

**€15,000,000,000 Euro Medium Term Note Programme**

**Guaranteed (in the case of Notes issued by  
CAIXA GERAL DE DEPÓSITOS FINANCE) by**

**CAIXA GERAL DE DEPÓSITOS, S.A.,**

**acting through its France branch**

This document (the "Prospectus") is issued to update, amend and restate, and supersedes, the prospectus of Caixa Geral de Depósitos Finance ("CGDF"), Caixa Geral de Depósitos, S.A., acting through its Madeira branch ("CGDM"), Caixa Geral de Depósitos, S.A., acting through its France branch ("CGDFB") and Caixa Geral de Depósitos, S.A. ("CGD") dated 20 February 2008. Each of CGD and CGDF is, in relation to Notes issued by it, an "Issuer" and together, the "Issuers". CGD may also issue Notes through its branches, CGDM or CGDFB.

Under the Euro Medium Term Note Programme described in this Prospectus (the "Programme"), subject to compliance with all relevant laws, regulations and directives, each of the Issuers may from time to time issue Euro Medium Term Notes guaranteed (in the case of Notes issued by CGDF) by Caixa Geral de Depósitos, S.A., acting through its France branch (in such capacity, the "Guarantor") (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €15,000,000,000 (or the equivalent in other currencies).

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive"). Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market (the "Market"). An Issuer may request the CSSF to provide competent authorities in host Member States within the European Economic Area (the "EEA") with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the *loi relative aux prospectus pour valeurs mobilières* (which implements the Prospectus Directive) into Luxembourg law for the purposes of submitting an application to admit the Notes to trading on Eurolist by Euronext Lisbon. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, to Eurolist by Euronext Lisbon or such other market as may be specified in the final terms. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined in "General Description of the Programme") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Each Series (as defined in "General Description of the Programme") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note" and, together with the Temporary Global Note, "Global Notes"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of an offering and the relevant issue date (the "Exchange Date"), upon certification of non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("New Global Note" or "NGN") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Global Notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") and Certificates will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depository"). The provisions governing the exchange of interests in Global Notes for other Global Notes or definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form". In addition, CGD may issue Notes represented in book entry form (*forma escritural*) either in bearer (*ao portador*) or in registered form (*nominativas*) that will be integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as management entity of the Portuguese Centralised System, *Central de Valores Mobiliários* ("Interbolsa") and either publicly offered in Portugal ("Publicly Offered Book Entry Notes") or not publicly offered ("Non Publicly Offered Book Entry Notes" and together with the Publicly Offered Book Entry Notes, the "Book Entry Notes").

Notes of each Tranche of each Series to be issued in registered form ("Registered Notes" comprising a "Registered Series") and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933 as amended (the "Securities Act"), will initially be represented by interests in a definitive global unrestricted Registered Certificate (each an "Unrestricted Global Certificate"), without interest coupons, which will be deposited with a nominee for, and registered in the name of the Common Depository on its issue date. Beneficial interests in an Unrestricted Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Notes of each Tranche of each Registered Series sold in the United States to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act ("Rule 144A"), as referred to in, and subject to the transfer restrictions described in "Subscription and Sale" and "Transfer Restrictions", will initially be represented by a definitive global restricted Registered Certificate (each a "Restricted Global Certificate" and together with any Unrestricted Global Certificates, the "Global Certificates"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its issue date. Beneficial interests in an Unrestricted Global Certificate and a Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including depositories for Clearstream, Luxembourg and Euroclear. See "Clearing and Settlement". Individual definitive Registered Notes will only be available in certain limited circumstances as described herein.

Tranches of Notes (as defined in "General Description of the Programme") issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the ratings of Moody's Investors Service Limited, Standard & Poor's Ratings Service, a division of the McGraw Hill Companies Inc. and Fitch Ratings Ltd will be indicated in the applicable Final Terms and such ratings will not necessarily be the same as the ratings assigned to the Notes already issued. A security 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.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes.

Arranger

**Merrill Lynch International**

Dealers

**BayernLB  
Caixa Geral de Depósitos, S.A.  
Deutsche Bank  
Merrill Lynch International  
Morgan Stanley  
Nomura International  
UBS Investment Bank**

**BNP PARIBAS  
Caja Madrid  
Dresdner Kleinwort  
Mitsubishi UFJ Securities International plc  
NATIXIS  
The Royal Bank of Scotland  
UniCredit (HVB)**

The date of this Prospectus is 2 April 2009

*In respect of each Issuer and the Guarantor, this Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Issuers and the Guarantor and their subsidiaries and affiliates taken as a whole (each a “Subsidiary” and together with the Issuers and the Guarantor, the “CGD Group” or the “Group”) and the Notes which, according to the particular nature of each Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer and the Guarantor.*

*Each of the Issuers and the Guarantor (the “Responsible Persons”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Programme provides that Notes may, after notification in accordance with Article 18 of the Prospectus Directive, be admitted to trading on Eurolist by Euronext Lisbon and/or publicly offered in Portugal.*

*This Prospectus has been prepared on the basis that, except to the extent the above paragraph applies or sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes 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 Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.*

*This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).*

**No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Guarantor, the Arranger (as defined in “General Description of the Programme”) or any of the Dealers. Neither the delivery of this 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 any Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of any Issuer or of the Guarantor since the date hereof or the date upon which this 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 distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by each Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about and to observe any such restriction.**

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of any Issuer, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.**

**To the fullest extent permitted by law, none of the Arranger or the Dealers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the**

Arranger or a Dealer or on its behalf in connection with any Issuer or Guarantor, or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this 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 any of the Issuers, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of any Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or any of the Dealers.

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 Notes or effect transactions with a view to supporting the market price of the Notes 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 stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final 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.

**THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)).**

**THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND DISTRIBUTION OF THIS PROSPECTUS SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS”. THIS PROSPECTUS HAS BEEN PREPARED BY THE ISSUERS FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES AND FOR THE LISTING OF NOTES ON THE LUXEMBOURG STOCK EXCHANGE.**

**THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION**

**MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “€”, “EUR”, “Euro” and “euro” are to the lawful currency of the member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended, to “U.S.\$”, “\$” and “U.S. dollars” are to United States dollars, to “£”, “sterling” and “pounds sterling” are to the lawful currency of the United Kingdom, to “ZAR” are to the lawful currency of South Africa, to “MZM” and “metical” are to the lawful currency of Mozambique, “pataca” are to the lawful currency of the Macau Special Administrative Region in the People’s Republic of China and to “CVE” are to the lawful currency of Cape Verde.

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## SUMMARY

*This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an “EEA State”), no civil liability will attach to the Responsible Person(s) in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

### 1 The Issuers

#### **Caixa Geral de Depósitos, S.A. (“CGD”)**

Caixa Geral de Depósitos was created as a state bank by legislative charter in 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. CGD was transformed into a public capital corporation (“*sociedade anónima de capitais exclusivamente públicos*”) by Decree-Law no. 287/93 of 20 August 1993, when its name was changed to Caixa Geral de Depósitos, S.A. Presently it operates as a full service bank and is subject to the legislation applicable to Portuguese financial institutions. CGD is wholly owned by the Portuguese state.

CGD offers specialised financial services, providing customers with a full service international group. CGD enjoys an integrated presence in the following areas: investment banking, brokerage services and venture capital, property, insurance, asset management, specialised credit, e-commerce and cultural activities.

CGD together with its subsidiaries (the “CGD Group”) remained the banking sector leader in Portugal in 2007 in terms of segments and key products (Source: Bank of Portugal Monetary and Financial Statistics). This is evidenced in its market share, notably the individual customer segment, both in terms of deposits and mortgages.

