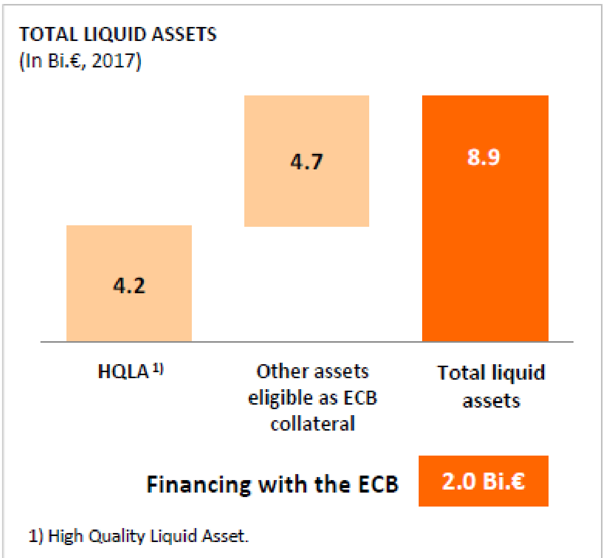
The Issuer's business is dependent on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems such as, for example, those of the Issuer'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 these operational risks.

Risks relating with market transactions on the Issuer’s own portfolio

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

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

At the end of December 2017, the assets eligible for ECB funding were:



M.€	Book value (M.€)	Gains/ (losses)	Residual maturity, years
Short-term public debt 3)	2 983	0	0.5
MLT public debt 4)	516	1	1.3
Equity, corporate bonds and other	377	85	
Total	**3 875**	**86**	

3) Portugal
4) Portugal (64%), Italy (36%).

Source: Issuer's 2017 results presentation (unaudited)

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

Liquidity risk faced by the Issuer

Since the second half of 2007, the wholesale funding markets (including the international debt capital markets) experienced significant disruptions. Such disruptions have resulted in an increase in the cost and a reduction in the availability of wholesale market funding across the financial services sector. The businesses of the Issuer and its respective abilities to access sources of liquidity have been constrained as a result. During this period, the Issuer has continued to manage its respective funding requirements closely. If the wholesale funding markets deteriorate further, it may have a material adverse effect on the liquidity and funding of financial services institutions including the Issuer. There can be no assurance that the wholesale funding markets will not deteriorate further.

Considering the inability to access the market, for short or medium long-term funding, the liquidity operations with the ECB are very important. The ECB establishes the valuation and the eligibility criteria for collateral assets to be used on repo transactions with financial institutions. Changes to these valuations or the eligibility criteria can have a negative impact on the amount of available assets for that purpose, and reduce the liquidity lines available from the ECB.

The rules on asset eligibility for Eurosystem operations were made more flexible, allowing for the creation of portfolios made up of mortgage, corporate loans and consumer credit. As of 30 June 2017, the Issuer had a portfolio of available assets eligible for obtaining funding from the ECB, totalling € 6.9 billion.

The Issuer continuously tracks the evolution of its liquidity, monitoring incoming and outgoing funds in real time. Projections of short and medium term liquidity are carried out in order to help plan the funding strategy in the monetary and capital markets. Total funding obtained by the Issuer from the ECB amounted to € 2 billion at the end of December 2017, corresponding entirely to funds raised under the TLTRO (Targeted Longer-term Refinancing Operations).The refinancing needs for medium and long-term debt up till the end of 2021 are fully covered by the redemptions of the bonds portfolio.

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

Counterparty Risk faced by the Issuer

The Issuer's business operations lead to contractual arrangements with customers, suppliers, financing partners, and trading counterparts which expose the Issuer to counterparty risks.

Every corporate exposure is reviewed by the Credit Committee of the Issuer at least once a year. Each limit is set with a specific validity date with a maximum of one year. Financial counterparties limits, both for money market and derivatives are proposed by the International Department from a strict set of rules that take into account counterparties own funds and ratings and are subject to the approval of the Executive Committee. These limits are also reviewed at least once a year. Rules regarding the composition of the Credit Committee and credit risk approval and management are documented in internal regulations.

As of 31 December 2017 credit risk exposures of the consolidated position are spread across a wide range of private individuals (39.0 percent), small and medium-sized enterprises (15.9 percent), industrial counterparties (7.0 percent), and financial institutions (3.4 percent). Exposure is mainly to Euro Zone residents (97.0 percent) with EU other countries (0.5 percent) and Other Countries (2.6 percent). The majority of exposure is to Portuguese counterparties (92.6 percent). Exposure to international financial institutions represents 2.0 percent of the total exposure.

Exposures against limits and counterparts' creditworthiness are monitored to ensure that the risks are at an acceptable level, and collateral is actively demanded from counterparts not fulfilling credit requirements.

However, there can be no assurance that the Issuer will not sustain losses as a result of default, litigation or other actions by one or more of its counterparties. Should this occur, it may negatively impact the ability of the Issuer to fulfil its obligations under the Covered Bonds issued under the Programme.

Hedging Risk faced by the Issuer

The Issuer engages in hedging transactions to reduce its exposure to various types of risks associated with its business. Hedging transactions normally involve taking an offsetting position in a related security or instrument.

Hedging transactions involves financial instruments whose valuation at each moment depends on a number of factors, including interest rates, exchange rates, etc., and are effective as long as the financial instruments represent opposite positions. Even though the Issuer enters into hedging positions in order to mitigate its risk, unexpected market developments may therefore adversely affect the effectiveness of its hedging strategies.

Moreover, the Issuer does not hedge all of its risk exposure in all market environments or against all types of risk. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in its reported earnings.

If any of its hedging instruments or strategies is ineffective, the Issuer could incur losses that might result in a material adverse effect on its business, financial condition or results of operations.

BPI's activity is subject to reputational risk

The Issuer, the members of its Board of Directors and Supervisory Board and its employees are subject to extensive regulation, such as mandatory or soft law rules, regulations, contracts, codes of conduct, corporate governance codes and duties of behaviour towards its customers.

Non-compliance with applicable laws, regulations or codes could lead, besides the fines and/or substantial monetary damages, to a serious damage to reputation.

In order to mitigate such risk, the Issuer continuously inspects and evaluates the adequacy of its activities to the aforementioned. Moreover, each company of the Issuer's Group has available a code of conduct that its members of the Board of Directors and of the Supervisory Board and its employees are committed to respect.

According to the applicable laws and regulations envisaged to impede the utilisation of financial entities in money laundering operations and in activities associated with economic-financial and organised crime, or terrorism financing, the companies of the Issuer's Group have identification mechanisms, internal control and communication systems, as well as human and material resources, in order to prevent such money laundering and terrorism financing operations and provide to their directors and employees proper training for recognising operations which may be related to the aforesaid activities and the persons perpetrating those activities.

The internal regulations of the Issuers' Group companies already comprise most of the applicable legislation and regulations.

The Issuer's Compliance Division is responsible for analysing any occurrence. Without prejudice to the investigations and control actions that the Board of Directors may develop at its own initiative, employees of the Issuer's Group have instructions to inform the Compliance Division about any operation (completed or to be completed) which, due to their amount or characteristics, could reveal any illicit activities.

The Compliance Division is, as stated above, responsible for the analysis of such occurrences and take or implement the adequate measures in order to prevent the Issuer's Group from becoming involved in operations associated with money laundering and funding of terrorism. Also, the Compliance Division is empowered to take any action necessary to comply with all other duties arising from the applicable laws or regulations against organised and economic-financial crime.

Both the Supervisory Board and the Audit and Internal Control Committee are systematically informed about those occurrences and its follow-up.

The Issuer's Group provides training to all employees (immediately after their admission and on a continuous basis pursuant to audits made within the Issuer's Group and also the technical staff forming part of the commercial networks) about prevention of money laundering.

Although the Issuer believes that its current anti-money laundering and anti-terrorism financing policies and procedures are adequate to ensure compliance with applicable legislation, the Issuer cannot ensure that it will comply at all times with all rules applicable to money laundering and terrorism financing as extended to the whole Group and applied to its workers in all circumstances, despite of its efforts to provide adequate training.

A possible violation, or even any suspicion of a violation of these rules and any occurrence of money laundering operations and /or activities associated with economic-financial, organised crime or terrorism financing by any of its customers, without a proper approach being taken by the Issuer, may have serious reputational, legal and financial consequences, which could have a material and adverse effect on the Issuer's business, financial condition or results of operations.

Regulatory changes can materially affect the Issuer's business, products and services

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 the European Union and/or in Portugal, could materially affect the Issuer's business, the products and services it offers and/or the value of its assets.

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter (OTC) derivatives, central counterparties and trade repositories entered into force ("**EMIR**"). EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin and various reporting and disclosure obligations. Some of the elements of EMIR may lead to changes which may negatively impact the Issuer's Group profit margins, require it to adjust its business practices or increase its costs (including compliance costs).

The new Markets in Financial Instruments legislation (which comprises Regulation (EU) No 600/2014 ("**MiFIR**") and Directive 2014/65/EU ("**MiFID II**")), introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. MiFID II was initially intended to enter into effect on 3 January 2017. In order to ensure legal certainty and avoid potential market disruption, the European Commission has delayed the effective date of MiFID II by 12 months until 3 January 2018. Consequently, there is no certainty as to whether the implementation of these new obligations and requirements will have material adverse effects on the Issuer's Group business, financial condition and results of operations.

Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

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

Exposure to the Issuer's credit risk in case of insufficiency of the assets comprised by the Cover Pool

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

Credit rating agencies regularly assess the Issuer and its credit risk of long-term debt is based on a diverse number of factors, including its financial performance, the rating of the Republic of Portugal, and the conditions affecting the sector in general and the Portuguese banking system in particular.

At the date of this Prospectus, the credit ratings (long term / short term) and Outlook of the Issuer are:

- Moody's: Ba1/Not Prime with positive outlook. The last revision occurred on 7 December 2017;
- S&P: BBB-/ A-3 with stable outlook. The last revision occurred on 21 December 2017;
- Fitch: BBB-/F3 with positive outlook. The last revision occurred on 31 October 2017.

On 7 December 2017, Moody's upgraded the following ratings of the Issuer: (1) the long- and short-term deposit ratings to Baa3/Prime-3 from Ba3/Not Prime; (2) the senior unsecured debt ratings to Ba1 from Ba3; and (3) the baseline credit assessment (BCA) and adjusted BCA to ba3 from b1 and to ba2 from ba3 respectively. The outlook on the long-term debt and deposit ratings changed to positive from stable. At the same time, the rating agency has also upgraded the following ratings: (1) the subordinated debt ratings to Ba3 from B1; (2) the junior subordinated programme ratings to (P)B1 from (P)B2; (3) its long- and short-term Counterparty Risk Assessment (CRA) to Baa3(cr)/Prime-3(cr) from Ba1(cr)/Not Prime(cr)

On 19 September 2017, S&P upgraded the long-term counterparty credit rating of the Issuer to BBB- from BB+ and upgraded the short-term counterparty credit rating to A-3 from 'B'. The outlook on the Issuer is stable.

On 21 June 2017, Fitch confirmed the Issuer's Long-Term Issuer Default Rating (IDR) at BBB- and the Short-Term IDR at F3. The outlook was revised to positive from stable.

The current long-term rating assigned to the Issuer by Moody's is in line with the level of the Republic of Portugal (Ba1 with positive outlook). Also in the case of S&P, the rating of the Issuer is at the same level of the Republic of Portugal (BBB- with stable outlook). The rating of the Issuer by Fitch is one notch below the rating of the Republic of Portugal (BBB with stable outlook). To the extent that there are reductions on the rating of the Republic of Portugal by the rating agencies it is likely that they affect bank ratings. Such events may result in the application of higher haircuts to assets eligible for refinancing of banks with the ECB leading to a reduction of the eligible amount of all such assets.

There is no guarantee of maintenance of the current credit ratings assigned to the Issuer. Additional lowering of the credit ratings of the Issuer may have implications on credit ratings of collateralized debt issued by the Issuer which, in turn, can affect the portfolio of assets eligible for funding from the Eurosystem and increase the cost of the Issuer resources.

Currency risk in International operations

International operations are exposed to foreign exchange risk, which is reflected mainly in the statements of income and in the balance sheets of the respective subsidiaries of the Issuer's Group, for the purpose of consolidation. It is relevant for these purposes the changes in the exchange rates of local currencies against the euro and in the exchange rate of the U.S. dollar against the euro, due to the high use of the U.S. dollar in these economies, which explains that a significant share of business customer is expressed in U.S. dollars.

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

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

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

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

Risks of strategy faced by the Issuer

The Issuer is subject to risks of strategy. Exists the possibility that the Issuer makes strategic decisions whose results may differ significantly from those intended. The strategies adopted reflect decisions made in a given economic environment, market, competition, statutory, regulatory, and others, which includes variables that the Issuer is not able to influence. These strategies can prove to be inadequate to achieve the results envisaged by the Issuer and therefore have a negative impact on BPI.

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

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

Described below are some of the business relationship established by the Issuer's Group:

Caixabank: the Issuer and Caixabank have a partnership embodied in a range of products and services to support companies operating in the Iberian Peninsula, allowing them to conduct international financial operations identical to those held in its domestic market conditions.

Allianz Group: the Issuer and Allianz Group have a partnership for insurance of real life and risk classes, based on a 35 per cent stake in Allianz Portugal and in the insurance distribution agreement through the commercial network of the Issuer. The Issuer also provides a supply credit insurance for domestic and foreign customers, through a collaboration protocol with COSEC, 50 per cent owned by the Issuer in partnership with Euler Hermes (Allianz Group entity), which holds the remaining 50 per cent.

Unitel: the Issuer in conjunction with Unitel have a strategic partnership with BFA. Unitel holds 51.9 per cent equity of BFA and BPI the remaining 48.1 per cent stake. This partnership aims at the development of banking activity of BFA in Angola. In October 2016, a shareholders' agreement between the Issuer and Unitel was concluded containing, among others, rules on the composition of the governing bodies and on the transfer of shares of BFA.

The proceedings used by the Issuer in the identification, monitoring and management of risks may not be totally effective

As mentioned above, the Issuer may be exposed to other risks or to an unexpected level of risk. Notwithstanding the implementation of extensive procedures regarding the management of risks and types of risk identified by the Issuer and to which it is exposed, the Issuer may not ensure that it will not be affected by the materialisation of risks currently unknown. The Issuer cannot further ensure that, in the event of the occurrence of exceptionally adverse scenarios, the proceedings used by it in the identification, monitoring and management of risks will be totally effective.

RISKS SPECIFIC TO THE COVERED BONDS

Portuguese Mortgage Covered Bonds Legislation has not yet been judicially challenged

The Covered Bonds Law came into effect on 20 March 2006 and the Bank of Portugal Regulations came into effect on 11 October 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 it has not yet been judicially challenged. There is still limited track record for Covered Bonds in relation to the operation of the Covered Bonds Law.

Extended Maturity of the Covered Bonds will not result in any right of the holders to accelerate payments on those Covered Bonds or constitute an event of default for any purpose

Unless the rating provided by the Rating Agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, an Extended Maturity Date will apply to each Series of 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 especial") available not only to the holders of a Series

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 especial*") 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 especial*").

None of the assets comprised in the Cover Pool are or will be exclusively available to meet the claims of the holders of certain 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.

Risk of conflict of interests

Because the Agent, which will act as Calculation Agent unless otherwise specified in the applicable Final Terms, will normally be the Issuer a potential conflict of interest may exist between the Agent and the holders of the Covered Bonds, including with respect to certain determinations the Agent must make.

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.

Mandatory Automatic Exchange of Information could have a material adverse effect on Covered Bonds

On 10 November 2015 the Council of the European Union adopted the Council Directive (EU) 2015/2060/EU of 10 November 2015, repealing Directive 2003/48/EC, as amended, on the taxation of savings income (the “EU Savings Directive”) from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States of the European Union (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

Portugal has implemented the above Savings Directive on taxation of savings income 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, and Law no. 37/2010, of 2 September 2010. Accordingly, it is expected that Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005, and Law no. 37/2010, of 2 September 2010, will be revoked.

Moreover, Council Directive 2014/107/EU was transposed to Portuguese national law, on October 2016, by Decree-Law no. 64/2016, of 11 October 2016 (“Portuguese CRS Law”), which amended Decree-Law no. 61/2013, of 10 May 2013, which transposed Directive 2011/16/EU. The Portuguese CRS Law and Decree-Law no. 61/2013, have been amended by Law no. 98/2017, of 24 August 2017.

Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities which, in turn, will report such information to the relevant Tax Authorities of EU Member States or States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Covered Bonds may be subject to Financial Transactions Tax ("FTT")

The EC has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Changes in regulatory US Foreign Account Tax Compliance Withholding can adversely affect Covered Bonds

The Issuer and other non-US financial institutions through which payments on the Notes are made may be required to withhold US tax at a rate of 30 per cent. or at a rate resulting from multiplying 30 per cent. by the positive “passthrough percentage” (as defined in US Foreign Account Tax Compliance Act (“FATCA”)) of the Issuer or of the other non-US financial institutions through which payments on the Notes are made, to the payments made after 31 December 2014 in respect of (i) any Notes issued after 18 March 2012 and (ii) any Notes which are treated as equity for US federal tax purposes, whenever issued, pursuant to the FATCA.

This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“FFI”) (as defined in FATCA) which enters into and complies with an agreement with the US Internal Revenue Service (“IRS”) to provide certain information on its account holders (a term which includes the holders of its debt or equity interests that are not regularly traded on an established securities market) (making the Issuer a participating FFI), and (ii) (a) an investor does not provide information sufficient for the participating FFI to determine whether the investor is a US person or should otherwise be treated as holding a “United States Account” of the Issuer, or (b) any FFI through which payment on such Notes is made is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear and additional legislation needs to be in force and published to complete the implementation process.