CGD was classified as the 99th largest banking institution worldwide, by assets, and 128th by shareholders equity, in 2007 (July 2008 issue of *The Banker*). In European terms CGD came 61st in terms of assets and 68th in terms of shareholders’ equity (September 2008 issue of *The Banker*).

Through its network of 1,187 branches (as at 31 December 2007), 377 of which are located outside Portugal, CGD continues to focus on developing its client base offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group.

The CGD Group has expanded into foreign markets, principally in Spain and in markets with historical or linguistic ties to Portugal. It has presences in Spain, Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique, Cape Verde, South Africa, Sao Tome and Principe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and Timor.

#### **Caixa Geral de Depósitos Finance (“CGDF”)**

CGDF, with its head office in the Cayman Islands, was incorporated in 1999 and has an issued share capital of U.S.\$1,000, fully subscribed for and paid up by CGD.

### 2 Branches of CGD

#### **Caixa Geral de Depósitos, acting through its France branch (“CGDFB”)**

CGD set up its France branch in 1974. In 2001 the CGD Group completed its restructuring process for its French operations pursuant to which Banque Franco Portugaise was merged into Caixa Geral de Depósitos and its assets absorbed by the French branch of CGD. The two institutions were officially merged on 26 October 2003.

CGDFB is mainly focused on the domestic Portuguese and French customer market, as well as on fostering the development of cross-border transactions between French and Portuguese companies. Historically,

it has played an important role in giving Portuguese corporates access to the Euromarket and in raising foreign exchange funding for medium-sized companies engaged in trade-related activities.

### **Caixa Geral de Depósitos, acting through its Madeira branch (“CGDM”)**

CGDM was opened in 1990. Its business developed in close connection with CGD’s worldwide network. The branch’s main activities include deposit and investment accounts for Portuguese nationals living abroad and services for corporates, namely non-resident companies and subsidiaries of Portuguese corporates abroad.

## **3 Notes to be issued under the Programme**

### **Programme Amount**

Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.

### **Currencies**

Subject to compliance with relevant laws, Notes may be issued in any currency agreed between the relevant Issuer, the Guarantor (where the Issuer is CGDF) and the relevant Dealers (except that Notes held through Interbolsa can only be issued in euros or such other currencies accepted by Interbolsa for Registration and clearing).

### **Form of Notes**

The Notes may be issued in bearer form, in bearer form exchangeable for Registered Notes or in registered form only. Bearer global notes may be issued in NGN or CGN form. Notes issued by CGD will be issued in dematerialised book entry form (*forma escritural*) either in bearer (*ao portador*) or in registered (*nominativas*) form.

### **Fixed Rate Notes**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

### **Floating Rate Notes**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating International Swaps and Derivatives Association definitions or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

### **Zero Coupon Notes**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

### **Dual Currency Notes**

Payments in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms (except that Notes held through Interbolsa can only be issued in euros until such date as Interbolsa accepts for registration and clearing securities denominated in currencies other than euros).

### **Index Linked Notes**

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

### **Interest Periods and Interest Rates**

The length of interest periods and the applicable interest rate may vary from time to time. Notes may have a maximum or minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period.

### **Denominations of Notes**

Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (where the Issuer is CGDF) and the relevant Dealer save that in respect of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be Euro 1,000 (or its equivalent in other currencies).

Unless otherwise permitted, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of section 19 of the Financial Securities and Markets Act 2000 will have a minimum denomination of £100,000. Notes sold in reliance on Rule 144A will be in minimum denominations of U.S. \$100,000 and integral multiples of U.S. \$1,000 in excess thereof, in each case subject to compliance with all legal and/or regulatory requirements must have a minimum redemption amount of £100,000. Any early redemption of a Subordinated Note will be subject to the prior consent of the Bank of Portugal.

### **Other Notes**

Terms applicable to high interest Notes, low interest Notes, step-up Notes, Step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the relevant Issuer, the Guarantor (where the Issuer is CGDF), the Trustee (in the case of Notes other than Book Entry Notes) and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and supplement to the Prospectus.

### **Cash Bonds (*obrigações de caixa*)**

Notes may qualify as cash bonds (*obrigações de caixa*) under the terms of Decree Law 408/91 of 17 October 1991 (as amended), provided that certain requirements set out therein are met, including that (i) such Notes have a maturity of not less than two years, (ii) the relevant Issuer is not entitled to acquire such Notes before two years have elapsed since the relevant Issue Date and (iii) the Noteholders may not choose to redeem such Notes before one year has elapsed since the relevant Issue Date.

### **Negative Pledge**

Applicable to Senior Notes only. See “Terms and Conditions of the Notes – Negative Pledge”.

### **Withholding Tax**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Cayman Islands (in the case of Notes issued by CGDF), the Republic of France (“France”) (in the case of Notes issued by CGDFB) and the Republic of Portugal (“Portugal”), including Madeira, (in the case of Notes issued by CGD, CGDFB or CGDM) as the case may be, subject to customary exceptions, as described in “Terms and Conditions of the Notes – Taxation” and “Taxation – Portugal”. At present, payments of interest and other revenues to be made by CGD and by CGDM directly to non-resident entities of Portugal would be subject to Portuguese withholding tax at a rate of 20 per cent. or, if applicable, to reduced withholding tax rates of up to 15 per cent., pursuant to tax treaties signed by Portugal, unless in respect of Notes held through Interbolsa and Notes issued by CGDM, certain procedures and certification requirements are complied with. All payments of interest and other investment income arising from Notes (in case of Notes issued by CGD) made to individuals



resident for tax purposes in Portugal will be subject to withholding tax at a rate of 20 per cent. In this case, the Portuguese resident individual, unless if deriving such income in the capacity of an entrepreneur with organised accounts, may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, the said income will be subject to personal income tax according to the relevant tax brackets, up to 42 per cent. and the domestic withholding tax will constitute a payment on account of such final personal income tax liability.

All payments of interest and other investment income arising from Notes (in case of Notes issued by CGD) paid to legal persons resident for tax purposes in Portugal and to non resident legal persons with a permanent establishment in Portugal to which the income is attributable are subject to withholding tax at a rate of 20 per cent. (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), which is deemed a payment on account of the final tax due. See “Taxation – Portugal”.

### **Status of the Senior Notes**

The Senior Notes and the relative Receipts and Coupons (if any) will constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the relevant Issuer, save for those that have been accorded by law preferential rights.

### **Status of the Subordinated Notes**

The Dated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the Receipts and Coupons (if any) will constitute direct, unsecured and subordinated obligations of CGDF, CGD, CGDFB or, as the case may be, CGDM, will rank *pari passu* among themselves and without prejudice to the foregoing, the Dated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the relative Receipts and Coupons (if any) will, in the event of the bankruptcy or the winding-up of CGDF, CGD, CGDFB or CGDM, as the case may be (to the extent permitted by Portuguese law), be subordinated in right of payment in the manner provided in the Trust Deed relating to the Notes between the Issuers and the Trustee dated 2 April 2009 (the “Trust Deed”) or, in the case of Non Publicly Offered Book Entry Notes, the deed poll given by CGD in favour of the holders of Non Publicly Offered Book Entry Notes dated 2 April 2009 (the “Instrument”) or, in the case of Publicly Offered Book Entry Notes, as set out in the terms and conditions of the Publicly Offered Book Entry Notes, to the claims of all unsubordinated creditors of CGDF, CGD, CGDFB or CGDM, as the case may be, including claims of depositors (in the case of CGD, CGDFB and CGDM) and will rank, in the event of the winding-up of CGDF, CGD, CGDFB or CGDM, at least *pari passu* in right of payment with all other Subordinated Indebtedness present and future of CGDF, CGD, CGDFB or, as the case may be, CGDM.

The Undated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the Coupons and Talons (if any) will constitute direct, unsecured and subordinated obligations of CGDF, CGD, CGDFB or, as the case may be, CGDM, will rank *pari passu* among themselves and without prejudice to the foregoing, the Undated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM will, in the event of bankruptcy or the winding-up of CGDF, CGD, CGDFB or CGDM, as the case may be, (to the extent permitted by Portuguese law), be subordinated in right of payment in the manner provided in the Trust Deed or, in the case of Non Publicly Offered Book Entry Notes, the Instrument or, in the case of Publicly Offered Book Entry Notes, as set out in the terms and conditions of the Publicly Offered Book Entry Notes, to the claims of all Senior Creditors of CGDF, CGD, CGDFB or CGDM, as the case may be, in accordance with the provisions of the Trust Deed.

### **Listing and Admission to Trading**

Application has been made for the Notes to be admitted to trading on the Market and to be listed on the Official List of the Luxembourg Stock Exchange. The Programme provides that Notes may also or only be listed on Eurolist by Euronext Lisbon. A series of Notes may be listed on such stock exchanges as specified in the relevant Final Terms.

### **Governing Law**

English law, save that Conditions 3(b) and (c) and (d)(ii) and (iii), Clauses 3.2, 3.3 and 6.9.2 to 6.9.8 of the Trust Deed and Clause 5 of the Instrument as well as the form and transfer of the Notes, the creation of

security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, will be governed by and construed in accordance with Portuguese law. The Publicly Offered Book Entry Notes will be governed by Portuguese law.

#### **Selling Restrictions**

United States, European Economic Area, United Kingdom, the Cayman Islands, France, Portugal, the Netherlands and Japan. See “Subscription and Sale.”

#### **4 Risk Factors**

There are certain factors which may affect the Issuers’ ability to fulfil their obligations under the Notes issued under the Programme.

##### **Risks factors relating to CGD’s business**

As a result of their business activities, the Issuers are exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk and liquidity risk. Failure to control these risks may result in a material adverse effect on the Issuers’ financial condition and results of operations.

- *Economic Activity in Portugal* – The Issuers’ business activities are dependent of the level of banking, finance and financial services required by its customers.
- *Credit Risk* – Risk arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Issuers’ businesses.
- *Market Risk* – The most significant market risks the Issuers face are interest rate, foreign exchange and bond and equity price risks.
- *Operational Risk* – The Issuers’ businesses depend on their ability to process a very large number of transactions efficiently and accurately and there is the risk of losses due to inadequate or faulty internal processes, or due to external events.
- *Infrastructure Risk* – The Issuers face the risk that their computer or telecommunication systems may fail. Given the high volume of transactions processed by the Issuers on a daily basis, certain errors may be repeated or compounded.
- *Liquidity Risk* – The inability of the Issuers to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on its ability to meet its obligations when they fall due.
- *Impact of Regulatory Changes* – Changes in supervision and regulation, could materially affect the Issuers’ businesses, the products and services offered or the value of their assets.
- *The Issuers and the Guarantor are subject to capital requirements* – The Issuers and the Guarantor are subject to capital adequacy guidelines. The Issuers’ or the Guarantor’s failure to maintain their ratios may result in administrative actions or sanctions.

##### **Risk factors relating to the Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

- *Notes subject to optional redemption by the Issuer* – An optional redemption feature is likely to limit the market value of Notes.
- *Index Linked Notes and Dual Currency Notes* – The market price of such Notes may be volatile, they may receive no interest, the amount of principal payable at redemption may be less than the nominal of such Notes or even zero, a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or which contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable

may be magnified and the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

- *Partly-paid Notes* – For Notes where the issue price is payable in more than one instalment, failure to pay any subsequent instalment when due could result in an investor losing all of its investment.
- *Variable rate Notes with a multiplier or other leverage factor* – Such Notes can be volatile investments, especially if they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features.
- *Inverse Floating Rate Notes* – The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate.
- *Fixed/Floating Rate Notes* – Such Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate.
- *Notes issued at a substantial discount or premium* – Such Notes tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.
- *The relevant Issuer's obligations under Subordinated Notes are subordinated* – In the event of bankruptcy or winding-up of the relevant Issuer, the relevant Noteholders' claims shall be subordinated in right of payment to the claims of all unsubordinated creditors of the relevant Issuer.
- *Risks related to withholding tax* – In the event the relevant conditions set out in the Portuguese domestic exemption regimes are not fulfilled, then a withholding tax liability will arise in relation to issues made by CGD or through CGDM.
- *Risks related to procedures for collection of Noteholders' details* – Failure to comply with the procedures and certification requirements set out in the Portuguese domestic exemption regimes may trigger a withholding tax liability in relation to issues made by CGD and through CGDM.

There are certain risks relating to the Notes generally, such as modification, waivers and substitution, the EU Savings Directive and changes of law.

#### **Risk related to the market generally**

General market risks include the secondary market generally, exchange rate risks and exchange controls, interest rate risks and legal restrictions on certain investments.

See “Risk Factors” for further details.

## RISK FACTORS

*The Issuers believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

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

### **Risk factors relating to the Group's business**

As a result of the Group's business activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk and liquidity risk. Failure to control these risks may result in a material adverse effect on the Group's financial condition and results of operations.

#### *Economic activity in Portugal*

The Group's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates at the time. As the Group currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. A weakening in the Portuguese economy may have a material effect on the Group's financial condition and results of operations.

### **CGD's performance is subject to substantial competitive pressures that could adversely affect its operating results**

There is a substantial competition for the types of banking and other products and services that CGD, together with its consolidated subsidiaries (the "CGD Group"), provides in Portugal and in other countries where it conducts its business. Such competition is affected by consumer demand, technological changes, impact of consolidation, regulatory actions and other factors. CGD expects competition to intensify as continued merger activity in the financial industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at competitive prices. In addition, competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. If CGD Group is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all activities.

#### *Credit risk*

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in Portuguese or global economic conditions, or arising from system risks in financial systems, could affect the recoverability and value of the Group's assets and require an increase in the Group's provision for bad and doubtful debts and other provisions, and accordingly would have a material adverse effect on the Group's financial condition and results of operations.

#### *Market risk*

The most significant market risks the Group 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 Group's investment and trading portfolios. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial condition and results of operations.

#### *Infrastructure risk*

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

#### *Operational risk*

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

#### *Liquidity risk*

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

#### *Impact of regulatory changes*

The Group is subject to financial services laws, regulations, administrative actions and policies in each location that it operates. Changes in supervision and regulation, in particular in Portugal, could materially affect the Group's businesses, the products and services offered or the value of its assets. Although the Group 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 Group.

#### *The Issuers and the Guarantor are subject to capital requirements that could limit their operations*

The Issuers and the Guarantor are subject to capital adequacy guidelines adopted by the Bank of Portugal for a bank, which provide for a minimum ratio of total capital to risk-adjusted assets both on a consolidated basis and on a solo-consolidated basis expressed as a percentage. Currently at least half of the total capital must be maintained in the form of Tier 1 Capital. The Issuers' or the Guarantor's failure to maintain their ratios may result in administrative actions or sanctions against them which may impact the Issuers' or the Guarantor's ability to fulfil its obligations under the Notes.

### **Risk factors relating to the Notes**

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes issued under the Programme may be complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. Prospective investors in the Notes should verify at all times the credit ratings of CGD and the Notes. 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 Notes. 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.

**Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

*Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

*Index Linked Notes and Dual Currency Notes*

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Partly-paid Notes*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment when due could result in an investor losing all of its investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *The relevant Issuer's obligations under Subordinated Notes are subordinated*

The relevant Issuer's obligations under Dated Subordinated Notes will be unsecured and subordinated. In the event of the bankruptcy or winding-up of the relevant Issuer, the relevant Noteholders' claims shall be subordinated in right of payment to the claims of all unsubordinated creditors of the relevant Issuer. Accordingly, no payments of amounts due under the Dated Subordinated Notes will be made to the Noteholders in the event of bankruptcy or winding-up of the relevant Issuer (to the extent permitted by Portuguese law, as the case may be) except where all sums due from the relevant Issuer in respect of the claims of all unsubordinated creditors of the relevant Issuer are paid in full, as more fully described in Condition 3(b).

The relevant Issuer's obligations under Undated Subordinated Notes will be unsecured and subordinated, to the extent permitted by Portuguese law, to the claims of Senior Creditors (as defined in Condition 3(c)). Payments of principal and interest in respect of Undated Subordinated Notes are conditional upon the relevant Issuer being solvent (as described in Condition 3(c)) at the time of payment by the relevant Issuer and in that no

such payment shall be made except to the extent that the relevant Issuer could make such payment and still be solvent immediately thereafter.

#### *Risks related to withholding tax*

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”), as management entity of the Portuguese Centralised System (*Central de Valores Mobiliários*) held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law 193/2005, of 7 November, as amended, (“Decree-Law 193/2005”) and in force as from 1 January 2006, may benefit from an up-front withholding tax exemption, provided that certain procedures and certification requirements are complied with (see “Taxation – Portugal”, for these procedures and certification requirements). In order to benefit from this regime it is mandatory that the Book Entry Notes are integrated in and held through Interbolsa. Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 20 per cent., or if applicable, in reduced withholding tax rates of up to 15 per cent., pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see “Taxation – Portugal”).

Additionally, under Portuguese law, income derived from the Notes issued by CGDM held by non-resident investors (both individual and corporate) may benefit from an up-front withholding tax exemption, provided that certain certification requirements are complied with (see “Taxation – Portugal”). Failure to comply with these certifications will result in the application of the Portuguese domestic withholding rate of 20 per cent., or if applicable, in reduced withholding tax rates of up to 15 per cent., pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see “Taxation – Portugal”).

#### *Risks related to procedures for collection of Noteholders’ 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 Notes (“Noteholders”) of the information referred to in “Risks related to withholding tax” above required to comply with the procedures and certifications required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting from the Noteholders 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 – Portugal”. Such procedures and certifications 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 Notes are registered by Interbolsa, Noteholders must rely on and comply with such procedures in order to receive payments under the Notes free of any withholding, if applicable. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Arranger, the Dealers, the paying agents, the direct registering entities (*entidades registadoras directas*), or the clearing systems, their management entities or participants assume any responsibility therefor.

Non-resident investors (both individual and corporate) holding Notes issued by CGDM must comply with certain certifications to benefit from an up-front withholding tax exemption (see “Taxation – Portugal”). Such certifications may be revised from time to time in accordance with applicable Portuguese laws and regulations and further clarification from the Portuguese tax authorities regarding such laws. None of the Issuer, the Arranger, the Dealers, the paying agents, the direct registering entities (*entidades registadoras directas*), the clearing systems, their management entities or participants assume any responsibility therefor.



## **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

### *Modification, waivers and substitution*

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes (other than the Book Entry Notes) also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification of (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the relevant Issuer's successor in business or any subsidiary of CGD in place of the Issuer, or of any previous substituted company, as principal debtor under any Notes, in the circumstances described in Condition 11(c) of the Notes.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will be required at all times as provided in Condition 7(e) of the Notes, to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

### *Change of law*

The Terms and Conditions of the Notes (other than Publicly Offered Book Entry Notes) are governed by English law (except Conditions 3(b) and 3(c), which are governed by Portuguese law) and save that, with respect to Non Publicly Offered Book Entry Notes only, the form (*representação formal*) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, are governed by Portuguese law, in effect as at the date of issue of the relevant Notes. Publicly Offered Book Entry Notes are governed by Portuguese law. No assurance can be given as to the impact of any possible judicial decision or change to English law or Portuguese law or administrative practice in either of those jurisdictions after the date of issue of the relevant Notes.

### *CGDFB may be subject to local insolvency legislation*

Under French insolvency law as amended by ordinance n°2008-1345 dated 18 December 2008 which came into force on 15 February 2009, holders of debt securities are automatically grouped into a single assembly

of holders (the “Assembly”) in case of the opening in France of a preservation (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer, in order to defend their common interests.

The Assembly comprises holders of all debt securities issued by CGDFB (including the Notes), whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the draft safeguard (*projet de plan de sauvegarde*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to CGDFB and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into shares.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required on convocation of the Assembly.

For the avoidance of doubt, the provisions relating to the Meetings of the Noteholders described in this Prospectus and in the Trust Deed will not be applicable in these circumstances.

### **Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes 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 Notes 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 Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes 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 Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continued at the date of this Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the relevant Issuer. The Issuers cannot predict which of those circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

#### *Exchange rate risks and exchange controls*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

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

*Legal considerations may restrict certain investments*

The investment activities of certain investors are subject to 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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited annual financial statements of each Issuer and the Guarantor for the financial years ended 31 December 2006 and 2007 together in each case with the audit report thereon and the unaudited consolidated financial statements of CGD for the financial year ended 31 December 2008 and the unaudited financial statements of CGDF for the financial year ended 31 December 2008, which have been previously published or are published simultaneously with this Prospectus and which have been filed with the CSSF. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein 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 Prospectus. Any information not listed in the cross reference table below but included in the documents incorporated by reference is given for information purposes only.

In addition such documents will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The information incorporated by reference above is available as follows:

<b>Information incorporated by reference</b>	<b>Reference</b>
<b>Caixa Geral de Depósitos, S.A. audited annual consolidated and non-consolidated financial statements for the financial year ended 31 December 2006</b>	2006 Annual Report (“2006 AR”) pages 183-365
Non-consolidated Balance Sheet	2006 AR page 183
Non-consolidated Income Statement	2006 AR page 184
Non-consolidated Cash Flow Statement	2006 AR page 185
Non-consolidated Statement of Changes in Shareholders’ Equity	2006 AR page 186
Consolidated Balance Sheet	2006 AR page 187
Consolidated Income Statement	2006 AR page 188
Consolidated Cash Flow Statement	2006 AR page 189
Consolidated Statement of Changes in Shareholders’ Equity	2006 AR page 190
Notes to the Consolidated Financial Statements	2006 AR pages 191-350
Audit Reports and Opinions on the Consolidated Financial Statements	2006 AR pages 351-365
<b>Caixa Geral de Depósitos, S.A. audited annual consolidated and non-consolidated financial statements for the financial year ended 31 December 2007</b>	2007 Annual Report (“2007 AR”) pages 115-285
Non-consolidated Balance Sheet	2007 AR page 116
Non-consolidated Income Statement	2007 AR page 118
Non-consolidated Cash Flow Statement	2007 AR page 119
Non-consolidated Statement of Changes in Shareholders’ Equity	2007 AR page 120
Consolidated Balance Sheet	2007 AR page 122
Consolidated Income Statement	2007 AR page 124
Consolidated Cash Flow Statement	2007 AR page 125
Consolidated Statement of Changes in Shareholders’ Equity	2007 AR page 126
Notes to the Consolidated Financial Statements	2007 AR pages 130-275
Audit Reports and Opinions on the Consolidated Financial Statements	2007 AR pages 278-285
<b>Caixa Geral de Depósitos, S.A. unaudited consolidated financial statements for the financial year ended 31 December 2008</b>	2008 Unaudited Report (“2008 CGD UR”)
Consolidated Balance Sheet	2008 CGD UR page 26
Consolidated Income Statement	2008 CGD UR page 27
<b>Caixa Geral de Depósitos Finance audited annual financial statements for the financial year ended 31 December 2006</b>	2006 Financial Statements (“2006 CGDF”) pages 4-7