If an amount in respect of US withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-participating FFI, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

Portugal has recently implemented, through Law no. 82-B/2014, of 31 December 2014, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. In addition, Portugal has signed the Intergovernmental Agreement (IGA) with the US on 6 August 2015. The IGA has entered into force in 10 August 2016, and through the Decree-Law no. 64/2016, of 11 October 2016, amended by Law no. 98/2017, of 24 August 2017, Portuguese government approved the complementary regulation required to comply with FATCA. Under the referred legislation the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the IRS. In view of the abovementioned regime, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations and the forms to use for that end were provided by the Ministry of Finance through Ministerial Order (*Portaria*) no. 302-A/2016, of 2 December 2016, amended by Ministerial Order (*Portaria*) no. 169/2017, of 25 May 2017.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations that are subject to change.

Judicial decision and change of law may impact after the date of issue of the relevant Covered Bonds

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, the Bank of Portugal Regulations or administrative or judicial practice after the date of issue of the relevant Covered Bonds.

Benchmark regulation

So-called benchmarks such as the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”) and other interest rates, equity indices, foreign exchange rates and other types of rates and indices which are deemed to be “benchmarks” (each a “Benchmark” and together, the “Benchmarks”), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the manner of administration of benchmarks to change, the relevant benchmarks to perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted, which may have a material adverse effect on the value of and the amount payable under the Notes.

For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

International proposals for reform of Benchmarks include the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation") which was published in the Official Journal on 29 June 2016 entered into force the following day and into application on 1 January 2018. In addition to the aforementioned regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

The Benchmark Regulation will apply to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain "equivalence" conditions in its local jurisdiction, to be "recognised" by the competent authority of the applicable Member State pending an equivalence decision or to be "endorsed" for such purpose by an EU competent authority) and to comply with requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" rates and indices such as LIBOR and EURIBOR, will apply to many other interest rates, as well as equity indices and foreign exchange rates and other rates and indices (including "proprietary" indices or strategies) which are referenced in certain financial instruments (securities or OTC derivatives listed on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or "systematic internaliser"), certain financial contracts and investment funds.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks, which may impact the value of and the amount payable under the Notes as compared to the situation where such factors would be absent.

The lack of a profitable secondary market

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.

Market Price Risk

The development of market prices of the Covered Bonds depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Covered Bonds. An investor in the Covered Bonds is therefore exposed to the risk of an unfavourable development of market prices of its Covered Bonds which materialises if the investor sells the Covered Bonds prior to the final maturity of such Covered Bonds. If an investor decides to hold the Covered Bonds until final maturity the Covered Bonds will be redeemed at the amount set out in the relevant Final Terms.

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.

In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended from time to time, the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

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

Other Risks

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

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

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

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

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

RISKS SPECIFIC TO COVER POOL

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 and other eligible assets 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*.

The inclusion in the Cover Pool of other eligible assets and Hedging Contracts under the Covered Bonds Law

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 and the Bank of Portugal Regulations. 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*. The inclusion of other eligible assets and hedging contracts as mentioned above can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds, as compared to a situation where no such inclusion was made, or was made at different levels.

The Issuer's entitlement to enter into Hedging Contracts

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. 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*. The entering into of hedging contracts, or the absence of entering into of hedging contracts, where the Issuer is entitled to enter into the same, can impact the performance of the

Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds, as compared to a situation where the opposite decision has been taken by the Issuer.

Value of security over residential property

The holders of Covered Bonds benefit from a special creditor privilege ("*privilégio creditório especial*") over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the 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*. Notwithstanding, the variation of the value of mortgaged properties that are securing mortgage credits that are part of the Cover Pool, can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds.

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. If the Issuer is not able to properly include or substitute assets as aforesaid, this may cause the Issuer not comply with the financial matching requirements under the Covered Bonds Law and can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds.

No Due Diligence

None of the Arranger or the Dealer(s) 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. If such representations and warranties are inaccurate in any way, this may impact the quality of the Cover Pool, which secures the payments of amounts due under Covered Bonds.

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.

Reliance upon Interbolsa procedures and Portuguese law

Investments in Covered Bonds held through Interbolsa 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 Interbolsa Participants will be represented in dematerialised book-entry form ("*forma escritural*") and may be registered Covered Bonds ("*nominativas*").

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 Interbolsa Participants 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 Interbolsa Participants (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 Interbolsa Participants who hold control accounts on behalf of the holders of Covered Bonds and, thereafter, (iii) transferred by the Interbolsa Participants 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 Interbolsa Participants and the Issuer accepts no responsibility for, and will not be liable in respect of, the maintenance of such records.

(c) Risks related to withholding tax applicable on the Covered Bonds

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.

It should also be noted that, if interest and other types of investment income derived from the Covered Bonds is paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (*e.g.*, typically "jumbo" accounts) such income will be subject to withholding tax in Portugal at a rate of 35 per cent unless the beneficial owner of the income is disclosed. Failure to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35 per cent.

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country included in the "tax havens" list approved by Ministerial Order No. 150/2004, of 13 February 2011, as amended from time to time, is subject to withholding tax at 35 per cent, which is the final tax on that income.

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.

d) *Risks related to procedures for collection of investors details*

It is expected that the direct registering entities ("*entidades registadoras directas*"), the participants and the clearing systems will follow certain procedures to facilitate the collection from the effective beneficiaries of the Covered Bonds of the information required to comply with the procedures and documentation required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting from the holders of Covered Bonds proof of their non-Portuguese resident status and of the accomplishment with the other requirements for the exemption rests with the direct registering entities ("*entidades registadoras directas*") the participants and the entities managing the international clearing systems. A summary of those procedures is set out in "Taxation". Such procedures and documentation may be revised from time to time in accordance with applicable Portuguese laws and regulations, further clarification from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems. While the Covered Bonds are registered by Interbolsa, or by an applicable international clearing system under Decree-Law 193/2005, holders of Covered Bonds must rely on and comply with such procedures in order to receive payments under the Covered Bonds free of any withholding, if applicable. Holders of Covered Bonds must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Covered Bonds. None of the Issuer, the Arrangers, the Dealers, the paying agents and the direct registering entities ("*entidades registadoras directas*"), or the clearing systems, their management entities or participants, assume any responsibility in this regard.

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. 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 applicable 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 of the Covered Bonds below.

This Base Prospectus will be valid for a period of 12 months from the date this Base Prospectus is approved by the CMVM (completed by any supplement which may be required under article 142 of the Portuguese Securities Code) for admitting Covered Bonds to trading on the regulated market of Euronext Lisbon for the purposes of Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments, as amended, and Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended, 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 of the 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; and

(b) 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 of the 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.

Covered Bonds issued under the Programme are expected to be rated on issue by at least one rating agency which has applied to be registered with the European Securities and Markets Authority under Regulation (EC) no. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council, by Regulation (EU) No. 462/2013 of the European Parliament and the Council and by Regulation (EU) 2017/2402 of the European Parliament and the Council, the "**CRA Regulation**").

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. A rating addresses the likelihood that the holders of the Covered Bonds will receive timely payments of interest and ultimate repayment of principal at the Maturity Date or the Extended Maturity Date, as applicable.

European regulated investors should be aware that in general they are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation, unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for the registration in accordance with the CRA Regulation and such registration was not refused.

Each potential investor in the Covered Bonds must determine the suitability of that investment in light to 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 the 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.

RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 26 of the Prospectus Regulation and Article 135-C of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive, for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds.

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

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

The Statutory Auditor of the Issuer, Deloitte & Associados – SROC, S.A., registered with the CMVM with number 20161389, with registered office at Av. Engenheiro Duarte Pacheco, 7, 1070-100 Lisbon, has audited and expressed an opinion on the financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2016 and for the first half year ended on 30 June 2017 and is therefore responsible for the Legal Certification of Accounts and Auditor's Reports on these financial periods, which are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference* and *General* Information).

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 Arranger (as defined in *Definitions*), the Common Representative (as defined under *General Description of the Programme*) or any of the Dealers. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus to be used in connection with any subsequent issue of Covered Bonds.

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

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 would not be authorised or would be 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 Arranger and the Dealer 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 Arranger or the Dealer (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, Japan and the EEA (including the United Kingdom, Italy and Portugal). See *Subscription and Sale and Secondary Market Arrangements*.

The Arranger, the Common Representative and the Dealer have not independently verified the information contained or incorporated in this Base Prospectus. Accordingly, none of the Arranger, the Common Representative or the Dealer makes any representation, warranty or undertaking, to any investor in the 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 Arranger, the Common Representative and the Dealer. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger, the Common Representative or the Dealer 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 Arranger, the Common Representative or the Dealer undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of the Arranger, the Common Representative or the Dealer.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of 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 Dealer nor the Issuer makes 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 at the start of the third stage of European economic and monetary union, and as defined in Council Regulation (EC) No. 974/98, of 3 May 1998 on the introduction of the euro, as amended from time to time, to "U.S.$", "USD" or "US dollars" are to United States dollars, the lawful currency of the United States of America, and to "£" or "GBP" or "pounds sterling" are to pounds sterling, the lawful currency of the United Kingdom.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the Portuguese version of the Issuer's consolidated Annual Report in respect of the financial years ended on 31 December 2015 and on 31 December 2016;

(b) the Portuguese version of the Issuer's first half 2017 interim consolidated Report;

(c) the Portuguese version of the results presentation with the consolidated results in respect of 2017 (unaudited results);

(d) the Portuguese version of the articles of association of the Issuer (available at www.bancobpi.pt);

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CMVM in accordance with article 142 of the Portuguese Securities Code which implemented Article 16 of the Prospectus Directive.

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 142 of the Portuguese Securities Code modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of the Issuer at Rua Tenente Valadim, no. 284, Porto and from the specified offices of the Agent at Rua Tenente Valadim, no. 284, 4100-476 Porto and of the Common Representative at 10 Harewood Avenue, London, England, NW1 6AA, United Kingdom, as well as from the website of the Issuer whose link is www.bancobpi.pt.

This Base Prospectus and the documents incorporated by reference can be obtained from the website of the CMVM, being www.cmvm.pt, except for the articles of association of the Issuer which can be obtained from www.bancobpi.pt and from www.ir.bpi.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 or publish a new Base Prospectus to be used in connection with any subsequent issue of Covered Bonds.

The table below refers to points (a), (b) and (c):

BANCO BPI	
Information Incorporated by Reference	***Reference***
Results presentation with the unaudited consolidated results for the financial year ended 31 December 2017	
Consolidated income statement in accordance with IAS / IFRS (*Conta de resultados consolidada de acordo com as normas IAS / IFRS)*)	34
Consolidated balance sheet in accordance with IAS / IFRS (*Balanço consolidado de acordo com as normas IAS / IFRS)*)	36
Profitability, efficiency, credit quality and solvency (*IAS / IFRS) (Rendibilidade, eficiência, qualidade do crédito e solvabilidade (normas IAS /IFRS)*)	38
Information Incorporated by Reference	***Reference***
First Half 2017 Report	
Consolidated Balance Sheets *(Balanços Consolidados em 30 de Junho de 2017 e 31 de Dezembro de 2016)*	46
Consolidated Statements of Income *(Demonstrações Consolidadas Intercalares dos resultados para os períodos findos em 30 de Junho de 2017 e 2016 Proforma)*	47
Consolidated Statements of Profit or Loss and other Comprehensive Income *(Demonstrações consolidadas intercalares dos resultados e de outro rendimento integral para os períodos findos em 30 de Junho de 2017 e 2016 Proforma)*	48
Statements of changes in shareholders' equity *(Demonstrações consolidadas intercalares de alterações nos capitais próprios para os períodos findos em 30 de Junho de 2017 e 2016 Proforma)*	49

Annual Report 2015	
Consolidated Balance Sheets (*Balanços consolidados em 31 de Dezembro de 2015 e 2014 proforma e 1 de Janeiro de 2014 proforma*)	144
Consolidated Statements of Income (*Demonstrações dos resultados consolidados para os exercícios findos em 31 de Dezembro de 2015 e 2014 proforma*)	145
Consolidated Statements of Profit or Loss and other Comprehensive Income (*Demonstrações dos resultados e de outro rendimento integral consolidado para os exercícios findos em 31 de dezembro de 2015 e 2014 proforma*)	146 - 147
Statements of changes in shareholders' equity (*Demonstrações de alterações de capital próprio para os exercícios findos em 31 de Dezembro de 2015 e 2014 proforma*)	148 - 149
Consolidated Statements of Cash flows (*Demonstrações dos fluxos de caixa consolidados para os exercícios findos em 31 de Dezembro de 2015 e 2014 proforma*)	150 - 151
Notes to the Consolidated Financial Statements (*Notas às demonstrações financeiras consolidadas em 31 de Dezembro de 2015 e 2014*)	152 - 290
Auditors report (*Certificação Legal de contas e relatório de auditoria*)	292 - 294

The information incorporated by reference that is not included in the cross-reference lists contained above, is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC, as amended (“Prospectus Regulation”).

FORM OF THE COVERED BONDS AND CLEARING SYSTEMS

The Covered Bonds will be held through a central securities depositary ("**CSD**") which will be the Portuguese domestic CSD, 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**").

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

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

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

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

Covered Bonds held through Interbolsa

General

Interbolsa 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 customers 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, settlement of trades executed through Euronext Lisbon takes place on the second Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal on the Final Settlement Date.

Form of the Covered Bonds

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

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.

Registering the Covered Bonds with Interbolsa does not necessary 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, as such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Payment of principal and interest in respect of Covered Bonds

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

The Issuer must provide Interbolsa with a prior notice of all payments in relation to 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 Interbolsa Participant. 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 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.

FINAL TERMS OF THE 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 **[●]**

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Covered Bonds are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Sector Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][9]

[MIFID II product governance – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][10]

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

[9] Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[10] Legend to be included on front of the Final Terms, to outline the product approval process of any applicable manufacturer.

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 FROM TIME TO TIME, 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 22 February 2018 [, as supplemented on [●]], which constitutes a base prospectus for the purposes of Directive 2003/71/EC, of the European Parliament and of the Council, of 4 November 2003, as amended from time to time (the "**Prospectus Directive**"), Commission Regulation (EC) no. 809/2004, as amended from time to time (the "**Prospectus Regulation**"), and Decree-Law no. 486/99, of 13th November 1999, as amended from time to time (the "**Portuguese Securities Code**"). The Terms and Conditions are incorporated by reference into 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 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[, as supplemented]. The Base Prospectus[, as supplemented,] is available for viewing at Banco BPI, S.A., Rua Tenente Valadim, no. 284, 4100-476 Porto, www.bancobpi.pt and www.cmvm.pt. and copies may be obtained from the same address.*

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or 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 which implemented Article 16 of the Prospectus Directive.]

1.	(i)	Series Number:	[●]
	(ii)	[Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.*)]
2.		Specified Currency or Currencies:	[●]
3.	(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]
4.	(i) Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	(ii) [Net Proceeds (Required only for listed issues)]	[●] [an amount equal to: Aggregate Nominal Amount of Covered Bonds minus Estimate of total expenses related to admission to trading]
5.	Specified Denominations:	[●] (N.B. the minimum denomination of each Covered Bond is €100,000)
6.	(i) Issue Date:	[●]
	(ii) [Interest Commencement Date (if different from the Issue Date):	[●]]
7.	Maturity Date:	[*specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Extended Maturity Date:	[Applicable/Not Applicable] [insert date] [*If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable"*]. [*Unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, an Extended Maturity Date will apply to each Series of the Covered Bonds.*]
9.	Interest Basis:	
	(i) Period to (and including) Maturity Date:	[[●] per cent. Fixed Rate] [[*specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
	(ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date:	[Not Applicable] / [[●] per cent. Fixed Rate] [[*specify reference rate*] +/- [●] per cent. Floating Rate] (further particulars specified below) [*Insert "Not Applicable" only if Extended Maturity Date does not apply*]
10.	Redemption/Payment Basis:	[Redemption at par] [Instalment]
11.	Change of Interest or Redemption/Payment Basis	[*Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Investor Put]

		[Issuer Call] [(further particulars specified below)]
13.	(i) Status of the 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]:	[●]
14.	Method of distribution:	[Syndicated/Non-syndicated]
15.	Listing/Admission to Regulated Market	[*Euronext* Lisbon/*specify other*/None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [[●] per [●] in nominal amount] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(iv) Broken Amount:	
• To Maturity Date:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(v) Day Count Fraction	
• To Maturity Date:	[30/360 or Actual/Actual (ICMA) or [*specify other*]
• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [30/360 or Actual/Actual (ICMA) or [*specify other*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(vi) Determination Date(s):	
• To Maturity Date:	[*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year]
• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[None/*give details*]
17. 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:	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:	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:	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.*]
18.	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 US dollar denominated*)

PROVISIONS RELATING TO REDEMPTION

19.	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each 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*)
20.	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each 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*)
21.	Final Redemption Amount of each Covered Bond	[[●] per Covered Bond of [●] Specified Denomination/Other/See Appendix]
22.	[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

23.	(a) Form of Covered Bonds:	Registered Covered Bonds (*nominativas*) in book entry form (*escriturais*)
	(b) New Global Notes:	[Yes/No]
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] (*Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates*)
25.	Details relating to Instalment Covered Bonds:	[Not Applicable/*give details*] [Not Applicable/*give details*]

	(i) Instalment Amount(s):	
	(ii) Instalment Date(s):	
26.	Redenomination applicable:	[Applicable/Not Applicable] (*if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)
27.	Other final terms:	[Not Applicable/*give details*] (*When adding on any other final terms consideration should be given as to whether such terms constitute ''significant new factors'' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*.) [*In order for withholding tax not to apply the holders of the Covered Bonds must, inter alia, deliver certain tax certifications. See Taxation section.*]

DISTRIBUTION

28.	(i) If syndicated, names of Dealers:	[Not Applicable/*give names and date of relevant agreement*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give names*]
	(iii) Commission Payable / Selling Concession:	[●]
29.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and date of relevant agreement*]
30.	Additional selling restrictions:	[Not Applicable/*give details*]
	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*if the offered Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds may constitute "packaged products" and no KID will be prepared, "Applicable" should be specified*)

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. *[Relevant third party information]* has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:	Signed on behalf of the Issuer:
By:	By: ....
Duly authorised	Duly authorised

PART B – OTHER INFORMATION

1. Listing

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

2. Ratings

Ratings:	The Covered Bonds to be issued have been rated: [DBRS: [●]] [Moody's: [●]] [[●] *(specify)*: [●]] *(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.)* *[[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) no. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]*

[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) no. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) no. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009. However, the application for registration under Regulation (EC) no. 1060/2009 of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert credit rating agency].]