<b>Information incorporated by reference</b>	<b>Reference</b>
Income Statement	2006 CGDF (fifth page)
Balance Sheet	2006 CGDF (fourth page)
Cash Flow Statement	2006 CGDF (sixth page)
Statement of Changes in Shareholder's Equity	2006 CGDF (seventh page)
Notes to the Financial Statements	2006 CGDF (eighth page, recorded as page 1)
Audit Report	2006 CGDF (second page)
<b>Caixa Geral de Depósitos Finance audited annual financial statements for the financial year ended 31 December 2007</b>	2007 Financial Statements ("2007 CGDF") pages 4-7
Income Statement	2007 CGDF (fifth page)
Balance Sheet	2007 CGDF (fourth page)
Cash Flow Statement	2007 CGDF (sixth page)
Statement of Changes in Shareholder's Equity	2007 CGDF (seventh page)
Notes to the Financial Statements	2007 CGDF (eighth page, recorded as page 1)
Audit Report	2007 CGDF (second page)
<b>Caixa Geral de Depósitos Finance unaudited financial statements for the financial year ended 31 December 2008</b>	2008 CGDF Unaudited Report ("2008 CGDF UR")
Income Statement	2008 CGDF UR (third page)
Balance Sheet	2008 CGDF UR (second page)

**Investors are advised that the consolidated financial statements for the financial year ended 31 December 2008 for CGD and the financial statements for the financial year ended 31 December 2008 for CGDF (including information from such financial statements which has been reproduced in this Prospectus) have not been audited and have not been reviewed by auditors.**

#### **PROSPECTUS SUPPLEMENT**

Each of the Issuers and the Guarantor has given an undertaking to the Arranger, the Dealers and the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of each Issuer and the Guarantor, and the rights attaching to the Notes, the relevant Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to the Arranger and each Dealer such number of copies of such supplement hereto as the Arranger or such Dealer may reasonably request.

Copies of such supplement to this Prospectus or replacement Prospectus will be available free of charge at the specified office from time to time of the Paying Agent in Luxembourg.

#### **AVAILABLE INFORMATION**

Each Issuer has agreed that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in Rule 144A(d)(4) under the Securities Act. In addition, each of the Issuers will furnish the Trustee with copies of its published audited annual accounts and unaudited semi-annual accounts, in each case prepared in accordance with generally accepted accounting principles in the relevant jurisdiction.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding CGD’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to CGD’s products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CGD, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding CGD’s present and future business strategies and the environment in which CGD will operate in the future. Among the important factors that could cause CGD’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the economic situation in Portugal and the other jurisdictions in which CGD and the CGD Group operate. These forward-looking statements speak only as of the date of this Prospectus. CGD expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in CGD’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## GENERAL DESCRIPTION OF THE PROGRAMME

*The following summary is qualified in its entirety by the remainder of this Prospectus. Words or expressions defined or used in “Terms and Conditions of the Notes”, which includes the provisions of the relevant Final Terms, shall have the same meaning herein.*

<b>Issuers</b>	<p>Caixa Geral de Depósitos Finance (“CGDF”) Caixa Geral de Depósitos, S.A. (“CGD”) CGD may also issue Notes through its branches, Caixa Geral de Depósitos, S.A., acting through its Madeira branch (Sucursal Financeira Exterior) (“CGDM”) and Caixa Geral de Depósitos, S.A., acting through its France branch (“CGDFB”)</p> <p>As at the date of this Prospectus, CGD will not issue Syndicated Notes itself until (i) an appropriate resolution has been passed by its Board of Directors and (ii) the Dealers have been provided with a legal opinion from CGD’s external legal advisers in Portugal. For non-syndicated issues, see “General Information” below.</p>
<b>Guarantor</b>	<p>Caixa Geral de Depósitos, S.A., acting through its France branch (in such capacity, the “Guarantor”) in respect of Notes issued by CGDF.</p>
<b>Description</b>	<p>Euro Medium Term Note Programme.</p>
<b>Size</b>	<p>Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.</p>
<b>Arranger</b>	<p>Merrill Lynch International</p>
<b>Dealers</b>	<p>Bayerische Hypo- und Vereinsbank AG Bayerische Landesbank BNP PARIBAS Caixa Geral de Depósitos, S.A. Caja de Ahorros y Monte de Piedad de Madrid Deutsche Bank AG, London Branch Dresdner Bank Aktiengesellschaft Merrill Lynch International Mitsubishi UFJ Securities International plc Morgan Stanley &amp; Co. International plc NATIXIS Nomura International plc The Royal Bank of Scotland plc UBS Limited</p> <p>The Issuers may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.</p>
<b>Trustee</b>	<p>Citicorp Trustee Company Limited</p>
<b>Portuguese Paying Agent</b>	<p>Citibank International plc, Sucursal em Portugal</p>
<b>Issuing and Paying Agent, Registrar, Transfer Agent, Exchange Agent and Calculation Agent</b>	<p>Citibank, N.A.</p>

**Method of Issue**

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document (the “Final Terms”).

**Issue Price**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Form of Notes**

The Notes (other than Book Entry Notes) may be issued in bearer form (“Bearer Notes”, which expression includes Notes which are specified to be Exchangeable Bearer Notes), in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) or in registered form only. Each Tranche of Bearer Notes will initially be represented by either a Temporary Global Note or a Permanent Global Note which will be deposited (a) in the case of Notes issued in NGN form, on or prior to the original issue date to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) in the case of Notes issued in CGN form, on the Issue Date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or (c) in the case of a Tranche intended to be cleared through a clearing system other than Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by CGDF), the Trustee, the Issuing and Paying Agent, Paying Agent, any other agents and the relevant Dealer(s). No interest will be payable in respect of a Temporary Global Note except as described under “Summary of Provisions Relating to the Notes while in Global Form”. Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if so stated in the relevant Final Terms, for Definitive Notes but, if the D Rules (as defined below under “Selling Restrictions”) apply to such Tranche, only after the date falling 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership, or (in the case of Exchangeable Bearer Notes) for Registered Notes (as described below). Interests in Permanent Global Notes will be exchangeable for Definitive Notes in bearer form or (in the case of Exchangeable Bearer Notes) for Registered Notes in the limited circumstances described under “Summary of Provisions Relating to the Notes while in Global Form”.



Registered Notes of each Tranche of a Series which are sold in an “offshore transaction” within the meaning of Regulation S (“Unrestricted Notes”) will initially be represented by interests in an Unrestricted Global Certificate, without interest coupons, deposited with a nominee for, and registered in the name of a common depository of, Clearstream, Luxembourg and Euroclear on its Issue Date. Registered Notes of such Tranche sold in the United States to qualified institutional buyers pursuant to Rule 144A (“Restricted Notes”) will initially be represented by a Restricted Global Certificate, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any Restricted Global Certificate and any individual Definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under “Transfer Restrictions”.

In addition, CGD may issue Book Entry Notes that will be integrated in and held through Interbolsa, if so specified in the relevant Final Terms. The terms and conditions of each series of Book Entry Notes shall be the terms and conditions set out in this Prospectus, as supplemented, as necessary by a supplement to this Prospectus, and/or the relevant Final Terms. The Non Publicly Offered Book Entry Notes are constituted by a deed poll given by CGD in favour of holders of Non Publicly Offered Book Entry Notes dated 2 April 2009 (the “Instrument”).