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

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009, but it is certified in accordance with such Regulation.]

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

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

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

4. 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:	[●]

5. YIELD

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

6. Operational Information

ISIN Code:	[●]
Common Code:	[●]
Delivery:	Delivery [against/free of] payment
[Intended to be held in a manner which would allow Eurosystem eligibility:]	[[Yes] [No] [Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its

capacity as a securities settlement system, and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

Stabilization Operation	[Not Applicable] [Applicable] [If applicable; Stabilising Manager; Period; Other information]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds. 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 of the 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.

References herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean the book-entries corresponding to the units of the lowest Specified Denomination in the Specified Currency.

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 30th 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 and/or agent bank.

Any reference to "**holders of Covered Bonds**" shall mean the person or entity registered as such in the relevant securities account.

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 the Paying Agent. Copies of the applicable Final Terms are obtainable at the CMVM's website – www.cmvm.pt – and during normal business hours at the specified office of the Paying Agent save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of the Paying Agent by a holder holding one or more unlisted 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 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;

(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) (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 or destroyed and in respect of which replacements have been issued under these Terms and Conditions.

1. FORM, DENOMINATION AND TITLE

The Covered Bonds are in registered (nominativas) form and 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.

The Covered Bonds will be in book-entry form (*forma escritural*) and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of 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.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond, depending upon the Interest Basis shown 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 or Floating Rate 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 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 €100,000 (or its equivalent in another currency) as specified in the relevant Final Terms.

2. TRANSFERS OF COVERED BONDS

The transferability of the Covered Bonds is not restricted.

Covered Bonds may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such 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.

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 and any interest thereon, 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:

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

b. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

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

(ii) "**Principal Amount Outstanding**" means in respect of a 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; and

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

4.2 Interest on Floating Rate Covered Bonds

(A) Interest Payment Dates

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

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

(ii) *Screen Rate Determination for Floating Rate 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.

(iii) *Request from Reference Banks*: If, for the purposes of the calculations described in this Condition 4.2(B), the Relevant Screen Page is not available or if no offered quotations appear thereon, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date (as specified in the applicable Final Terms) in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

(iv) *Determination by Agent:* If on any Interest Determination Date, one only or none of the Reference Banks provides the Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any). However, if one only or none of the Reference Banks provide the Agent with such offered rates, at the Agent's request, the Rate of Interest for the relevant Interest Period will be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined on the Interest Determination Date for the last preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

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

(v) *Reference Rate specified in Final Terms*: 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.

(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 in respect of Specified Denomination (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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" 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_1 is greater than 29, in which case D_2 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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_2 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" 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_1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(E) Notification of Rate of Interest and Interest Amounts

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate 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 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, 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 Interbolsa regulations, fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (Taxation).

5.2 Payments in relation to Covered Bonds

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

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

5.3 Payment Day

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

(i) the relevant place of presentation; or;

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

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

5.4 Interpretation of principal

Any reference in these Terms and Conditions to principal in respect of the 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, the nominal amount of all outstanding Covered Bonds will be redeemed proportionally.

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

6.4 Instalments

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

6.6 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any Covered Bonds purchased and transfered for cancellation pursuant to Condition 6.5 above shall be cancelled by Interbolsa 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 will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Covered Bonds must, inter alia, deliver certain tax certifications. See Taxation section.

7.2 No payment of additional amounts

Neither the Issuer nor the Paying Agent will be obliged to pay any additional amounts to the holders of 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 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, and without prejudice to the specific terms and conditions established for a particular issue of Covered Bonds, 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, as amended, from time to time, Decree-Law no. 298/92, of 31 December, as amended, from time to time, and/or (if applicable) under the Code for the Insolvency and Recovery of Companies approved by Decree-Law no. 53/2004, of 18th March, as amended from time to time). Investors should see the *Insolvency of the Issuer* section.

9.2 Enforcement

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

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

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

(i) there will at all times be an Agent;

(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) 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 Euronext Lisbon, be published on the Euronext Lisbon bulletin and on the CMVM's information system (www.cmvm.pt). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of 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.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements, notably the CMVM's Regulation No. 5/2008, as amended from time to time.

12. MEETINGS OF HOLDERS OF COVERED BONDS

(A) The Portuguese Commercial 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 holders of the Covered Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented in such Series; 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 of the relevant Series then outstanding or, at any adjourned meeting, any person being or representing holders of Covered Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented in such Series; or (iii) a Resolution regarding any increase of the charges to the holders of Covered Bonds will be any person or persons holding or representing all of the Covered Bonds of the relevant series then outstanding. Each Covered Bond grants its holder one vote.

(C) The majorities required to approve a Resolution at any meeting convened in accordance with the applicable rules shall be: (i) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or (ii) if in respect to a Resolution regarding a Reserved Matter, at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting; or (iii) if in respect of a Resolution regarding any increase of the charges to the holders of Covered Bonds, unanimity by all holders of Covered Bonds of the relevant series then outstanding.

For the purposes of these Terms and Conditions, a "**Reserved Matter**" means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the 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

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

15. OVERCOLLATERALISATION, VALUATION OF COVER POOL AND ISSUER COVENANTS

15.1 Maintenance of overcollateralisation

For so long as the Covered Bonds are outstanding, and regardless of the time of issue of the Covered Bonds, 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 19.1 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) (A) so long as the Covered Bonds are rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of this Condition 15, unless, always provided that (i) above is satisfied, Moody's has confirmed in writing to the Issuer that such reduction would not result in any credit rating then assigned to the Covered Bonds by Moody's being reduced, removed, suspended or placed on credit watch and (B) so long as the Covered Bonds are not rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of this Condition 15.

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) *Valuation*s: 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 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*).

"**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) 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 and/or agent bank appointed by the Issuer, as amended.

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

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

"**Bank of Portugal Regulations**" means the legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, namely Notice 5/2006, Notice 6/2006, Instruction 13/2006, Notice 7/2006 and Notice 8/2006 and any relevant regulations or instructions that may be issued by the Bank of Portugal in the future.

"**Base Prospectus**" means the base prospectus dated 22 February 2018, prepared in connection with the Programme.

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

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, Luxembourg.

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

"**Common Representative**" means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the 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 10 Harewood Avenue, London, England, NW1 6AA, United Kingdom.

"**Common Representative Appointment Agreement**" means the agreement dated 30th 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, as amended from time to time.

"**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 Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas*"), registered with the CMVM with registration number 20161389, with registered office at Avenida Engenheiro Duarte Pacheco, 7, 1070-100, Lisbon, Portugal.

"**Cover Pool Monitor Agreement**" means the agreement dated 30 April 2008 entered into between the Issuer and the Cover Pool Monitor, as amended from time to time.

"**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 20th March 2006, as amended from time to time.

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

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

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

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 at the start of the third stage of European economic and monetary union, and as defined in Council Regulation (EC) No. 974/98, of 3 May 1998, on the introduction of the euro, as amended from time to time.

"**Euroclear**" means Euroclear Bank S.A./N.V.

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

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

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

"**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.

"**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 its customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

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

"**ISDA**" means the International Swaps and Derivatives Association Inc.

"**Issue Date**" means the date so specified in the applicable Final Terms being, in respect of any 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).

"**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, which is registered with the European Securities and Markets Authority under the CRA Regulation.

"**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 past due more than 90 days.

"**Notice 5/2006**" means the regulatory notice ("Aviso") no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

"**Notice 6/2006**" means the regulatory notice ("Aviso") no. 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

"**Notice 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.

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

"**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;

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to "AAA" or equivalent rated sovereign bonds from a EU Member-State, or Italian Sovereign Bonds, the United States, Japan and/or Canada or other assets specified under (b) above with credit institutions having a minimum rating at least equal to "A" or equivalent, in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

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

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

"**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) (A) so long as the Covered Bonds are rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15, unless, always provided that (i) above is satisfied, Moody's has confirmed in writing to the Issuer that such reduction would not result in any credit rating then assigned to the Covered Bonds by Moody's being reduced, removed, suspended or placed on credit watch and (B) so long as the Covered Bonds are not rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15.

"**Paying Agent"** means Banco BPI, S.A..

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

"**Portuguese Commercial Companies Code**" means the commercial companies code approved by Decree-Law no. 262/86, dated 2 September 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.

"**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 Dealer, as amended from time to time.

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

"**Programme Resolution**" means any Resolution directing the Common Representative to accelerate the 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 Notice 5/2006; and

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

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

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

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

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

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

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

"**Relevant Date**" means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of 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.

"**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.

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

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

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

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

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

"**Terms and Conditions**" means in relation to the 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.

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

"**Treaty**" means the treaty on the Functioning of the European Union, as amended from time to time.

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

"**Value**" means:

(a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;

(b) in relation to any Other Assets:

   (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;

(ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

CHARACTERISTICS OF THE COVER POOL

INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

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

ISSUER REQUIRED TO MAINTAIN COVER POOL

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

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

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

ELIGIBILITY CRITERIA FOR ASSETS COMPRISED IN THE COVER POOL

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

Mortgage Credits Eligibility Criteria

(a) unmatured 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 ECB and the national central banks of the EU Member States whose currency is the euro);

(b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent; and

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

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to "AAA" or equivalent rated sovereign bonds from a EU Member-State, or Italian Sovereign Bonds, the United States, Japan and/or Canada or other assets specified under (b) above with credit institutions having a minimum rating at least equal to "A" or equivalent, in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

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 and DBRS 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.

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) (A) so long as the Covered Bonds are rated A3 or above by Moody’s, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15, unless, always provided that (i) above is satisfied, Moody’s has confirmed in writing to the Issuer that such reduction would not result in any credit rating then assigned to the Covered Bonds by Moody’s being reduced, removed, suspended or placed on credit watch and (B) so long as the

Covered Bonds are not rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15.

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 ECB shall be used 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 Notice 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 Notice 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 Notice 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 Notice 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 Notice 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 Notice 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

Valuation of Other Assets

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

(a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and

(b) the securities eligible for Eurosystem credit transactions shall be for the value resulting from the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to the nominal value of such securities, including accrued but unpaid interest.

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

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

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

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

(i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes:

(ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of 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 10 Harewood Avenue, London, England, NW1 6AA, United Kingdom 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, as amended from time to time, 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 20161389.

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 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 Arranger 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

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

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

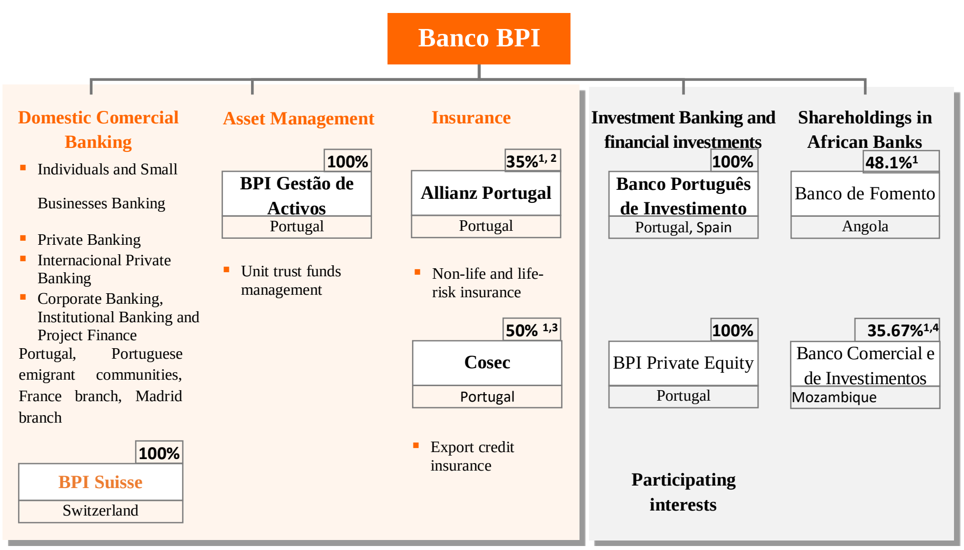
At the end of 30 June 2017, the Issuer served approximately 1,949 thousand customers through its multi-channel distribution network comprising 438 retail branches, 39 investment centres, 51 corporate centres, a network of 20,505 commercial partners, a home-banking service and a telephone banking service.

With regard to asset management, the Issuer, through its distribution network, places with clients investment and savings products – unit trust funds, insurance capitalization and pension funds – which are managed by subsidiaries of the group. BPI is also present in the investment banking business – equities and corporate finance.

BPI Group also owns equity participations in banks developing commercial banking operations in Angola (BFA, 48.1 per cent. held) and Mozambique (BCI, 35.67 per cent. held).

In the insurance business, the Issuer has a partnership arrangement with Allianz for general insurance and life assurance, through which the Issuer has an equity stake of 35 per cent in Allianz Portugal and there is an agreement covering insurance distribution via the Issuer's commercial network. The Issuer also controls 50 per cent. of Cosec, an operator in the credit-insurance and insurance-guarantee market.

The Issuer is the parent company of the companies shown below and the Issuer's financial results are partially dependent upon the cash flows and dividends from these subsidiaries.



1) Equity-accounted subsidiaries.

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

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

4) In partnership with Caixa Geral de Depósitos (61.51 per cent).

HISTORY

Banco BPI, S.A. was formed on 25 May 1998 by the merger of Banco Fonsecas & 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 2011, BPI Group completed its 30 year of existence since the creation of SPI – Sociedade Portuguesa de Investimentos in 1981.

ESTABLISHMENT AND DOMICILE

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

LEGAL FORM

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

OBJECT AND PURPOSE

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

SHAREHOLDERS

The Issuer's share capital of 1 293 M.€, comprises 1 457 million nominative and dematerialised ordinary shares with no par value. All the shares are admitted to trading on the Euronext market. The results of Caixabank, S.A.'s public tender offer for the Issuer's shares were made known on 8 February 2017. Shareholder positions of more than 2 per cent. of the capital are now those presented in the following table:

Shareholder positions in excess of 2 per cent. of Banco BPI's capital
As at 31 December 2017

Shareholders	No. of shares held	% of capital held[1]
CaixaBank, S.A.	1 231 250 696	84.510%[1)]
Allianz SE	122 744 370	8.425%[2)]

Source: Information received from the Securities Exchange Clearing House (Central de Valores Mobiliários - CVM) relating to the shareholder positions registered as at 30 June 2017 at the Clearing House and as per public information disclosed to the market.

1) The shareholding held through Caixabank, S.A., is also imputable at Criteria Caixa, S.A.U., which was the holder of 40 per cent. of Caixabank, S.A.'s voting rights as of 31 December 2017, which in turn is controlled by Fundación Bancaria Caixa d´Estalvis i Pensions de Barcelona, "La Caixa", holder of 100 per cent. of the respective voting rights in terms of article 20(1)(b), of the Securities Code.

2) Indirect shareholding held by subsidiaries controlled by Allianz SE, the Allianz Group holding company, and imputable to that entity in terms of article 20(1)(b) of the Securities Code: direct shareholding of 8.275 per cent. held by Allianz Europe Ltd. (100 per cent. owned by Allianz SE) and direct shareholding of 0.150 per cent. held by Companhia de Seguros Allianz Portugal (65 per cent. owned by Allianz SE).

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

BUSINESS OVERVIEW OF THE ISSUER

The Issuer's Group is focused on the activity of commercial banking developed in Portugal. BPI Group also provides services of asset management and insurance as well as investment banking and private equity. The commercial banking business in Portugal also includes the provision overseas of banking services to non-residents - namely to emigrant Portuguese communities.

Commercial banking

The Issuer's Group commercial banking operations include:

- Retail Banking – includes commercial operations with private clients, sole traders and businesses with turnover of up to € 5 million through a multi-channel distribution network made up of traditional branches, investment centres, home banking services and telephone banking. It also includes the Private Banking area which is responsible for implementing strategies and investment proposals presented to customers and ensures the management of their financial assets.
- Corporate Banking, Project Finance and Institutional Banking – includes commercial operations with companies with a turnover of more than € 2 million and also with Retail Banking for the segment of

up to €5 million. This also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and home banking services adapted to the business needs.

Insurance, BPI provides to individual, corporate and small business Customers, through its distribution network, an extensive range of insurance products in the life assurance and other non-life branches, through an agreement of distribution of insurance from Allianz Portugal, which is 35 per cent. held by Group BPI. In credit insurance, BPI has a stake of 50 per cent. in COSEC, in partnership with Euler Hermes (a company from Allianz Group), which holds the remaining 50 per cent..

Asset management, includes the activities of managing financial investment and savings products in the form of mutual funds, unit trust funds and real estate funds, capitalization insurance, pension plans and the management of the portfolio of institutional clients. The management of the portfolios of the unit trust funds, capitalization insurance and pension funds is ensured by a wholly owned subsidiary of BPI Group - BPI Gestão de Activos - and the products are placed with customers through the distribution network of Banco BPI.

BPI Group also owns equity participations in banks developing commercial banking operations in Angola (BFA, 48.1 per cent. held) and Mozambique (BCI, 35.67 per cent. held).

SHARE CAPITAL

As at 31 December 2017, Banco BPI's share capital amounted to €1,293,063,324.98 and was represented by 1,456,924,237 ordinary shares with no nominal value (all issued shares are fully paid).

SELECTED HISTORICAL KEY FINANCIAL INFORMATION

The following tables contain selected key financial information for the years ended 31 December 2015 and 2016 (audited), for the first half year of 2017 (audited), and for the year ended 31 December 2017 (unaudited).

Consolidated income statement as of 31 December 2017

In M.€	**Proforma** considering BPI Vida, BPI Gestão de Activos and BPI GIF fully consolidated	**In accordance with IAS / IFRS** contribution of BPI Vida, BPI Gestão de Activos and BPI GIF reclassified to income from discontinued operations
	2017	2017
Financial margin narrow sense	367,7	367,2
Technical result of insurance contracts	18,6	
Net commisions relating to amortised cost	20,8	20,8
Financial margin - RCL (1)	**407,1**	**388,1**
Income from equity instruments - RCL	6,5	6,5
Net commission income - RCL	297,1	276,4
Equity accounted results (earnings associated companies) - RCL	124,8	124,8
Net income on financial operations	14,5	13,8
Operating income and expenses	(186,3)	(184,7)
Operating income from banking activity - RCL (1)	**663,7**	**624,9**
Personnel costs	(374,9)	(369,1)
Of which: Non-recurring personnal costs	(106,9)	(105,8)
General administrative costs	(165,8)	(163,4)
Depreciation and amortisation	(21,9)	(21,9)
Overhead costs	**(562,6)**	**(554,3)**
Operating profit before impairments and provisions (1)	**101,1**	**70,6**
Recovery of loans, interest and expenses	29,8	29,8
Impairment losses and provisions for loans and guarantees, net	(25,2)	(25,2)
Impairment losses and other provisions, net		
Net income before income tax (1)	**105,8**	**75,2**
Income tax	(95,5)	(87,7)
Net income from continuing operations	**10,2**	**(12,5)**
Net income from discontinued operations		22,7
Income attributable to non-controlling interests from continuing operations		
Income attributable to non-controlling interests from discontinued operations		
Net income	**10,2**	**10,2**

(1) Definition included in the Annex – Alternative Performance Measures of this Bases Prospectus

Notes:

With reclassification of the contribution of BPI Vida e Pensões, BPI Gestão de Activos and BPI GIF to Net income from discontinued operations (IFRS 5). At 23 November 2017, BPI signed contracts for the sale of its stakes in BPI Vida e Pensões, BPI Gestão de Activos e BPI GIF, as disclosed to the market on that date.

According to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the operations of these subsidiaries are classified as discontinued operations.

The application of IFRS 5 implies that:

- The contribution of these subsidiaries for BPI's 2017consolidated result is recorded under the caption "Net income from discontinued operations" in the consolidated Profit and Loss account.
- The assets and liabilities of these subsidiaries are reclassified under the captions "Non current assets held for sale and discontinued operations" and "Non current liabilities held for sale and discontinued operations", respectively, in theconsolidated Balance Sheet.

The consolidated profit and loss account is shown, with the contribution from those subsidiaries reclassified to the caption "Net income from discontinued operations".

It should be noted that the sale of BPI Vida e Pensões took place in Dec.2017 and generated a capital gain of 9 M.€ (after taxes) in the year.

With reclassification of the contribution of BPI Vida e Pensões, BPI Gestão de Activos and BPI GIF to "Net income from discontinued operations" (IFRS 5)

Captions reclassified according to the format used by CaixaBank (BPI's consolidating entity). The underlying accounting criteria were not affected by the change in the format adopted.

In M.€	2017	4Q 17 proforma[1)]	3Q 17 proforma[1)]	2Q 17 proforma[1)]	1Q 17 proforma[1)]	2016 proforma[1)]
Financial margin narrow sense	367,2	93,8	91,3	89,9	92,2	363,6
Technical result of insurance contracts						
Net commisions relating to amortised cost	20,8	5,4	5,1	4,6	5,8	21,2
Financial margin - RCL (3)	**388,1**	**99,2**	**96,4**	**94,5**	**97,9**	**384,9**
Income from equity instruments - RCL	6,5	0,1	0,1	6,3	0,1	8,5
Net commission income - RCL	276,4	75,6	71,1	67,7	62,0	262,3
Equity accounted results (earnings associated companies) - RCL	124,8	(68,0)	72,1	64,6	56,1	26,2
Net income on financial operations	13,8	(8,2)	7,8	6,8	7,4	47,4
Operating income and expenses	(184,7)	6,4	(0,9)	(14,7)	(175,5)	(22,3)
Operating income from banking activity - RCL (3)	**624,9**	**105,2**	**246,6**	**225,1**	**48,0**	**707,0**
Personnel costs	(369,1)	(64,7)	(65,9)	(161,6)	(76,9)	(304,0)
Of which: Non-recurring personnal costs[2)]	(105,8)	(0,6)	(0,1)	(94,4)	(10,7)	(16,9)
General administrative costs	(163,4)	(37,5)	(41,3)	(43,8)	(40,8)	(166,2)
Depreciation and amortisation	(21,9)	(5,3)	(5,6)	(5,5)	(5,5)	(21,4)
Overhead costs	**(554,3)**	**(107,5)**	**(112,8)**	**(210,9)**	**(123,1)**	**(491,6)**
Operating profit before impairments and provisions (3)	**70,6**	**(2,4)**	**133,8**	**14,2**	**(75,1)**	**215,4**
Recovery of loans, interest and expenses	29,8	3,5	17,2	2,9	6,2	13,7
Impairment losses and provisions for loans and guarantees, net	(25,2)	(4,6)	(4,0)	(16,7)	0,1	(33,0)
Impairment losses and other provisions, net		(2,1)	(0,8)	(0,6)	3,5	(36,5)
Net income before income tax (3)	**75,2**	**(5,6)**	**146,2**	**(0,1)**	**(65,3)**	**159,7**
Income tax	(87,7)	(14,4)	(28,3)	16,7	(61,6)	(37,2)
Net income from continuing operations	**(12,5)**	**(20,0)**	**117,9**	**16,5**	**(126,9)**	**122,5**
Net income from discontinued operations	22,7	7,7	6,3	4,1	4,6	359,6
Income attributable to non-controlling interests from continuing operations						
Income attributable to non-controlling interests from discontinued operations						(168,8)
Net income	**10,2**	**(12,3)**	**124,3**	**20,6**	**(122,3)**	**313,2**

1) The designation "proforma" reflects the reclassification of the contribution of BPI Vida e Pensões, BPI Gestão de Activos e BPI GIF to the consolidated net income in accordance with IFRS 5 rules that is recorded in the net income from discontinued operations. In 2016, the captions "Net income from discontinued operations" and "Income attributable to noncontrolling interests from discontinued operations" also included the contribution of BFA (337.7 M.€ and 168.8 M.€, respectively).

2) Costs from voluntary terminations and early retirements and (only in 2016) gains with the revision of the Collective Labour Agreement (Acordo Colectivo de Trabalho - ACT).

(3) Definition included in the Annex – Alternative Performance Measures of this Bases Prospectus.

Consolidated Balance Sheet as of 31 December 2017

In M.€	**Proforma** considering BPI Gestão de Activos and BPI GIF fully consolidated	**In accordance with IAS / IFRS** BPI Gestão de Activos and BPI GIF reclassified to assets and liabilities from discontinued operations
	dez/17	**dez/17**
Assets		
Cash and deposits at central banks	909,9	909,9
Deposits at other credit institutions	276,7	276,4
Loans and advances to credit institutions	724,7	724,7
Loans and advances to Customers	21 658,8	21 658,8
Financial assets held for trading and at fair value through profit or loss	300,5	300,5
Financial assets available for sale	3 875,4	3 875,4
Held to maturity investments	0,0	0,0
Hedging derivatives	12,7	12,7
Investments in associated companies and jointly controlled entities	794,5	794,5
Investment properties	0,0	0,0
Non-current assets held for sale and discontinued operations	0,0	7,3
Other tangible assets	45,3	45,3
Intangible assets	42,3	42,3
Tax assets	435,7	435,4
Other assets	563,6	557,1
Total assets	**29 640,2**	**29 640,2**
Liabilities and shareholders' equity		
Resources of central banks	1 995,4	1 995,4
Financial liabilities held for trading	170,0	170,0
Resources of other credit institutions	1 982,6	1 982,6
Resources of Customers and other debts	20 783,8	20 783,8
Debts securities	237,0	237,0
Technical provisions	0,0	0,0
Financial liabilities relating to transferred assets	478,0	478,0
Hedging derivatives	69,9	69,9
Non-current liabilities held for sale and discontinued operations	0,0	4,5
Provisions	64,2	64,2
Tax liabilities	72,3	70,6
Other subordinated debt and participating bonds	305,1	305,1
Other liabilities	658,3	655,5
Shareholders' equity attributable to the shareholders of BPI	2 823,6	2 823,6
Non-controlling interests	0,0	0,0
Shareholders' equity	**2 823,6**	**2 823,6**
Total liabilities and shareholders' equity	**29 640,2**	**29 640,2**

Notes:

With the assets and liabilities of BPI Gestão de Activos and BPI GIF reclassified to Non current Assets / Liabilities held for sale and discontinued operations (IFRS 5).

The consolidated balance sheet is shown, with the assets and liabilities of BPI Gestão de Activos e BPI GIF reclassified to the captions “Non current assets held for sale and discontinued operations” and “Non current liabilities held for sale and discontinued operations“, respectively.

It should be noted that the sale of BPI Vida e Pensões took place in Dec.2017, so at the end of the year this entity no longer belonged to the consolidation perimeter of Banco BPI.

In M.€	31 Dec. 17	30 Sep. 17	30 Jun. 17	31 Mar. 17	31 Dec. 16	30 Sep. 16	30 Jun. 16	31 Mar. 16	31 Dec. 15
Assets									
Cash and deposits at central banks	909,9	1 209,0	983,4	1 300,2	876,6	2 341,6	2 401,1	2 615,2	2 728,2
Deposits at other credit institutions	276,4	252,9	300,0	272,1	300,2	345,4	414,2	404,0	612,1
Loans and advances to credit institutions	724,7	820,8	744,6	781,8	637,6	958,2	989,6	1 252,6	1 230,0
Loans and advances to Customers	21 658,8	22 708,0	22 819,8	22 718,4	22 735,8	23 902,4	23 954,9	23 957,0	24 281,6
Financial assets held for trading and at fair value through profit or loss	300,5	2 858,1	2 409,7	2 421,4	2 197,9	3 983,9	4 092,8	3 843,4	3 674,6
Financial assets available for sale	3 875,4	3 732,1	3 779,3	3 816,9	3 876,4	5 838,8	5 608,1	5 864,4	6 509,4
Held to maturity investments		14,4	14,4	16,3	16,3	16,3	16,3	21,4	22,4
Hedging derivatives	12,7	15,2	20,4	21,1	25,8	34,8	46,6	46,8	91,3
Investments in associated companies and jointly controlled entities	794,5	749,3	675,0	681,6	175,7	186,9	191,6	212,3	210,4
Investment properties									
Non-current assets held for sale and discontinued operations	7,3				6 295,9				
Other tangible assets	45,3	41,7	43,7	48,0	51,0	157,2	160,6	168,8	195,1
Intangible assets	42,3	24,3	24,7	24,6	25,6	29,1	26,7	26,7	29,1
Tax assets	435,4	442,7	472,8	447,5	471,8	453,9	455,1	437,3	420,2
Other assets	557,1	410,5	463,5	426,8	598,0	469,9	499,1	562,3	668,8
Total assets	**29 640,2**	**33 279,0**	**32 751,4**	**32 976,7**	**38 284,7**	**38 718,3**	**38 856,6**	**39 412,1**	**40 673,3**
Liabilities and shareholders' equity									
Resources of central banks	1 995,4	2 144,2	2 145,4	1 999,5	2 000,0	2 000,7	2 000,6	1 652,8	1 520,7
Financial liabilities held for trading	170,0	179,0	185,8	208,7	212,7	247,1	287,1	296,8	294,3
Resources of other credit institutions	1 982,6	1 816,0	1 624,1	1 834,9	1 096,4	1 143,1	1 235,9	1 309,1	1 311,8
Resources of Customers and other debts	20 783,8	22 440,1	22 335,5	22 413,5	21 967,7	28 082,8	27 706,9	27 485,3	28 177,8
Debts securities	237,0	264,1	268,9	288,6	506,8	546,4	604,4	1 010,5	1 077,4
Technical provisions		1 868,3	1 923,6	1 985,2	2 048,8	2 335,1	2 681,0	3 181,0	3 663,1
Financial liabilities relating to transferred assets	478,0	492,0	511,4	525,6	555,4	641,7	657,6	674,5	689,5
Hedging derivatives	69,9	71,9	78,0	93,0	97,8	128,2	151,0	162,4	161,6
Non-current liabilities held for sale and discontinued operations	4,5				5 951,4				
Provisions	64,2	66,5	68,8	69,3	70,2	101,0	95,8	95,0	99,9
Tax liabilities	70,6	71,2	67,1	66,5	22,0	46,7	48,7	104,3	92,0
Other subordinated debt and participating bonds	305,1	369,6	373,8	369,9	69,5	69,5	69,5	69,5	69,5
Other liabilities	655,5	775,3	606,7	587,3	777,4	564,1	637,8	649,4	680,2
Shareholders' equity attributable to the shareholders of BPI	2 823,6	2 720,9	2 560,6	2 533,0	2 440,5	2 386,2	2 298,8	2 330,7	2 406,9
Non-controlling interests			1,8	1,8	468,0	425,8	381,3	390,7	428,6
Shareholders' equity	**2 823,6**	**2 720,9**	**2 562,3**	**2 534,7**	**2 908,5**	**2 812,0**	**2 680,1**	**2 721,5**	**2 835,5**
Total liabilities and shareholders' equity	**29 640,2**	**33 279,0**	**32 751,4**	**32 976,7**	**38 284,7**	**38 718,3**	**38 856,6**	**39 412,1**	**40 673,3**

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

(Translation of statements originally issued in Portuguese)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 17 Amounts before impairment and amortisation	Jun. 30, 17 Impairment and amortisation	Jun. 30, 17 Net	31 Dec. 16 Net
ACTIVO					
Cash and deposits at central banks	4.1	983 403		983 403	876 621
Deposits at other credit institutions	4.2	300 027		300 027	300 190
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	2 409 731		2 409 731	2 197 913
Financial assets available for sale	4.5	3 882 030	102 760	3 779 270	3 876 434
Loans and advances to credit institutions	4.6	744 557		744 557	637 607
Loans and advances to customers	4.7	23 493 954	674 108	22 819 846	22 735 758
Held to maturity investments	4.8	14 415		14 415	16 317
Hedging derivatives	4.4	20 437		20 437	25 802
Non-current assets held for sale and discontinued operations	4.9				6 295 910
Other tangible assets	4.10	428 187	384 487	43 700	50 955
Intangible assets	4.11	122 797	98 055	24 742	25 629
Investments in associated companies and jointly controlled entities	4.12	674 957		674 957	175 678
Tax assets	4.13	472 824		472 824	471 848
Other assets	4.14	486 289	22 794	463 495	597 990
Total Assets		**34 033 608**	**1 282 204**	**32 751 404**	**38 284 652**

	Notes	Jun. 30, 17	31 Dec. 16
LIABILITIES			
Resources of central banks	4.15	2 145 381	2 000 011
Financial liabilities held for trading	4.16/4.4	185 786	212 713
Resources of other credit institutions	4.17	1 624 144	1 096 439
Resources of customers and other debts	4.18	22 335 470	21 967 681
Debt securities	4.19	268 891	506 770
Financial liabilities relating to transferred assets	4.20	511 425	555 385
Hedging derivatives	4.4	77 964	97 756
Non-current liabilities held for sale and discontinued operations	4.9		5 951 398
Provisions	4.21	68 791	70 235
Technical provisions	4.22	1 923 575	2 048 829
Tax liabilities	4.23	67 091	22 006
Other subordinated debt and participating bonds	4.24	373 832	69 500
Other liabilities	4.25	606 736	777 404
Total Liabilities		**30 189 086**	**35 376 127**
SHAREHOLDERS' EQUITY			
Subscribed share capital	4.27	1 293 063	1 293 063
Other equity instruments	4.28	1 722	4 309
Revaluation reserves	4.29	(11 850)	(21 514)
Other reserves and retained earnings	4.30	1 379 731	1 044 319
(Treasury shares)	4.28	(377)	(10 809)
Other accumulated comprehensive income related to discontinued operations	4.9		(182 121)
Consolidated net income of the BPI Group	4.45	(101 725)	313 230
Shareholders' equity attributable to the shareholders of BPI		**2 560 564**	**2 440 477**
Non-controlling interests	4.31	1 754	468 048
Total Shareholders' Equity		**2 562 318**	**2 908 525**
Total Liabilities and Shareholders' Equity		**32 751 404**	**38 284 652**

	Notes	Jun. 30, 17 Net	31 Dec. 16 Net
OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.32	1 412 233	1 466 208
Of which:			
[Guarantees and securities]		[1 245 023]	[1 294 856]
[Others]		[167 210]	[171 352]
Commitments	4.32	3 224 249	3 392 479

The accompanying notes form an integral part of these balance sheets.