**Clearing Systems**

Clearstream, Luxembourg and Euroclear for Bearer Notes, Clearstream, Luxembourg, Euroclear, DTC for Registered Notes and Interbolsa, Clearstream Luxembourg and Euroclear for Book Entry Notes. In relation to any Tranches, Notes may be cleared through such other clearing system as may be agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by CGDF), the Issuing and Paying Agent, the Trustee and the relevant Dealer.

**Initial Delivery of Notes**

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes issued in NGN form will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes issued in CGN form will be deposited with the Common Depository for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, the Unrestricted Global Certificate representing Unrestricted Notes will be deposited with a common depository for Clearstream, Luxembourg and Euroclear and the Restricted Global Certificate representing Restricted Notes will be deposited with a custodian for DTC. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by CGDF) and the relevant Dealers except Book Entry Notes, which may only be issued in euros or such other currencies accepted by Interbolsa for registration and clearing.

**Redenomination**

The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Final Terms.

**Maturities**

Such maturities as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer and the Guarantor (in the case of Notes issued by CGDF) or the relevant Specified Currency. At the date of this Prospectus, the minimum maturity of all Notes is one month except in the case of Subordinated Notes, where the minimum maturity is five years and one day.

Book Entry Notes shall not be issued with maturity of less than one year.

**Denomination**

Notes (including Book Entry Notes) will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by CGDF) and the relevant Dealer and as indicated in the applicable Final Terms save that in respect of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be Euro 1,000 (or its equivalent in other currencies).

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of section 19 of the Financial Securities and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies). Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof, in each case subject to compliance with all legal and/ or regulatory requirements applicable to the Specified Currency.

**Fixed Rate Notes**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. or

	<p>(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.</p> <p>Interest periods will be specified in the relevant Final Terms.</p>
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
<b>Index Linked Notes</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
<b>Interest Periods and Interest Rates</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
<b>Redemption</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Any early redemption of a Subordinated Note will be subject to the prior consent of the Bank of Portugal.
<b>Redemption by Instalments</b>	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Other Notes</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the relevant Issuer, the Guarantor (in the case of Notes issued by CGDF), the Trustee (in the case of Notes other than Book Entry Notes) and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and supplement to the Prospectus.
<b>Cash Bonds</b>	Notes may qualify as cash bonds ( <i>obrigações de caixa</i> ) under the terms of Decree Law No. 408/91 of 17 October 1991 (as amended), provided that certain requirements set out therein are met, including that (i) such Notes have a maturity of not less than two years, (ii) the relevant Issuer is not entitled to acquire such Notes before two years have elapsed since the relevant Issue Date and (iii) the Noteholders may not choose to redeem such Notes before one year has elapsed since the relevant Issue Date.

**Optional Redemption**

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption, although this will not apply in any event to Dated and Undated Subordinated Notes.

**Substitution**

The Trustee, the relevant Issuer and the Guarantor (in the case of Notes issued by CGDF) are permitted to agree to the substitution in place of the relevant Issuer (or any previous substitute) as principal debtor in respect of the Notes (other than Publicly Offered Book Entry Notes) of either the Guarantor (in the case of Notes issued by CGDF) or any other wholly-owned Subsidiary of CGD, subject to the fulfilment of certain conditions, as more fully set out in Condition 11(c) and the Trust Deed.

**Status of the Senior Notes**

The Senior Notes and the relative Receipts and Coupons (if any) will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the relevant Issuer and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the relevant Issuer, save for those that have been accorded by law preferential rights.

**Status of the Dated Subordinated Notes**

The Dated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the relative Receipts and Coupons (if any) will constitute direct, unsecured and subordinated obligations of CGDF, CGD, CGDFB or, as the case may be, CGDM, will rank *pari passu* among themselves and without prejudice to the foregoing, the Dated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the relative Receipts and Coupons (if any) will, in the event of the bankruptcy or the winding-up of CGDF, CGD, CGDFB or CGDM, as the case may be, (to the extent permitted by Portuguese law), be subordinated in right of payment in the manner provided in the Trust Deed or, in the case of Non Publicly Offered Book Entry Notes, the Instrument or, in the case of Publicly Offered Book Entry Notes, as set out in the terms and conditions of the Publicly Offered Book Entry Notes to the claims of all unsubordinated creditors of CGDF, CGD, CGDFB or CGDM, as the case may be, including claims of depositors (in the case of CGD, CGDFB and CGDM) and will rank, in the event of the winding-up of CGDF, CGD, CGDFB or CGDM, at least *pari passu* in right of payment with all other Subordinated Indebtedness (as defined in Condition 3(b)), present and future of CGDF, CGD, CGDFB or, as the case may be, CGDM.

**Status of the Undated Subordinated Notes**

The Undated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM and the relative Coupons and Talons (if any) will constitute direct, unsecured and subordinated obligations of CGDF, CGD, CGDFB or, as the case may be, CGDM, will rank *pari passu* among themselves and without prejudice to the foregoing, the Undated Subordinated Notes issued by CGDF, CGD, CGDFB or CGDM will, in the event of bankruptcy or the winding-up of CGDF, CGD, CGDFB or CGDM, as the case may be, (to the extent permitted Portuguese law), be subordinated in right of payment in the manner provided in the Trust Deed or, in the case of Non Publicly Offered Book Entry Notes, the Instrument or, in the case of Publicly Offered Book Entry Notes, as set out in the terms and conditions of the Publicly Offered Book Entry Notes to the claims of all Senior Creditors (as defined in Condition 3(c)) of CGDF, CGD, CGDFB or CGDM, as the case may be.

In order to allow CGDF and the Guarantor to continue their business activities, any amounts which, but for the provisions of Condition 5(m) or, as the case may be, the insolvency of CGDF or the Guarantor, would be payable as interest or principal on the Undated Subordinated Notes (or the corresponding amounts the Guarantor is required to make available to CGDF under the Guarantee) will be available to meet the losses of CGDF (or the Guarantor, as the case may be).

In order to allow CGD, CGDFB and CGDM to continue their business activities, any amounts which, but for the provisions of Condition 5(m) or, as the case may be, the insolvency of CGD, CGDFB or CGDM, as the case may be, would be payable as interest or principal on the Undated Subordinated Notes will be available to meet the losses of CGD, CGDFB or CGDM, as the case may be.

**Status of the Guarantee**

The payment of the principal of, and interest on, the Notes issued by CGDF will be unconditionally and irrevocably guaranteed (the "Guarantee") by the Guarantor in the Trust Deed. The obligations of the Guarantor under such Guarantee will constitute:

- (1) in the case of Senior Notes, direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Guarantor and will rank *pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, save for those that have been accorded by law preferential rights;
- (2) in the case of Dated Subordinated Notes, direct, unsecured and subordinated obligations of the Guarantor but, in the event of the winding-up of the Guarantor (to the extent permitted by Portuguese law), subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of the Guarantor but in priority to the claims of the holders of Undated Subordinated Notes; and
- (3) in the case of Undated Subordinated Notes, direct, unsecured and subordinated obligations of the Guarantor but, as further described in Condition 3(c), subordinated in right of payment in the manner provided in the Trust Deed to the claims of Senior Creditors of the Guarantor.