The Accountant **The Board of Directors**

INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements of income originally issued in Portuguese)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 17	Jun. 30, 16 Proforma
Interest and similar income		228 318	273 137
Interest and similar expenses		(45 988)	(94 204)
Financial margin (narrow sense)	4.33	**182 330**	**178 933**
Gross margin on unit links	4.34	6 434	7 051
Income from equity instruments	4.35	6 401	3 910
Net commission relating to amortised cost	4.36	10 344	10 558
Financial margin		**205 509**	**200 452**
Technical result of insurance contracts	4.37	7 437	13 495
Commissions received		132 243	126 117
Commissions paid		(14 825)	(15 355)
Other income, net		14 478	14 192
Net commission income	4.38	**131 896**	**124 954**
Gain and loss on operations at fair value		14 375	(629)
Gain and loss on assets available for sale		776	24 455
Interest and financial gain and loss with pensions		(409)	1 328
Net income on financial operations	4.39	**14 742**	**25 154**
Operating income		22 012	9 099
Operating expenses		(207 616)	(25 414)
Other taxes		(5 434)	(3 236)
Net Operating Income	4.40	**(191 038)**	**(19 551)**
Operating income from banking activity		**168 546**	**344 504**
Personnel costs	4.41	(241 965)	(152 276)
General administrative costs	4.42	(85 713)	(93 675)
Depreciation and amortisation	4.10/4.11	(11 003)	(10 809)
Overhead costs		**(338 681)**	**(256 760)**
Recovery of loans, interest and expenses		9 088	7 160
Impairment losses and provisions for loans and guarantees, net	4.21	(16 583)	(35 775)
Impairment losses and other provisions, net	4.21	2 967	(33 868)
Net income before income tax		**(174 663)**	**25 261**
Income tax	4.43	(47 749)	(22 473)
Earnings of associated companies (equity method)	4.44	120 711	21 357
Net income from continuing operations		**(101 701)**	**24 145**
Net income from discontinued operations	4.9		163 857
Income attributable to non-controlling interests from continuing operations	4.31	(24)	(23)
Income attributable to non-controlling interests from discontinued operations	4.9		(82 049)
Income attributable to non-controlling interests		**(24)**	**(82 072)**
Consolidated net income of the BPI Group	4.45	**(101 725)**	**105 930**
Earnings per share (in Euro)			
Basic	4.45	(0,070)	0,073
Diluted	4.45	(0,070)	0,073
Earnings per share from continuing operations (in Euro)			
Basic	4.45	(0,070)	0,017
Diluted	4.45	(0,070)	0,017
Earnings per share from discontinued operations (in Euro)			
Basic	4.45		0,056
Diluted	4.45		0,056

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements originally issued in Portuguese)

(Amounts expressed in thousands of Euro)

	Jun. 30, 17			Jun. 30, 16 Proforma		
	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total
Consolidated net income	**(101 725)**	**24**	**(101 701)**	**105 930**	**82 072**	**188 002**
Income not included in the consolidated statements of income related to continuing operations:						
Items that will not be reclassified to net income						
Actuarial deviations	32 763		32 763	(126 009)		(126 009)
Tax effect	(9 538)		(9 538)	34 600		34 600
	23 225		**23 225**	**(91 409)**		**(91 409)**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences						
Transfer to income	182 121		182 121			
Foreign exchange translation differences	3 925		3 925	(20 247)		(20 247)
Tax effect	4		4			
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale:	10 236		10 236	(18 797)		(18 797)
Tax effect	(4 399)		(4 399)	4 179		4 179
Transfer to income resulting from sales	(421)		(421)	(22 340)		(22 340)
Tax effect	118		118	6 128		6 128
Transfer to income resulting from impairment recognized in the period	272		272	24 787		24 787
Tax effect	(71)		(71)	(6 792)		(6 792)
Valuation of assets of associated companies	2 593		2 593	(444)		(444)
Tax effect	(702)		(702)	(174)		(174)
	193 676		**193 676**	**(33 700)**		**(33 700)**
Income not included in the consolidated statements of income related to discontinued operations						
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences				(87 804)	(88 576)	(176 380)
Income not included in the consolidated statements of income	**216 901**		**216 901**	**(212 913)**	**(88 576)**	**(301 489)**
Consolidated comprehensive income	**115 176**	**24**	**115 200**	**(106 983)**	**(6 504)**	**(113 487)**

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2016 AND 2015

(Translation of balance sheets originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Dec. 31, 16 Amounts before impairment, depreciation and amortisation	Dec. 31, 16 Impairment, depreciation and amortisation	Dec. 31, 16 Net	Dec. 31, 15 Net
ASSETS					
Cash and deposits at central banks	4.1	876 621		876 621	2 728 185
Deposits at other credit institutions	4.2	300 190		300 190	612 055
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	2 197 913		2 197 913	3 674 604
Financial assets available for sale	4.5	3 983 429	106 995	3 876 434	6 509 388
Loans and advances to credit institutions	4.6	637 607		637 607	1 230 043
Loans and advances to customers	4.7	23 430 958	695 200	22 735 758	24 281 622
Held to maturity investments	4.8	16 317		16 317	22 417
Hedging derivatives	4.4	25 802		25 802	91 286
Non-current assets held for sale and discontinued operations	4.9	6 295 910		6 295 910	
Other tangible assets	4.10	431 991	381 036	50 955	195 095
Intangible assets	4.11	118 699	93 070	25 629	29 138
Investments in associated companies and jointly controlled entities	4.12	175 678		175 678	210 447
Tax assets	4.13	471 848		471 848	420 214
Other assets	4.14	631 759	33 769	597 990	668 798
Total Assets		**39 594 722**	**1 310 070**	**38 284 652**	**40 673 292**

	Notes	Dec. 31, 16	Dec. 31, 15
LIABILITIES			
Resources of central banks	4.15	2 000 011	1 520 735
Financial liabilities held for trading	4.16/4.4	212 713	294 318
Resources of other credit institutions	4.17	1 096 439	1 311 791
Resources of customers and other debts	4.18	21 967 681	28 177 814
Debt securities	4.19	506 770	1 077 381
Financial liabilities relating to transferred assets	4.20	555 385	689 522
Hedging derivatives	4.4	97 756	161 556
Non-current liabilities held for sale and discontinued operations	4.9	5 951 398	
Provisions	4.21	70 235	99 864
Technical provisions	4.22	2 048 829	3 663 094
Tax liabilities	4.23	22 006	92 050
Other subordinated debt and participating bonds	4.24	69 500	69 512
Other liabilities	4.25	777 404	680 156
Total Liabilities		**35 376 127**	**37 837 793**
SHAREHOLDERS' EQUITY			
Subscribed share capital	4.27	1 293 063	1 293 063
Other equity instruments	4.28	4 309	5 194
Revaluation reserves	4.29	(21 514)	(87 564)
Other reserves and retained earnings	4.30	1 044 319	972 587
(Treasury shares)	4.28	(10 809)	(12 797)
Other accumulated comprehensive income related to discontinued operations	4.9	(182 121)	
Consolidated net income of the BPI Group	4.45	313 230	236 369
Shareholders' equity attributable to the shareholders of BPI		**2 440 477**	**2 406 852**
Non-controlling interests	4.31	468 048	428 647
Total Shareholders' Equity		**2 908 525**	**2 835 499**
Total Liabilities and Shareholders' Equity		**38 284 652**	**40 673 292**

	Notes	Dec. 31, 16	Dec. 31, 15
OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.32	1 466 208	1 828 781
Of which:			
[Guarantees and sureties]		[1 294 856]	[1 497 070]
[Others]		[171 352]	[331 711]
Commitments	4.32	3 392 479	3 372 509

The accompanying notes form an integral part of these balance sheets.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 PROFORMA

(Translation of statements originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Dec. 31, 16			Dec. 31, 15 Proforma		
	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total
Consolidated net income	**313 230**	**168 865**	**482 095**	**236 369**	**140 849**	**377 218**
Income not included in the consolidated statements of income related to continued operations:						
Items that will not be reclassified to net income						
Actuarial deviations	(211 692)		(211 692)	144 783		144 783
Tax effect	56 123		56 123	(42 263)		(42 263)
	(155 569)		**(155 569)**	**102 520**		**102 520**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences	(23 036)		(23 036)	(10 899)		(10 899)
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale	(8 539)		(8 539)	38 370		38 370
Tax effect	1 907		1 907	(10 692)		(10 692)
Transfer to income resulting from sales	(22 495)		(22 495)	7 089		7 089
Tax effect	6 171		6 171	(1 972)		(1 972)
Transfer to income resulting from impairment recognized in the period	24 471		24 471	10 019		10 019
Tax effect	(6 705)		(6 705)	(2 290)		(2 290)
Valuation of assets of associated companies	(8 932)		(8 932)	(12 817)		(12 817)
Tax effect	2 032		2 032	2 303		2 303
	(35 126)		**(35 126)**	**19 111**		**19 111**
Income not included in the consolidated statements of income related to discontinued operations						
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences	(87 845)	(88 616)	(176 461)	(66 046)	(66 218)	(132 264)
Income not included in the consolidated statements of income	**(278 540)**	**(88 616)**	**(367 156)**	**55 585**	**(66 218)**	**(10 633)**
Consolidated comprehensive income	**34 690**	**80 249**	**114 939**	**291 954**	**74 631**	**366 585**

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 PROFORMA

(Translation of statements of income originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Dec. 31, 2016	Dec. 31, 2015 Proforma
Interest and similar income		518 935	689 453
Interest and similar expenses		(154 724)	(372 090)
Financial margin (narrow sense)	4.33	**364 211**	**317 363**
Gross margin on unit links	4.34	13 454	12 967
Income from equity instruments	4.35	8 528	4 739
Net commission relating to amortised cost	4.36	21 216	21 115
Financial margin		**407 409**	**356 184**
Technical result of insurance contracts	4.37	24 613	31 804
Commissions received		260 293	260 671
Commissions paid		(29 766)	(32 571)
Other income, net		28 861	27 058
Net commission income	4.38	**259 388**	**255 158**
Gain and loss on operations at fair value		23 994	53 621
Gain and loss on assets available for sale		23 876	(6 114)
Interest and financial gain and loss with pensions		1 040	413
Net income on financial operations	4.39	**48 910**	**47 920**
Operating income		20 613	23 124
Operating expenses		(37 483)	(40 865)
Other taxes		(6 898)	(6 942)
Operating income and expenses	4.40	**(23 768)**	**(24 683)**
Operating income from banking activity		**716 552**	**666 383**
Personnel costs	4.41	(307 996)	(302 370)
General administrative costs	4.42	(168 571)	(178 011)
Depreciation and amortisation	4.10/4.11	(21 370)	(19 887)
Overhead costs		**(497 937)**	**(500 268)**
Recovery of loans, interest and expenses		13 733	16 249
Impairment losses and provisions for loans and guarantees, net	4.21	(33 009)	(103 367)
Impairment losses and other provisions, net	4.21	(36 483)	(15 903)
Net income before income tax		**162 856**	**63 094**
Income tax	4.43	(44 690)	(2 130)
Earnings of associated companies (equity method)	4.44	26 190	33 433
Net income from continuing operations		**144 356**	**94 397**
Net income from discontinued operations		**337 739**	282 821
Income attributable to non-controlling interests from continuing operations	4.31	(45)	(43)
Income attributable to non-controlling interests from discontinued operations	4.9	(168 820)	(140 806)
Income attributable to non-controlling interests	4.45	**(168 865)**	**(140 849)**
Consolidated net income of the BPI Group	4.45	**313 230**	**236 369**
Earnings per share (in Euro)			
Basic	4.45	0.216	0.163
Diluted	4.45	0.215	0.162
Earnings per share from continuing operations (in Euro)			
Basic	4.45	0.099	0.065
Diluted	4.45	0.099	0.065
Earnings per share from discontinued operations (in Euro)			
Basic	4.45	0.117	0.098
Diluted	4.45	0.116	0.097

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

Notes:

Pro forma figures at 31 December 2015 reflecting the retroactive application of IFRS 5 to the recognition of BFA 2015 results.

Pro forma figures at 30 June 2017 reflects the restatement of the contribution of BFA to consolidated results according to IFRS 5 standards, that is recorded in net income from discontinued operations.

The denomination "pro forma" does not constitute the presentation of proforma financial information in accordance to Annex II to the Prospectus Regulation.

The auditor's reports on the consolidated financial statements of the Issuer for the years ended on 31 December 2015 and on 31 December 2016 and for the first semester ended 30 June 2017 did not include any reserves.

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

INVESTMENTS

There have been no material investments by the Issuer since 31 December 2017.

RATINGS

The ratings assigned to the Issuer from time to time are available for consultation at http://bpi.bancobpi.pt/index.asp?riIdArea=AreaDivida&riChgLng=1&riLang=en&riId=IRatings&riIdTopo=. The long term/short term ratings currently assigned to the Issuer are Ba1/Not Prime by Moody's, BBB-/F3 by Fitch and BBB-/A-3 by S&P.

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

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

CORPORATE GOVERNANCE

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

- the company's management is entrusted to the Board of Directors which includes an Executive Committee to which the Board has delegated wide management powers for conducting the day-to-day activity. Within the ambit of the Board of Directors, three specialist commissions function, composed exclusively of non-executive members: (i) the Audit and Internal Control Committee; (ii) the Risk Committee and (iii) the Nominations, Evaluation and Remuneration Committee. In September 2017, as foreseen in the corporate statues a Corporate Social Responsibility Committee was created.

- the oversight functions are attributed to the Supervisory Board ("*Conselho Fiscal*") – whose key terms of reference include overseeing management, supervising compliance with the Law and the Issuer's Articles of Association, verifying the accounts, supervising the independence of the Statutory Auditor and the external auditor, as well as evaluating the work of the latter - and to the Statutory Auditor ("*Revisor Oficial de Contas*"), whose prime function is to examine and then certify the accounts.
- the General Shareholders' Meeting, composed of all the shareholders of the Issuer, deliberates on the issues which are specifically attributed to it by the law or by the Articles of Association – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.
- the Remuneration Committee, comprising three members, is elected by the General Shareholders' Meeting. The Committee sets out the remuneration of the officers serving on the Issuer's governing bodies. It is bound to observe the limits defined by the General Shareholders' Meeting as regards the fixed compensation of the members of the Board of Directors and the variable compensation of the Executive Committee.
- the Company Secretary is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed pursuant to the Articles of Association of the Issuer.

MANAGEMENT[11,12]

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

Board of Directors.

[11] Each of the following members of the Board of Directors issued a declaration in the terms and for the purposes of Article 245 (1) (c) of the Securities Code, regarding the Annual Report in respect of the financial year ended on 31 December 2016: Artur Santos Silva, Fernando Ulrich, Alfredo Rezende de Almeida, António Lobo Xavier, Carla Bambulo, Ignacio Alvarez-Rendueles, João Pedro Oliveira e Costa, José Pena do Amaral, Lluís Vendrell, Manuel Ferreira da Silva, Maria Celeste Hagatong, Mário Leite da Silva, Pedro Barreto, Tomas Jervell and Vicente Tardio Barutel.

[12] Each of the following members of the Board of Directors issued a declaration in the terms and for the purposes of Article 245 (1) (c) of the Securities Code, regarding the Annual Report in respect of the financial year ended on 31 December 2015: Artur Santos Silva, Fernando Ulrich, Alfredo Resende de Almeida, António Domingues, António Lobo Xavier, Armando Leite de Pinho, Carla Bambulo, Carlos Moreira da Silva, Edgar Alves Ferreira, Ignacio Alvarez-Rendueles, Isidro Fainé Casas, João Pedro Oliveira e Costa, José Pena do Amaral, Lluís Vendrell, Manuel Ferreira da Silva, Marcelino Armenter Vidal, Maria Celeste Hagatong, Mário Leite da Silva, Pedro Barreto and Vicente Tardio Barutel.