<b>Negative Pledge</b>	Applicable to Senior Notes only. See “Terms and Conditions of the Notes – Negative Pledge”.
<b>Cross Default</b>	Applicable to Senior Notes only. See “Terms and Conditions of the Notes – Events of Default”.
<b>Limited Rights of Acceleration</b>	The Trustee’s rights to accelerate Subordinated Notes (other than Publicly Offered Book Entry Notes) are limited to non-payment, winding-up or, in the case of CGDF, termination of the Guarantee only. See “Terms and Conditions of the Notes – Events of Default”.
<b>Early Redemption</b>	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.
<b>Withholding Tax</b>	<p>All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Cayman Islands (in the case of CGDF), France (in the case of Notes issued by CGDFB) and Portugal, including Madeira, (in the case of CGD, CGDM or CGDFB) as the case may be, subject to customary exceptions, all as described in “Terms and Conditions of the Notes – Taxation” and “Taxation – Portugal”. At present, payments of interest and other revenues to be made by CGD and CGDM directly to non-resident entities of Portugal would be subject to Portuguese withholding tax at a rate of 20 per cent., or, if applicable, to reduced withholding tax rates of up to 15 per cent., pursuant to the general rules and to tax treaties signed by Portugal, except in case of Book Entry Notes and Notes issued by CGDM assuming certain procedures and certification requirements are complied with. All payments of interest and other investment income arising from Notes (in case of Notes issued by CGD) made to individuals resident for tax purposes in Portugal will be subject to withholding tax at a rate of 20 per cent. In this case, the Portuguese resident individual, unless if deriving such income in the capacity of an entrepreneur with organised accounts, may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, the said income will be subject to personal income tax according to the relevant tax brackets, up to 42 per cent. and the domestic withholding tax will constitute a payment on account of such final personal income tax liability.</p> <p>All payments of interest and other investment income arising from Notes (in case of Notes issued by CGD) paid to legal persons resident for tax purposes in Portugal and to non resident legal persons with a permanent establishment in Portugal to which the income is attributable are subject to withholding tax at a rate of 20 per cent. (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), which is deemed a payment on account of the final tax due. (See “Taxation – Portugal”).</p>

**Governing Law**

English, save that Conditions 3(b) and (c) and d(ii) and (iii), Clauses 3.2, 3.3 and 6.9.2 to 6.9.8 of the Trust Deed and Clause 5 of the Instrument will be governed by and construed in accordance with Portuguese law (*representação formal*), and save that, with respect to Non Publicly Offered Book Entry Notes only, the form and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, are governed by, and shall be construed in accordance with, Portuguese law. Publicly Offered Book Entry Notes are governed by Portuguese law.

**Listing and Admission to Trading**

Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be listed and admitted to the Official List and to be admitted to trading on the Market or on Eurolist by Euronext Lisbon or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Selling Restrictions**

United States, Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €50,000 or its equivalent in any other currency as at the date of issue of the Notes), United Kingdom, the Cayman Islands, France, Portugal, the Netherlands and Japan. See “Subscription and Sale”.

Each Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Transfer Restrictions**

There are restrictions on the transfer of Notes sold pursuant to Rule 144A under the Securities Act. See “Terms and Conditions of the Notes” and “Transfer Restrictions”.

## **TERMS AND CONDITIONS OF THE NOTES (OTHER THAN PUBLICLY OFFERED BOOK ENTRY NOTES)**

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or in book entry form (other than Publicly Offered Book Entry Notes), representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme and include, for the avoidance of doubt, Non Publicly Offered Book Entry Notes but not Publicly Offered Book Entry Notes.*

The Notes (other than Notes in book entry form) are constituted by an amended and restated trust deed dated 2 April 2009 (as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) between the Issuer, the other issuers named in it, the Guarantor and Citicorp Trustee Company Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. Notes in book entry form not publicly offered in Portugal (“Non Publicly Offered Book Entry Notes”) are constituted by registration in the Interbolsa book-entry system and governed by these conditions and a deed poll given by the Issuer in favour of the holders of Non Publicly Offered Book Entry Notes dated 2 April 2009 (the “Instrument”). An amended and restated agency agreement dated 2 April 2009 (as amended or supplemented as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes (including Publicly Offered Book Entry Notes) between the Issuer, the other issuers named in it, the Guarantor, the Trustee, Citibank, N.A. as initial issuing and paying agent, registrar, transfer agent, exchange agent and calculation agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar), the “Exchange Agent” and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents and the Transfer Agents. In the case of Book Entry Notes, Citibank International plc, Sucursal em Portugal will be the paying agent in Portugal (the “Portuguese Paying Agent”).

The Noteholders, the holders of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”) and the holders of the receipts for the payment of instalments of principal (the “Receipts”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed or, in the case of holders of Non Publicly Offered Book Entry Notes, the Instrument and those provisions of the Trust Deed applicable to them, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### **1 Form, Denomination and Title**

#### **(a) Notes issued by Caixa Geral Depósitos Finance and Caixa Geral de Depósitos, S.A. acting through its Madeira branch or its France branch**

The Notes are issued in bearer form (“Bearer Notes”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“Registered Notes”) or in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum



Specified Denomination shall be Euro 1,000 (or its equivalent in any other currency as at the date of issue of the Notes).

*Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denominations as the lowest denomination of Exchangeable Bearer Notes.*

*Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof.*

This Note is a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note (together “Subordinated Notes”), as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” for the purposes of the Global Notes or bearer Notes issued in definitive form means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “holder” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

**(b) Notes issued by Caixa Geral de Depósitos, S.A.**

The Notes are issued in dematerialised book-entry (*forma escritural*) either in bearer (*ao portador*) or in registered (*nominativas*) form in the specified denomination provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Union or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €1,000 as indicated in the applicable Final Terms.

The Notes will be registered by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”) as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) (“CVM”).

Each person shown in the individual securities accounts held with an affiliated member of Interbolsa as having an interest in the Notes shall be considered the holder of the principal amount of Notes recorded. One or more certificates in relation to the Notes (each a “Certificate”) will be delivered to the relevant Noteholder by the financial intermediary with which the relevant Notes are held in a securities account in respect of its registered holding of Notes upon the request by the relevant Noteholder and in accordance with that financial intermediary’s procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

Title to the Notes passes upon registration in the relevant individual securities accounts held with an affiliated member of Interbolsa. Any Noteholder will (except as otherwise required by law) be treated as its

absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Noteholder.

This Note is a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note (together “Subordinated Notes”), as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

In these Conditions, “Noteholder” for the purposes of Notes in book entry form and (in relation to a Note) “holder” means the person in whose name a Note is registered in the relevant individual securities accounts held with an affiliated member of Interbolsa and has not been publicly offered in Portugal.

## **2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

### **(a) Exchange of Exchangeable Bearer Notes**

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### **(b) Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### **(c) Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

### **(d) Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined

in Condition 6(e)) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(e) Exchange Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

**(f) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**3 Status [and Guarantee]<sup>(1)</sup>**

**(a) Status of Senior Notes**

The Senior Notes and the relative Receipts (if any) and Coupons (if any) are direct, unconditional, unsecured (subject to the provisions of Condition 4) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

**(b) Status of Dated Subordinated Notes**

The Dated Subordinated Notes and the relative Receipts (if any) and Coupons (if any) are direct and unsecured obligations of the Issuer subordinated as provided below and rank and will rank *pari passu* among themselves.

The claims of the holders of the Dated Subordinated Notes and the relative Receipts (if any) and Coupons (if any) against the Issuer in respect of payments pursuant to the Dated Subordinated Notes and the relative Receipts and Coupons will, in the event of the bankruptcy or winding-up of the Issuer, (to the extent permitted by Portuguese law) be subordinated in right of payment in the manner provided in the Trust Deed or, as the case may be, in the Instrument to the claims of all unsubordinated creditors of the Issuer and will rank, in the event of the bankruptcy or winding-up of the Issuer, at least *pari passu* in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer.