Board of Directors:

Chairman:	Fernando Ulrich
Deputy-Chairman and chief executive officer (“CEO”):	Pablo Forero
Non-executive Deputy-Chairman:	António Lobo Xavier
Members:	
Executive member	Alexandre Lucena e Vale
Executive member	António Farinha de Morais
Non-executive member	Carla Bambulo
Non-executive member	Cristina Rios Amorim
Executive member	Francisco Manuel Barbeira
Non-executive member	Gonzalo Gortázar Rotaeche
Executive member	Ignacio Alvarez-Rendueles
Executive member	João Oliveira e Costa
Executive member	José Pena do Amaral
Non-executive member	Javier Pano Riera
Non-executive member	Juan Antonio Alcaraz
Non-executive member	Lluís Vendrell Pi
Executive member	Pedro Barreto
Non-executive member	Tomas Jervell
Non-executive member	Vicente Tardio Barutel

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

Position in other companies of BPI Group

Name	Position	Companies
Alexandre Lucena e Vale	Non-executive Director	BPI Capital África, Proprietary Ltd. (100%)
	Non-executive Director	BPI Moçambique – Sociedade de Investimento, S.A. (35,67% indirectly)
João Oliveira Costa	Non-executive Director	BPI Suisse (100%)
José Pena do Amaral	Non-executive Director	Companhia de Seguros Allianz Portugal, S.A. (35%)
Pedro Barreto	Non-executive Deputy-Chairman	BCI – Banco Comercial e de Investimentos, S.A. (35,67%)
	Executive Chairman of the Board of Directors	BPI Madeira, SGPS, Unipessoal, S.A. (100%)

Relevant activities outside BPI Group

Name	Position	Companies
Fernando Ulrich	Not applicable*	Not applicable*
Pablo Forero	Not applicable*	Not applicable*
António Lobo Xavier	Non-Executive Director	SonaeCom – SGPS, S.A.
	Non-Executive Director	NOS, SGPS, S.A.
	Non-Executive Director	Mota Engil, S.A.
	Non-Executive Director	Fábrica Têxtil Riopele, S.A.
Alexandre Lucena e Vale	Not applicable*	Not applicable*
António Farinha Morais	Not applicable*	Not applicable*
Carla Bambulo	Non-Executive Director	Allianz Brasil
	Non-Executive Director	Allianz Technology, S.L.

Cristina Rios Amorim	Vice-president and Chief Financial Officer	Amorim Investimentos e Participações, SGPS, S.A.
	Non-Executive Director and responsible by the supervision of the financial department	Corticeira Amorim, SGPS, S.A.
	Non-Executive Director	Amorim – Sociedade Gestora de Participações Sociais, S.A.
Francisco Manuel Barbeira	Non-Executive Director	SIBS, SGPS, S.A.
	Non-Executive Director	Unicre – Instituição de Crédito, S.A.
Gonzalo Gortázar	Chief Executive Officer	CaixaBank, S.A.
	Chairman	VidaCaixa
	Non-Executive Vice-President	Repsol
Ignacio Alvarez-Rendueles	Not applicable*	Not applicable*
Javier Pano	Chief Financial Officer	CaixaBank, S.A.
João Oliveira Costa	Not applicable*	Not applicable*
José Pena do Amaral	Chairman	Fundação Casa da Música
Juan Alcaraz Garcia	Chief Financial Officer	Nuevo Microbank, S.A.U.
	Chairman (non-executive)	CaixaBank Payments, E.F.C., E.P.S.A.
	Non-Executive Director	CaixaBank Consumer Finance, EFC, SAU
	Non-Executive Director	SegurCaixa Adeslas, S.A., S.S.R.
	Chief Business Officer	CaixaBank, S.A.
Lluís Vendrell	Corporate Manager M&A	CaixaBank, S.A.
Pedro Barreto	Not applicable*	Not applicable*

Tomás Jervell	Chief Executive Officer	NORS/Auto Sueco
	President of the "Conselho de Gerência"	Auto-Sueco, Lda.
	Director	Ascendum, S.A.
Vicente Tardio	Chairman	Companhia de Seguros Allianz Portugal, S.A.
	Chairman	Allianz Compañia de Seguros y Reaseguros, S.A. (Spain).
	Chairman	Allianz México S.A. Compañia de Seguros
	Non-executive Director of the Supervisory Board	Allianz Worldwide Partners SAS

Note: "Not applicable*" means no activities outside the BPI Group.

CONFLICTS OF INTEREST

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

SUPERVISORY BOARD[13]

[13]The Supervisory Board ("*Conselho Fiscal*") members elected in the General Meeting held on 26 April 2017 are not in office nor, consequently, registered at the *Conservatória do Registo Comercial*.

In light of the recent guidelines issued by the authorities regarding the requirements for members of the management body and key function holders of credit institutions, namely regarding the assessment of experience ("*Guide to fit and proper assessment*" of the European Central Bank, released on 16 May 2017, and the "*Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (…)*", released on 26 September 2017, and that will enter into force on 30 June 2018), the composition of the Supervisory Board is being re-examined, and it is expected that the next Annual General Meeting, to be held in April 2018, will consider a proposal in this matter.

Within this framework, the Supervisory Board members which were in office on 26 April 2017 remained and remain, in accordance with the law, in office, and taking in consideration the above, it is expected that this situation will not change until the next Annual General Meeting.

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

The following is a list of the members of the Supervisory Board[14], whose business address is the Issuer's head office:

Chairman:	Abel Pinto dos Reis
Members:	Rui Manuel Campos Guimarães
	Jorge de Figueiredo Dias
Alternate Member	Francisco Javier Olazabal Rebelo Valente
	Luis Manuel Roque de Pinho Patricio

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

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

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

The Supervisory Board meets at least every two months.

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

STATUTORY AUDITOR

[14] The Chairman and Members of the Supervisory Board have been responsible for the report and opinion on BPI Group's 2015 and 2016 consolidated accounts.

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

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

Deloitte & Associados, SROC, S.A., member of the Portuguese Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas*"), with registered office at Avenida Eng.º Duarte Pacheco, 7, 1070-100 Lisbon, Portugal, has designated Paulo Alexandre Rosa Pereira Antunes (Statutory Auditor – "*Revisor Oficial de Contas*") to represent it, who is also a member of the Portuguese Association of the Chartered Accountants. The alternate member is Carlos Luís Oliveira de Melo Loureiro.

Paulo Alexandre de Sá Fernandes has been responsible for the legal certification of accounts and audit report for the years ended 31 December 2015 and 31 December 2016. Paulo Alexandre Rosa Pereira Antunes has been responsible for the audit report for the period of six months ended 30 June 2017.

PricewaterhouseCoopers, SROC, S.A., member of the Portuguese Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas*"), with registered office at Palácio Sottomayor, Rua Sousa Martins, 1-3º, 1069-316 Lisbon, as designated José Manuel Henriques Bernardo to represent it, who is also a member of the Portuguese Association of the Chartered Accountants. The alternate member is Ana Carla Ávila de Oliveira Lopes Bertão.

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

THE RESIDENTIAL MORTGAGE BUSINESS OF THE ISSUER

The residential mortgage business is one of the most important segments in the credit activity of the Issuer, representing about 51 per cent. of the Issuer's credit portfolio. The Issuer 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. The Issuer pays special attention to the management of credit risk and its credit policy is constantly monitored against economic and market conditions.

ORIGINATION

The Issuer's residential mortgage loans are originated through the branch network and real estate agents.

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 risk analysis and approval is based on: (i) basic criteria (age, residence, marital status…); (ii) no credit in arrears in the national credit bureau; (iii) household disposable net income; (iv) the ratio of total monthly instalments to disposable net income has to be below 50 per cent. (total monthly instalments of the loan under analysis are calculated with 2.5 per cent. added to interest rate); (v) loan maturity, loan amount and other loan requirements; (vi) insurances requirements; (vii) the loan to value ratio (LTV) has to be below certain values defined according to the type of the loan (with a maximum of 85 per cent. for permanent residence; (viii) probability of default of the proposal – credit scoring.

- *Insurance Cover*

Life, disability and property insurance coverage is mandatory for all mortgage loans. Although uncommon among Portuguese banks, the Issuer requires the coverage of earthquake risk for all loans. Additional insurance coverage for unemployment risk, hospitalisation and coverage for late payment of salaries ("*Seguro de Protecção de Crédito*") is optional.

- *Centralised Real Estate Evaluation*

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

- *Decision Levels*

Branches may only approve credit proposals when all the lending criteria are fulfilled and the client loans exposure is under the upper limit of branches credentials; other credit proposals require independent risk analysis and decision from a central unit - DRC ("*Direcção de Risco de Crédito – Crédito Habitação*).

UNDERWRITING

The residential mortgage loan proposals are prepared at branches. Real estate agents must always channel their proposal through a branch.

All the information is registered in GPC ("*Gestor de Propostas de Crédito*" – credit underwriting system). 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 from the Bank of Portugal and the Issuer databases. All these elements allow the branches and DRC (if applicable) to verify the information previously provided by the customer.

Once this stage is passed, the Issuer sends an independent evaluator to visit and evaluate the property.

Results are received and verified centrally at DO-DOC ("*Direcção de Operações de Crédito*"). DO-DOC 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 signs the contract and the Issuer (DO-DOC) verifies all the public registrations regarding property and mortgage.

MORTGAGE PRODUCTS

The Issuer offers a broad range of mortgage credit products in terms of applicable interest rate (fixed rate, EURIBOR index rate), and different reimbursement profiles. The maximum term is 50 years and maximum LTV ratio is 85 per cent. The average LTV ratio of loans originated in 2017 was 68.7 per cent., the average amount by contract was € 88.2 thousand and the average term was 35.1 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 the Issuer.

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 is automatically reported to the commercial department responsible for the customer. While a payment is in arrears, this procedure will be repeated every day.

For credits in arrears for less than 90 days, the process is conducted by the Branches (which have the responsibility for negotiating with Clients) with the support of automatic letters, SMS and e-mails; and the Credit Decision Areas of DREC-RCP ("*Direcção de Recuperação de Crédito - Particulares"*) are responsible for the decision on negotiation and restructuring of credit; for credits in arrears for more than 90 days, the process is conducted by the Area of Pre-Judicial Recovery of DREC-RCP (which has the responsibility of negotiating with Clients); the transmission of responsibility for the recovery of credit from the Branches to DREC-RCP is automatic and compulsory; for credits under legal action and written-off, the process is conducted by the Areas of Judicial Recovery of DREC-RCP. If all the efforts for solving the situation prove unsuccessful by the 240th day, the execution request is delivered to court and the loan is accounted in "credits under legal action". During all the phases of the recovery process, the Issuer 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 the Bank of Portugal Regulations. The Bank of Portugal Regulations address matters such as the segregation of cover pool assets from the insolvent estate of the issuer in the event of insolvency, the compliance with asset and liability matching requirements and the methodology for valuation of mortgages and properties.

ISSUERS OF 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 ECB and the national banks of the EU Member States whose currency is the euro);
- Current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least "A-" or equivalent; and
- Other assets meeting both the low risk and high liquidity requirements of the Bank of Portugal.

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to "AAA" or equivalent rated sovereign bonds from a EU Member-State, or Italian Sovereign Bonds, the United States, Japan and/or Canada or other assets specified under (b) above with credit institutions having a minimum rating at least equal to "A" or equivalent, in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

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 Notice 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 Notice 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.

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

ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS

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

- The global nominal value of the outstanding mortgage covered bonds, cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (*i.e.*, a mandatory overcollateralisation of 5.2632 per cent.);

- The average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds;
- The total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any 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, 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. This information will be deposited with the Bank of Portugal in the form of a code key. If the holders of Covered Bonds decide to accelerate the relevant covered bonds, 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 segregate estate over which the holders of the covered bonds will have a special creditor privilege ("*privilégio creditório*"), in particular in case of winding-up and dissolution of the Institution.

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

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

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

In accordance with Notice 8/2006, any substitute credit institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by the corresponding explanatory notes; (ii) perform all acts and things necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the 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 paragraph 4 of Article 52 of the UCITS Directive, as well as with subparagraphs (a) to (f) of paragraph 1 of Article 129 of the CRR. The risk-weighting applicable to covered bonds is also governed by Article 129 of the CRR.

TAXATION

Portugal

The following is a general description of certain Portuguese tax consequences of the acquisition and ownership of 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, amortisation 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.

Covered Bonds held through a centralised control system

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent.. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000, and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Investment income paid or made available on accounts held by one or more parties on account of unidentified third parties is subject to a withholding tax rate of 35 per cent., except where the beneficial owner of the income is identified, in which case the general rules will apply.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

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

Capital gains taxation of 28 per cent., applicable to Portuguese resident individuals, will apply on the positive difference between the capital gains and capital losses arising from the transfer of the Covered Bonds. Accrued interest qualifies as investment income, rather than as capital gains for tax purposes.

Interest and other investment income derived from Covered Bonds and capital gains realised with the transfer of Covered Bonds by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and is subject to a 21 per cent. corporate tax rate applicable on taxable profits, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. on their taxable profits. A State Surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €7,500,000 and of 5 per cent. on the part of the taxable profits exceeding €7,500,000 up to €35,000,000, and taxable income above €35,000,000 will be subject to a 9 per cent. rate.

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

Portuguese financial institutions, pension funds, mutual funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws in Portugal and some exempt entities are not subject to withholding tax.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Without prejudice to the special debt securities tax regime as described below, the general tax regime on debt securities applicable to non-resident entities is the following.

Interest and other types of investment income obtained by nonresident individuals is subject to withholding tax at a rate of 28 per cent.. Interest and other types of investment income obtained by a legal person non-resident in Portugal without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25 per cent., which is the final tax on that income.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order ("*Despacho*") 30.359/2007, of the Portuguese Minister of State and Finance, published in the 2nd Series of Portuguese official gazette no. 251, of 31 December, which may be available at www.portaldasfinancas.gov.pt.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

A withholding tax rate of 35 per cent. applies in case of investment income payments to individuals or companies domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) No. 150/2004, of 13

February 2011, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*").

Capital gains obtained on the transfer of Covered Bonds by non-resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation unless the individual is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) No. 150/2004, of 13 February 2011, as amended from time to time (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 28 per cent. flat rate and should be declared in the Portuguese annual tax return to be presented by the seller. Accrued interest does not qualify as capital gains for tax purposes.

Regarding capital gains obtained on the disposal of Covered Bonds by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the non-resident entity is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) No. 150/2004, of 13 February 2011, as amended from time to time (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese corporate income tax, but the applicable rules should be confirmed on a case by case basis.

Stamp tax at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Covered Bonds by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Covered Bonds through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to a 21 per cent. corporate tax rate applicable on the taxable profits, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. over their taxable profits. A State Surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €7,500,000 and of 5 per cent. on the part of the taxable profits exceeding €7,500,000 up to €35,000,000, and taxable income above €35,000,000 will be subject to a 9 per cent. rate. No stamp tax applies to the acquisition through gift and inheritance of Covered Bonds by an individual who is not domiciled in Portugal. The acquisition of Covered Bonds through gift or inheritance by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

There is no wealth or estate tax in Portugal on the Covered Bonds.

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

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-law 193/2005, of 7 November, as amended from time to time ("**the special regime approved by Decree-law 193/2005**"), investment income and capital gains on the disposal of debt securities issued by Portuguese resident entities, such as the Covered Bonds obtained by non-resident beneficial owners, are exempt from Portuguese income tax provided that (i) the debt securities are integrated in a centralised system managed by an entity resident in Portugal or by an international clearing system managing entity of a member state of the European Union or of the European Economic Area (in this case, the member state of the European Economic Area should be subject to administrative cooperation in tax issues similar to the administrative cooperation agreement in force between EU countries), and (ii) the beneficial owners are:

(i) central banks or governmental agencies; or

(ii) international organisations recognised by the Portuguese State; or

(iii) entities with residency in countries with whom Portugal has a double tax treaty or a tax information exchange agreement in force; or

(iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) No. 150/2004, of 13 February 2011, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis"*).

The special regime approved by Decree-Law 193/2005 sets out the detailed rules and procedures to be followed on the evidence of non-residence by the beneficial owners of the bonds to which it applies. Under these rules, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Covered Bonds are integrated, will be under the obligation to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the evidence of non-residence status should be provided to, and received by, the direct registration entities prior to the relevant date for payment of any interest, or the redemption date (for zero coupon Covered Bonds), and prior to the transfer of Covered Bonds date, as the case may be. The relevant direct registering entity shall withhold the relevant tax if the requirements for a withholding tax exemption are not met.

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

(a) Domestically Cleared Covered Bonds

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

(i) If the beneficial owner of Covered Bonds is a central bank, an international organisation or a public law institution integrated in the Public Administration (either central, regional, peripheral, indirect or autonomous), a declaration of tax residence issued by the beneficial owner of Covered Bonds itself, duly signed and authenticated or proof pursuant to (iv) below;

(ii) If the beneficial owner of Covered Bonds is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which

Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the beneficial owner of Covered Bonds and its domicile; or (C) proof of non-residence pursuant to (iv) below.

(iii) If the beneficial owner of Covered Bonds is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, the law of incorporation and domicile; or (B) proof of non-residence pursuant to (iv) below.

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities; or (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

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

When the Covered Bonds are held by central banks, governmental agencies, investment funds or other type of collective investment undertaking domiciled in any OECD country, the respective proof of non-residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

(b) Internationally Cleared Covered Bonds

If the Covered Bonds are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system under the terms foreseen in Decree-Law 193/2005 (such as Euroclear or Clearstream, Luxembourg), the identification and amount of securities, as well as the amount of income, and, if applicable, the amount of withheld tax, shall be communicated (as mentioned below) and the beneficiaries shall be identified under one of the following categories:

(i) Entities with residence, headquarters, effective management or permanent establishment to which the income would be attributable, and which are exempt from taxation or not subject to tax withholding;

(ii) Entities with residence in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order ("*Portaria*")

No. 150/2004, of 13 February 2011, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis"*).

(iii) Entities with residence, headquarters, effective management or permanent establishment to which the income would be attributable, and which are exempt from taxation or not subject to tax withholdings;

(iv) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income would be attributable.

On each interest payment date, the following information with respect of each one of the beneficiaries mentioned in (i), (ii) and (iii) should be communicated:

(i) Name and address;

(ii) Tax identification number (if available);

(iii) Identification and amount of securities held;

(iv) Amount of income.

In addition, the international clearing system managing entity shall send the above information to the direct register entity, or its representatives, and should send the information regarding all accounts under its management.

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

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 6 months from the date the withholding took place. A special tax form for these purposes was approved by Order ("*Despacho*") 2937/2014, of the Portuguese Secretary of State for Tax Affairs, published in 2nd Series of Portuguese official gazette no. 37, of 21st February, which may be available at www.portaldasfinancas.gov.pt.

The refund of withholding tax in other circumstances or after the above 6 months period is to be claimed to the Portuguese tax authorities under the general procedures and within a 2 years period after the end of the year where the income was obtained.

EU Savings Directive, *OECD CRS and Directive 2014/107/EU*

On 10 November 2015 the Council of the European Union adopted the Council Directive (EU) 2015/2060/EU of 10 November 2015, repealing Directive 2003/48/EC, as amended, on the taxation of savings income (the "EU Savings Directive") from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States of the European Union (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by

Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

Portugal has implemented the above Savings Directive on taxation of savings income 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, and Law no. 37/2010, of 2 September 2010. Accordingly, it is expected that Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005, and Law no. 37/2010, of 2 September 2010, will be revoked.

Moreover, Council Directive 2014/107/EU was transposed to Portuguese national law, on October 2016, by Decree-Law no. 64/2016, of 11 October 2016 ("Portuguese CRS Law"), which amended Decree-Law no. 61/2013, of 10 May 2013, which transposed Directive 2011/16/EU. The Portuguese CRS Law and Decree-Law no. 61/2013, have been amended by Law no. 98/2017, of 24 August 2017.

Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities which, in turn, will report such information to the relevant Tax Authorities of EU Member States or States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealer has in the Programme Agreement agreed with the Issuer a basis upon which it may from time to time agree to purchase 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 Dealer for certain of its 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 Dealer against certain liabilities incurred by it in connection therewith.

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

United States

The Covered Bonds have not been and will not be registered under the US Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from or in a transaction not subject to the registration requirements of the US Securities Act. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S under the US Securities Act. Terms used in this paragraph and the following paragraph have the meanings given to them by Regulation S under the US Securities Act.

The Dealer has represented and agreed that it will not offer or sell any Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, except in accordance with Rule 903 of Regulation S under the US Securities Act. Accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Covered Bonds, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Securities covered hereby have not been registered under the U.S. US Securities Act of 1933, as amended (the "**US Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the US Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended from time to time; the "**FIEA**") and, accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Covered Bonds, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended from time to time), or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

United Kingdom

The Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving the United Kingdom.

Italy

The offering of Covered Bonds has not been registered with the *Commissione nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, the Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not made and will not make an offer of any Covered Bonds to the public in the Republic of Italy, and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations; in particular, no Covered Bonds may be offered, sold or delivered, nor copies of the Base Prospectus or of any other document relating to any Covered Bonds may be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 1998, as amended from time to time (the "**Financial Services Act**") and Article

34-ter, paragraph 1 (letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the 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 Law, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the "**Banking Act**");

(b) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Covered Bonds specify the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", the Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering and listing contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor, as defined in the Prospectus Directive; and

(b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

From 1 January 2018, if the Final Terms in respect of any Covered Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each a “**Relevant Member State**”) the 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 entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealer or Dealers nominated by the Issuer for any such offer; or

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

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus 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 (as amended) and includes any relevant implementing measure in the Relevant Member State.

Portugal

In relation to the Covered Bonds, the Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99, of 13 November 1999 (as amended and restated from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and registration, filing or approval procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "*CMVM*") is made; regarding any offer or sale of Covered Bonds by it in Portugal or to individuals resident in Portugal or having a permanent establishment in Portugal, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, any regulations issued by the CMVM and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive, as amended, and other than in compliance with all such laws and regulations: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any 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 Portugal, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal. Private placements addressed by the Issuer shall be subsequently notified to the CMVM for statistics purposes.

General

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

No 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.

The Dealer agrees that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers 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 therefore.

None of the Issuer and the Dealer represents that the Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Secondary Market Arrangements

The Issuer may enter into agreements with the Dealer or other persons in relation to a Tranche or Series of Covered Bonds whereby the Dealer 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 (i) resolution of the Board of Directors of the Issuer dated 13 December 2007, renewed by resolution of the Board of Directors of the Issuer dated 26 January 2017 and (ii) the Programme has been subsequently updated by duly authorisations of the Issuer relevant management body, the last update having been duly authorised by a resolution of the Executive Committee of the Issuer dated 31 January 2018, in accordance with the provisions of the Covered Bonds Law.

Listing

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

Interbolsa

The Covered Bonds have been accepted for settlement through Interbolsa. The appropriate common code (if applicable) and ISIN for each Tranche of Covered Bonds will be specified in the relevant Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

Conditions for Determining Price

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

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer since the publication of the Issuer's first Half 2017 Report (Audited consolidated financial statements) and no significant change in the financial information the Issuer and BPI Group since the publication of the Issuer's unaudited consolidated financial information as at 31 December 2017.

Litigation

On 2 February 2017 Banco BPI informed the market that on 30 January 2017 was notified of a legal action challenging a corporate resolution.

Such legal action challenges the validity of Banco BPI's General Meeting resolution passed on December 13 2016, which approved Banco BPI's Board of Directors proposal to sell to Unitel, S.A. a stakeholding comprised of 26 111 (twenty-six thousand, one hundred and eleven) shares, representing 2 per cent. (two per cent.) of the share capital of Banco de Fomento Angola, S.A., pursuant to the sale and purchase agreement mentioned above. The legal action was filed by 4 shareholders holding together 175 920 shares, representing 0.0121 per cent. of Banco BPI's share capital. Banco BPI understands that the merits relied on to support the invalidity of the resolution do not proceed and will contest the case, within the legal period for such purpose.

The abovementioned legal action and Banco BPI' notification in such action do not suspend the effects of the contested decision.

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

Third party information

Where information has been sourced from a third party the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable). Where no official sources exist, the Issuer relies on its own estimates.

Accounts

Deloitte & Associados SROC, S.A., associated with the Portuguese Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas*") under no. 43 and registered with the CMVM under no. 20161389, have audited the consolidated accounts of the Issuer in accordance with generally accepted auditing standards in Portugal and the International Auditing Standards.

The consolidated accounts for the financial years ended 31 December 2015 and 31 December 2016 and for the first half of 2017 were prepared according to International Accounting Standards (IAS) and with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board ("IASB") and endorsed by the European Union.

Documents Available

Copies of the following documents will be available for inspection at and may be obtained free of charge from the registered offices of the Issuer and from the specified offices of the Common Representative and the Paying Agents for the time being:

(a) The Portuguese version of the Articles of Association of the Issuer;

(b) The Portuguese version of the Issuer's consolidated Annual Report in respect of the financial years ended on 31 December 2015 and on 31 December 2016;

(c) The Portuguese version of the Issuer's first half 2017 interim consolidated Report;

(d) the Portuguese version of the results presentation with the consolidated results in respect of 2017 (unaudited results);

(e) the Programme Agreement;

(f) the Agency and Payments Procedures;

(g) the Common Representative Appointment Agreement;

(h) this Base Prospectus and any supplement thereto;

(i) any relevant 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); and

(j) 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) and the official website of the CMVM (www.cmvm.pt).

Post issuance reporting

Any information which the Issuer is required by law or regulation to provide in relation to itself or securities issued by it, including the Covered Bonds, will be made available at www.cmvm.pt and at www.bancobpi.pt. The Issuer publishes quarterly investor reports on the outstanding Covered Bonds, including information on the Cover Pool and the applicable Overcollateralisation. Such reports are available at: http://bpi.bancobpi.pt/index.asp?riIdArea=AreaDivida&riId=MortgageCoveredBP2.

The following information could be found on the September 2017 Investor Report:

1. Current Credit Ratings	Long Term	Short Term
Banco BPI Mortgage Covered Bond Programme	A2 / A (high) (Moody's / DBRS)	n/a
Banco BPI	Ba3 / BBB- / BBB- (Moody's / S&P / Fitch)	NP / A-3 / F3 (Moody's / S&P / Fitch)
Portugal	Ba1 / BBB-u / BB+ / BBB (low) (Moody's / S&P / Fitch / DBRS)	NP / A-3u / B / R-2 (mid) (Moody's / S&P / Fitch / DBRS)

2. Covered Bonds	Issue Date	Coupon	Maturity Date	Soft Bullet Date[1]	Remaining Term (years)	Nominal Amount (EUR)
Covered Bonds Outstanding					**5.35**	**6,150,000,000.00**
Private Placements						**6,150,000,000.00**
Series 9 (ISIN PTBBP6OE0023)	2010-05-21	Floating	2025-05-21	2026-05-21	7.64	350,000,000.00
Series 10 (ISIN PTBBQQOE0024)	2010-08-05	Floating	2020-08-05	2021-08-05	2.85	600,000,000.00
Series 11 (ISIN PTBBPMOE0029)	2011-01-25	Floating	2018-01-25	2019-01-25	0.32	200,000,000.00
Series 12 (ISIN PTBBWAOE0024)	2011-08-25	Floating	2021-08-25	2022-08-25	3.90	600,000,000.00
Series 14 (ISIN PTBBRROE0048)	2015-03-30	Floating	2025-03-31	2026-03-30	7.50	1,250,000,000.00
Series 15 (ISIN PTBBPSOE0031)	2015-10-07	Floating	2022-10-07	2023-10-07	5.02	200,000,000.00
Series 16 (ISIN PTBBP7OE0022)	2016-05-30	Floating	2023-05-30	2024-05-30	5.66	500,000,000.00
Series 17 (ISIN PTBBBGOE0023)	2017-02-22	Floating	2024-02-22	2025-02-24	6.40	700,000,000.00
Series 18 (ISIN PTBBBJOM0020)	2017-07-25	Floating	2022-07-25	2023-07-25	4.82	1,750,000,000.00
CRD Compliant (yes/no)						**Yes**

3. Asset Cover Test	Remaining Term (years)	Nominal Amount (EUR)
Mortgage Credit Pool	**13.31**	**7,448,367,247.49**
Other Assets[2] (cash, deposits and securities)	**0.00**	**10,678,187.27**
Cash and deposits[a]	0.00	10,678,187.27
Other securities	0.00	0.00
Total Cover Pool	**13.29**	**7,459,045,434.76**
Current overcollateralisation[3] (%)		**21.29%**
Committed overcollateralisation (%)		**18.00%**
Required overcollateralisation (Moody's) (%)		**2.00%**
Legal minimum overcollateralisation (%)		**5.26%**

[a]Includes the Liquidity Cushion amount (see section 8)

4. Other Triggers	
Net Present Value of Assets (incl. derivatives)[4]	8,592,660,053.44
Net Present Value of Liabilities (incl. derivatives)[4]	6,372,757,883.37
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0	OK
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0 (stress of +200 bps)	OK
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0 (stress of -200 bps)	OK
Other Assets <= 20% (Credit Pool + Other Assets)	OK
Deposits with a remaining term > 100 days <= 15% Covered Bonds Nominal	OK
Estimated Interest from Mortgage Credit and Other Assets - Estimated Interest from Covered Bonds >= 0	OK
Mortgage Credit + Other Assets WA Remaining Term - Covered Bonds WA Remaining Term >= 0	OK

5. Currency Exposure	
Cover Pool includes:	
Assets in a currency different than Euro (yes/no)	No
Liabilities in a currency different than Euro (yes/no)	No
Cross currency swaps (yes/no)	No
Currency Exposure Detail	n/a

6. Mortgage Credit Pool	
Main Characteristics	
Number of loans	147,349
Original principal balance (EUR)	10,520,110,485.65
Current principal balance (EUR)	7,448,367,247.49
Average original principal balance per loan (EUR)	71,395.87
Average current principal balance per loan (EUR)	50,549.15
Current principal balance of the 5 largest borrowers (EUR)	5,882,379.75
Weight of the 5 largest borrowers (current principal balance) (%)	0.08%
Current principal balance of the 10 largest borrowers (EUR)	9,845,782.84
Weight of the 10 largest borrowers (current principal balance) (%)	0.13%
Weighted average seasoning (months)	105.44
Weighted average remaining term (months)	303.02
Weighted average life (months)	159.68
Weighted average current unindexed LTV[5] (%)	56.68%
Weighted average interest rate (%)	0.89%
Weighted average spread (%)	1.17%
Max maturity date (YYYY-MM-DD)	2067-09-02

Subsidized Loans	**Number of Loans**	**Number of Loans (%)**	**Loan Amount (EUR)**	**Loan Amount (%)**
Yes	16,995	11.53%	569,786,076.43	7.65%
No	130,354	88.47%	6,878,581,171.06	92.35%
Insured Property[6]	**Number of Loans**	**Number of Loans (%)**	**Loan Amount (EUR)**	**Loan Amount (%)**
Yes	147,349	100.00%	7,448,367,247.49	100.00%
No	0	0.00%	0.00	0.00%
Interest Rate Type	**Number of Loans**	**Number of Loans (%)**	**Loan Amount (EUR)**	**Loan Amount (%)**
Fixed	5,080	3.45%	278,289,625.28	3.74%
Floating	142,269	96.55%	7,170,077,622.21	96.26%
Repayment Type	**Number of Loans**	**Number of Loans (%)**	**Loan Amount (EUR)**	**Loan Amount (%)**
Annuity / French	117,403	79.68%	5,471,885,393.70	73.46%
Linear	1	0.00%	6,297.51	0.00%
Increasing instalments	29,168	19.80%	1,932,408,508.22	25.94%
Bullet	0	0.00%	0.00	0.00%
Interest-only	106	0.07%	6,757,837.85	0.09%
Other	671	0.46%	37,309,210.21	0.50%

6. Mortgage Credit Pool (continued)

Seasoning	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Up to 1 year	4,267	2.90%	330,518,117.42	4.44%
1 to 2 years	5,633	3.82%	437,439,678.08	5.87%
2 to 3 years	4,430	3.01%	335,185,112.44	4.50%
3 to 4 years	2,968	2.01%	207,917,233.50	2.79%
4 to 5 years	3,018	2.05%	201,888,377.35	2.71%
5 to 6 years	2,836	1.92%	201,061,081.89	2.70%
6 to 7 years	4,226	2.87%	287,816,560.60	3.86%
7 to 8 years	12,661	8.59%	861,157,205.03	11.56%
8 to 9 years	10,593	7.19%	639,897,016.12	8.59%
9 to 10 years	21,447	14.56%	1,132,519,685.73	15.20%
10 to 11 years	15,814	10.73%	856,387,564.85	11.50%
11 to 12 years	9,437	6.40%	474,235,899.76	6.37%
More than 12 years	50,019	33.95%	1,482,343,714.72	19.90%

Remaining Term	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Up to 5 years	8,605	5.84%	74,515,158.14	1.00%
5 to 8 years	7,715	5.24%	150,166,861.06	2.02%
8 to 10 years	5,254	3.57%	136,999,881.03	1.84%
10 to 12 years	7,028	4.77%	204,547,260.11	2.75%
12 to 14 years	10,647	7.23%	356,804,345.64	4.79%
14 to 16 years	12,591	8.55%	462,279,426.62	6.21%
16 to 18 years	7,242	4.91%	320,731,506.34	4.31%
18 to 20 years	8,051	5.46%	388,161,738.39	5.21%
20 to 22 years	8,488	5.76%	445,277,825.77	5.98%
22 to 24 years	7,373	5.00%	427,852,206.19	5.74%
24 to 26 years	7,927	5.38%	474,343,744.15	6.37%
26 to 28 years	9,366	6.36%	583,526,722.25	7.83%
28 to 30 years	13,260	9.00%	895,884,601.19	12.03%
30 to 40 years	31,610	21.45%	2,357,738,469.38	31.65%
More than 40 years	2,192	1.49%	169,537,501.23	2.28%

Current Unindexed LTV	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Up to 40%	47,052	31.93%	1,388,231,541.66	18.64%
40 to 50%	20,245	13.74%	969,285,898.14	13.01%
50 to 60%	23,823	16.17%	1,293,507,171.46	17.37%
60 to 70%	26,921	18.27%	1,712,543,254.40	22.99%
70 to 80%	29,285	19.87%	2,082,816,344.80	27.96%
More than 80%	23	0.02%	1,983,037.03	0.03%

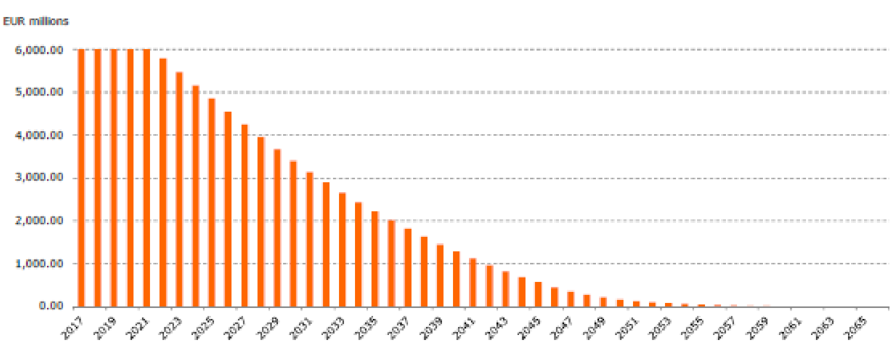
Loan Purpose	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Own Home	112,999	76.69%	6,102,164,521.33	81.93%
Own Permanent Home	30,770	20.88%	1,162,990,842.98	15.61%
Own Second Home	1,991	1.35%	105,243,484.82	1.41%
Home to Let	1,589	1.08%	77,968,398.36	1.05%

Property Type	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Residential	**147,349**	**100.00%**	**7,448,367,247.49**	**100.00%**
Flat	89,548	60.77%	4,338,206,655.79	58.24%
House	57,223	38.84%	3,068,599,941.17	41.20%
Other	578	0.39%	41,560,650.53	0.56%
Commercial	**0**	**0.00%**	**0.00**	**0.00%**

Geographical Distribution	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Portugal	**147,349**	**100.00%**	**7,448,367,247.49**	**100.00%**
Norte	38,801	26.33%	1,843,476,605.90	24.75%
Centro	31,204	21.18%	1,409,994,327.18	18.93%
Lisboa	55,372	37.58%	3,058,421,993.87	41.06%
Alentejo	9,918	6.73%	471,128,907.98	6.33%
Algarve	7,453	5.06%	413,115,539.42	5.55%
Madeira	2,288	1.55%	124,138,962.82	1.67%
Açores	2,313	1.57%	128,090,910.32	1.72%

Delinquencies[7]	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
> 30 to 60 days	2,227	1.51%	90,380,054.02	1.21%
> 60 to 90 days	208	0.14%	9,914,033.92	0.13%
> 90 days	23	0.02%	1,358,593.92	0.02%

Projected Outstanding Amount[b]



Amortisation Profile

Date	Principal Balance (EUR)
Sep-17	7,459,045,434.76
Sep-18	7,110,759,103.84
Sep-19	6,775,665,105.72
Sep-20	6,443,630,731.62
Sep-21	6,115,026,943.03
Sep-22	5,790,350,014.32
Sep-23	5,470,675,031.21
Sep-24	5,156,592,858.17
Sep-25	4,848,141,502.86
Sep-26	4,545,251,257.03
Sep-27	4,247,922,436.85
Sep-28	3,956,863,647.10
Sep-33	2,655,386,057.25
Sep-38	1,623,797,445.34
Sep-43	818,891,237.73
Sep-48	275,460,554.93
Sep-53	72,107,726.17
Sep-58	14,820,711.55
Sep-63	1,785,921.31
Jun-67	0.00

[a] Includes mortgage pool and other assets; assumes no prepayments (constant prepayment rate of 0%)

2018-03-31

7. Expected Maturity Structure	2018-09-30	2019-09-30	2020-09-30	2021-09-30	2022-09-30	2027-09-30	
In EUR	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	>10 years
Residential Mortgages[b]	337,608,143.65	335,093,998.12	332,034,374.10	328,603,788.59	324,676,928.71	1,542,427,577.47	4,247,922,436.85
Commercial Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	10,678,187.27	0.00	0.00	0.00	0.00	0.00	0.00
Total Cover Pool	**348,286,330.92**	**335,093,998.12**	**332,034,374.10**	**328,603,788.59**	**324,676,928.71**	**1,542,427,577.47**	**4,247,922,436.85**
Total Covered Bonds	**200,000,000.00**	**0.00**	**600,000,000.00**	**600,000,000.00**	**0.00**	**3,000,000,000.00**	**0.00**

[a] Assumes no prepayments (constant prepayment rate of 0%)

Stabilising manager

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

Rating of the Covered Bonds

Certain Series of Covered Bonds to be issued under this Base Prospectus may be rated or unrated. Where an issue of Covered Bonds is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered the CRA Regulation will be disclosed in the Final Terms.

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 Securit**y" 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) dated 30th 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 and/or agent bank appointed by the Issuer, as amended.

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

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

"**Auditor**" means Deloitte & Associados – SROC, S.A., member of the Portuguese Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas*"), registered with the CMVM with registration number 20161389, with registered office at Avenida Engenheiro Duarte Pacheco, 7, 1070-100 Lisbon, Portugal.

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

"**Bank of Portugal Regulations**" means the legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, namely Notice 5/2006, Notice 6/2006, Instruction 13/2006, Notice 7/2006 and Notice 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 22 February 2018, prepared in connection with the Programme.

"**BPI Group"** means the Issuer and its subsidiaries.

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

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

"**Clearstream, Luxembourg**" means Clearstream Banking société anonyme, Luxembourg.

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

"**Common Representative**" means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the 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 10 Harewood Avenue, London, England, NW1 6AA, 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, as amended from time to time.

"**Condition**" means a reference to a particular numbered condition set out in the "Terms and Conditions".

"**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 Association of the Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas"*), registered with the CMVM with registration number 20161389, with registered office at Avenida Engenheiro Duarte Pacheco, 7, 1070-100 Lisbon, Portugal.

"**Cover Pool Monitor Agreement**" means the agreement dated 30 April 2008 entered into between the Issuer and the Cover Pool Monitor, as amended from time to time.

"**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 from time to time.

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

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investments firms, as amended from time to time;

"**Credit Institutions General Regime**" means Decree-Law no. 298/92 of 31 December, as amended from time to time.

"**CRR**" means Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms, as amended from time to time.

"**CSD**" means a central securities depositary.

"**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:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" 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_1 is greater than 29, in which case D_2 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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_2 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" 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_1 will be 30; and

" D_2" 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_2 will be 30.

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

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

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

"**Distribution Compliance Period**" means, in respect of 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).

"**EBA**" means the European Banking Authority.

"**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 at the start of the third stage of European economic and monetary union, and as defined in Council Regulation (EC) No. 974/98, of 3 May 1998, on the introduction of the euro, as amended from time to time.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Euronext Lisbon**" means the regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

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

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

"**Fitch**" means Fitch Ratings Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation.

"**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.

"**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 in respect of Specified Denomination, calculated by the Calculation Agent pursuant to Condition 4 (*Interest*).

"**ISDA**" means the International Swaps and Derivatives Association Inc.

"**Issue Date**" means the date so specified in the applicable Final Terms being, in respect of any 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, which is registered with the European Securities and Markets Authority under the CRA Regulation.

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

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

(a) it is a pecuniary receivable not yet matured, which is neither subject to conditions nor encumbered, judicially seized or apprehended and which is secured by first ranking mortgages over residential or commercial real estate located in an EU Member State;

(b) notwithstanding (a) above, it is a pecuniary receivable secured by a junior mortgage but where all Mortgage Credits ranking senior thereto are held by the Issuer and also allocated to the Cover Pool;

(c) it is a receivable secured by (i) a personal guarantee granted by a credit institution, or (ii) an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

“**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 past due more than 90 days.

“**Notice 5/2006**” means the regulatory notice (“Aviso”) no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

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

“**Notice 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.

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

“**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;

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to "AAA" or equivalent rated sovereign bonds from a EU Member-State, or Italian Sovereign Bonds, the United States, Japan and/or Canada or other assets specified under (b) above with credit institutions having a minimum rating at least equal to "A" or equivalent, in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days

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

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

"**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) (A) so long as the Covered Bonds are rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15, unless, always provided that (i) above is satisfied, Moody's has confirmed in writing to the Issuer that such reduction would not result in any credit rating then assigned to the Covered Bonds by Moody's being reduced, removed, suspended or placed on credit watch and (B) so long as the Covered Bonds are not rated A3 or above by Moody's, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15.

"**Paying Agent"** means Banco BPI, S.A..

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

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

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

"**Programme Resolution**" means any Resolution directing the Common Representative to accelerate the 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 Notice 5/2006; and

(b) the amount determined by resorting to the use of adequate and recognised indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Notice 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 and implemented through delegated regulations.

"**Prospectus Regulation**" means Commission Regulation (EC) no. 809/2004, of 29 April 2004, as amended from time to time.

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

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

"**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 S**" means the United States Regulation S under the Securities Act.

“**Relevant Date**” means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of 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 from time to time.

“**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 herein 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.

“**S&P**” Standard & Poor’s Credit Market Services Europe Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation.

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

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

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

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

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

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

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

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended from time to time.

"**US**" or "**USA**" means the United States of America.

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

"**UCITS Directive"** means Directive no. 2009/65/EC, of the European Parliament and of the Council, of 13 July 2009, relating to undertakings for collective investment in transferable securities, as amended from time to time.

"**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.

ANNEX – ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with the International Financial Reporting Standards (IFRS), BPI uses a number of indicators in the analysis of the performance and financial position which are classified as Alternative Performance Indicators (APM) in accordance with the guidelines set by the European Securities and Markets Authority or ESMA about the disclosure of Alternative Performance Measures by entities published on 5 October 2015 (ESMA / 2015/ 1415). These indicators, which were not audited, are considered additional disclosures and in no case replace the financial information prepared in accordance with the IFRS. In addition, the way Banco BPI defined and calculated these indicators may differ from the way similar indicators are computed by other companies and may therefore not be comparable. The following is a list of alternative performance indicators used by BPI, together with a reconciliation between certain management indicators and the consolidated financial statements and their notes prepared in accordance with IFRS.

ESMA Guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Following the recommendations of ESMA Guidelines, the Issuer has copied hereunder its latest list of APMs.

EARNINGS, EFFICIENCY AND PROFITABILITY INDICATORS

Financial margin (RCL) = Financial margin (narrow sense) + Technical result of insurance contracts + Net commission relating to amortised cost

Net commissions (RCL) = Net commissions income + Gross margin on unit links

Operating income from banking activity (RCL) = Financial margin (RCL) + Income from equity instruments (RCL) + Net commissions (RCL) + Earnings of associated companies (equity method) (RCL) + Net income on financial operations + Operating income and expenses

Commercial banking income = Financial margin (RCL) + Income from equity instruments (RCL) + Net commissions (RCL) + Earnings of associated companies (equity method) (RCL) excluding the contribution of stakes in African banks

Overhead costs = Personnel costs + General administrative expenses + Depreciation and amortisation

Adjusted overhead costs = Personnel costs excluding cost with early retirements and voluntary terminations in 2017 (in the amount of 106.9 M.€) and in 2016 (in the amount of 59.7 M.€) and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) (in the amount of 42.9 M.€) + General administrative expenses + Depreciation and amortisation

Operating profit before impairments and provisions (RCL) = Operating income from banking activity (RCL) **-** Overhead costs

Net income before income tax (RCL) = Operating profit before impairments and provisions (RCL) + Recovery of loans, interest and expenses **-** Impairment losses and provisions for loans and guarantees, net **-** Impairment losses and other provisions, net

Cost-to-income ratio (efficiency ratio)[15] = Overhead costs / Operating income from banking activity (RCL)

Adjusted overhead costs-to-commercial banking income[16] = Overhead costs, excluding costs with early-retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) / Commercial banking income

Return on Equity (ROE)[17] **=** Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of the fair value reserve (average balance in 2016 net of deferred taxes of 13.2 M.€) related to available-for-sale financial assets

Return on Tangible Equity (ROTE)[18] **=** Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of intangible assets (average consolidated balance in 2017: 25 M.€. and 28 M.€ in 2016) and other comprehensive income (reserves) (average consolidated balance in 2017: -3 M.€. and -176 M.€ in 2016)

Return on Assets (ROA)[19]**=** (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid / Average value in the period of net total assets

Intermediation margin = Loan portfolio average interest rate - Deposits average interest rate

Note:

The term **"RCL"** or **"Reclassified captions"** identifies income and costs captions that have been reclassified in this Prospectus, and repositioned in the structure of the income statement according to the format used by CaixaBank (BPI's consolidating entity). The underlying accounting criteria were not affected by the change in the format adopted.

BALANCE SHEET AND FUNDING INDICATORS

On-balance sheet Customer resources = Deposits + Capitalisation insurance and others

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[15] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[16] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[17] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[18] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[19] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

Note: The amount of on-balance sheet Customer resources is not deducted from the applications of off-balance sheets products (mutual funds and pension plans) in on-balance sheet products.

Being:

- Deposits = Demand deposits[20] + Term and savings deposits[21] + Accrued interest[22] + Bonds placed with customers in the amount of 35 M.€ as of 31 December 2017 and in the amount of 94 M.€ as of 31 December 2016 (Fixed / variable rate bonds and structured products placed with Customers + Deposits certificates + Subordinated bonds placed with Customers)

- Capitalisation insurance and others = Unit links insurance capitalisation + "Aforro" capitalisation insurance and others (Technical provisions + Guaranteed rate and guaranteed retirement insurance capitalisation) + Participating units in consolidated mutual funds (in the amount of 250 M.€ as of 31 December 2016)

Note:

(i) BPI Alternative Fund ceased to be consolidated from March 2017 onwards and started being recorded off balance sheet. In Dec. 16 that fund (250 M.€) was recorded in the caption "participating units in consolidated mutual funds".

(ii) Following the sale of BPI Vida e Pensões in December 2017, capitalization insurance placed with BPI customers are recorded off balance sheet.

Assets under management = Mutual funds + Pension plans (in the amount of 2 418 M.€ as of 31 December 2016)

Note:

(i) Amounts deducted from participating units in the Group banks' portfolios and from off-balance sheet products investments (mutual funds and pension plans) in other off-balance sheet products.

(ii) Following the sale of BPI Vida e Pensões in December 2017, *pension plans management ceases to be included in BPI's consolidation perimeter.*

- Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity-savings plans (PPR and PPA) + Hedge funds + Funds assets under BPI Suisse management + Third-party unit trust funds and insurance capitalisation placed with Customers (third-party unit trust funds in the amount of 748

[20] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

[21] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

[22] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

M.€ at 31 December 2017 and 506 M.€ at 31 December 2016 and third-party insurance capitalisation in the amount of 4096 M.€ at 31 December 2017)

- Pension plans = pension plans under BPI management (includes pension plans of BPI Group)

Subscriptions in public offerings = Customers subscriptions in third parties' public offerings

Total Customer Resources = On-balance sheet Customer Resources + Assets under management + Subscriptions in public offerings

Loan-to-deposit ratio = Loans and advances to Customers (net) / Customer deposits (corresponds to Demand deposits[23] + Term and savings deposits[24] + Accrued interest[25])

ASSET QUALITY INDICATORS

Impairments for loans and guarantees as % of the loan portfolio[26]= Impairment losses and provisions for loans and guarantees, net / Average value in the period of the performing loan portfolio

Cost of credit risk as % of the loan portfolio[27]= (Impairments and provisions for loans and guarantees, net - Recovery of loans, interest and expenses) / Average value in the period of the performing loan portfolio

Performing Loans portfolio = Gross loans and advances to Customers - (Overdue loans and interest[28] + Accrued interest[29])

Credit at risk ratio (consolidation perimeter IAS / IFRS) = Credit at risk / Gross loans and advances to Customers

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[23] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

[24] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

[25] Note 4.18 Resources of Customers and other debts of the Annual Report 2016 (page 242 of the Portuguese version) and of the Half Year 2017 Report (page 121 of the Portuguese version).

[26] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[27] Ratio referring to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

[28] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

[29] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

Note: the consolidated financial information prepared in accordance with IAS / IFRS rules is used in the calculation of the indicator.

For the disclosure of the indicators defined in Bank of Portugal Instruction 16/2004, the Bank of Portugal's supervision perimeter is considered in their calculation, which, in the case of BPI, implies that BPI Vida e Pensões be recognised through the equity method (whereas under IAS / IFRS accounting rules that company is fully consolidated).

Coverage of credit at risk by impairments = (Loans impairments[30] + Impairments and provisions for guarantees and commitments) / Credit at risk

Coverage of credit at risk by impairments and associated collateral = (Loans impairments[31] + Impairments and provisions for guarantees and commitments + Collateral associated to credit) / Credit at risk

Non performing loans ratio = Non performing loans (CaixaBank criteria) / (Gross loans and advances to customers + guarantees)

Non performing loans coverage ratio = (Loans impairments[32] + Impairments and provisions for guarantees and commitments) / Non performing loans (CaixaBank criteria)

Coverage of non performing loans by impairments and associated collateral = (Loans impairments[33] + Impairments and provisions for guarantees and commitments + Collateral associated to credit) / Non performing loans (CaixaBank criteria)

Impairments cover of foreclosed properties = Impairments for real estate received in settlement of defaulting loans (in the amount of 16 M.€ as of 31 December 2017 and in the amount of 31 M.€ as of 31 December 2016) / Gross value of real estate received in settlement of defaulting loans (in the amount of 80 M.€ as of 31 December 2017 and in the amount of 132 M.€ as of 31 December 2016)[34]

MARKET INDICATORS

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[30] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

[31] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

[32] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

[33] Note 4.7 Loans and advances to Customers of the Annual Report 2016 (page 214 of the Portuguese version) and of the Half Year 2017 Report (page 92 of the Portuguese version).

34 Note 4.14 Other assets of the Annual Report 2016 (page 238 of the Portuguese version) and of the Half Year 2017 Report page 117 of the Portuguese version.

Earnings per share (EPS) = Net income / Weighted average no. of shares in the period (basic or diluted) The earnings per shares (basic or diluted) is calculated in accordance with IAS 33 - Earnings per share.

Cash-flow after taxes (CF per share or CFPS) = Cash-flow after taxes / Weighted average no. of shares in the period.

Note: the denominator corresponds to the weighted average no. of shares used in the calculation of earnings per share (basic or diluted).

Book value per share (BV per share or BVPS) = Shareholders' equity attributable to BPI shareholders / No. of shares at the end of the period

Note: the denominator corresponds to the outstanding number of shares after deducting the treasury stocks portfolio and is adjusted for capital increases, whether by incorporation of reserves (bonus issue) or subscription reserved for shareholders (rights issue), amongst other events, in a similar way to the calculation of earnings per share.

Price to earnings ratio (PER) = Stock market share price / Earnings per share (EPS)

Price to cash flow (PCH) = Stock market share price / Cash-flow after taxes (CFPS)

Price to book value (PBV) = Stock market share price / Book value per share (BVPS)

Earnings yield = Earnings per share (EPS) in the year / Stock market share price (at beginning or end of the year)

Dividend yield = Dividend per share relating to the year / Stock market share price (at beginning or end of the year)

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