For the purposes of this paragraph (b), “Subordinated Indebtedness” means all indebtedness of the Issuer which is subordinated, in the event of the bankruptcy or winding-up of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer including claims of depositors (in the case of CGD or CGDM) other than indebtedness which ranks or is expressed to rank junior to the Dated Subordinated Notes and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

**(c) Status of Undated Subordinated Notes**

The Undated Subordinated Notes and the relative Coupons (if any) are direct and unsecured obligations of the Issuer subordinated, to the extent permitted by Portuguese law, to the claims of Senior Creditors of the Issuer (as defined below) in that payment by the Issuer (insofar as such payment relates to payment obligations of the Issuer in respect of Undated Subordinated Notes) is conditional upon the Issuer [and the Guarantor]<sup>(1)</sup> being solvent (as described below) at the time of payment by the Issuer to the Noteholders and in that no such payment shall be made except to the extent that the Issuer [or the Guarantor pursuant to the provisions of the Guarantee]<sup>(1)</sup> could make such payment and still be solvent immediately thereafter. For this purpose, the Issuer [or the Guarantor]<sup>(1)</sup> shall be considered to be solvent if both (i) it is able to pay its debts to Senior Creditors of the Issuer [or the Guarantor]<sup>(1)</sup> as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) to Senior Creditors of the Issuer [or the Guarantor as defined in Condition 3(d)]<sup>(1)</sup>. A report as to the solvency of the Issuer [or the Guarantor]<sup>(1)</sup> by two directors of the Issuer [or the Guarantor]<sup>(1)</sup> or, if the directors have not reported within 14 days before any payment is due, the Auditors of the Issuer [or the Guarantor as defined in Condition 3(d)]<sup>(1)</sup>, or, if the Issuer [or the Guarantor]<sup>(1)</sup> is being wound up, its liquidator shall, in each case in the absence of manifest error, be treated and accepted by the Issuer[, the Guarantor]<sup>(1)</sup>, the Trustee (in the case of Notes other than Book Entry Notes) and any holder of Undated Subordinated Notes as correct and sufficient evidence thereof.

For the purposes of this paragraph (c), “Assets” means the total consolidated gross assets of the Issuer and “Liabilities” means the total consolidated gross liabilities of the Issuer, all as shown by the latest published audited consolidated balance sheet of the Issuer but adjusted for contingencies and for subsequent events in such manner and to such extent as such directors, auditors, or liquidator, as the case may be, may determine to be appropriate.

Any amounts which might otherwise have been allocated in or toward payment of principal and interest in respect of Undated Subordinated Notes will be available to meet the losses of the Issuer.

If, otherwise than for the purpose of a reconstruction or amalgamation on terms previously approved in writing by the Trustee (in the case of Notes other than Book Entry Notes) or by an Extraordinary Resolution (as defined in the Trust Deed) or, as the case may be, the Instrument of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer in Portugal, the Issuer shall, in lieu of any other payment in respect of Undated Subordinated Notes, be obliged to pay, in respect of each Undated Subordinated Note, such amounts as would have been payable if the holder thereof had, on the day preceding the commencement of such winding-up, become a holder of preference stock or shares in the capital of the Issuer forming or being part of a class having a preferential right in the winding-up over the holders of all other classes of stock or shares in the capital of the Issuer and entitled to receive in such winding-up an amount equal to the full amount payable under the Issuer in respect of such Undated Subordinated Note.

For the purpose of this paragraph (c), “Senior Creditors of the Issuer” means creditors of the Issuer (i) who are unsubordinated creditors of the Issuer; or (ii) who are subordinated creditors of the Issuer (including the holders of Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any)) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the holders of the Undated Subordinated Notes and the Coupons and Talons relating thereto (if any) (whether only in the event of a bankruptcy or winding-up of the Issuer or otherwise).

**(d) [Status of the Guarantee**

The Guarantor except where otherwise stated in the applicable Final Terms, has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of the principal of, and interest on, all Notes issued by and all other amounts payable by CGDF under or pursuant to the Trust Deed (the “Guarantee”).

The obligations of the Guarantor under the Guarantee constitute:

- (i) with regard to Senior Notes, direct, unconditional, unsecured (subject to the provisions of Condition 4) and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor save for those that have been accorded by law preferential rights (the “Senior Guarantee”);
- (ii) with regard to Dated Subordinated Notes, unsecured and subordinated obligations of the Guarantor to the extent that, in the event of the bankruptcy or winding-up of the Guarantor, and to the extent

permitted by Portuguese law, payment by the Guarantor (insofar as such payment relates to payment obligations of the Issuer in respect of Dated Subordinated Notes) will be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of the Guarantor and will rank in priority to any payments to be made to holders of Undated Subordinated Notes; and

- (iii) with regard to Undated Subordinated Notes, unsecured and subordinated, to the extent permitted by Portuguese law, to the claims of Senior Creditors of the Guarantor (as defined below) in that payment by the Guarantor (insofar as such payment relates to payment obligations of the Issuer in respect of Undated Subordinated Notes) is conditional upon the Guarantor being solvent (as described below) at the time of payment by the Guarantor to the Noteholders pursuant to the provisions of the Guarantee as set out above and in that no such payment shall be made except to the extent that the Guarantor could make such payment and still be solvent immediately thereafter. For this purpose, the Guarantor shall be considered to be solvent if both (i) it is able to pay its debts to Senior Creditors of the Guarantor as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) to Senior Creditors of the Guarantor. A report as to the solvency of the Guarantor by two directors of the Guarantor or, if the directors have not reported to the Issuer within 14 days before any payment is due, the Auditors of the Guarantor, or, if the Guarantor is being wound up, its liquidator shall, in each case in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee and any holder of Undated Subordinated Notes as correct and sufficient evidence thereof.

For the purposes of this paragraph (d):

- (A) “Assets” means the total consolidated gross assets of the Guarantor and “Liabilities” means the total consolidated gross liabilities of the Guarantor, all as shown by the latest published audited consolidated balance sheet of the Guarantor but adjusted for contingencies and for subsequent events in such manner and to such extent as such directors, auditors, or liquidator, as the case may be, may determine to be appropriate; and
- (B) “Senior Creditors of the Guarantor” means creditors of the Guarantor who (x) are depositors or other unsubordinated creditors of the Guarantor or (y) are subordinated creditors of the Guarantor other than those whose claims rank *pari passu* with or junior to the claims of the Issuer against the Guarantor under the Guarantee in respect of Undated Subordinated Notes.

The obligations of the Guarantor under the Guarantee in respect of paragraphs (ii) and (iii) above constitute the “Subordinated Guarantee”.

Any amounts which might otherwise have been allocated in or toward payment of principal and interest in respect of Undated Subordinated Notes will be available to meet the losses of the Guarantor.

If, otherwise than for the purpose of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Guarantor in Portugal, the Guarantor shall, in lieu of any other payment under the Guarantee in respect of Undated Subordinated Notes, be obliged to pay, in respect of each Undated Subordinated Note, such amounts as would have been payable if the holder thereof had, on the day preceding the commencement of such winding-up, become a holder of preference stock or shares in the capital of the Guarantor forming or being part of a class having a preferential right in the winding-up over the holders of all other classes of stock or shares in the capital of the Guarantor and entitled to receive in such winding-up an amount equal to the full amount payable under the Guarantee in respect of such Undated Subordinated Note.<sup>(1)</sup>

**(e) No Set-Off in respect of Subordinated Notes**

Subject to applicable law, no holder of a Subordinated Note or a Receipt or Coupon relating thereto (if any) may exercise or claim any right of set-off in respect of any amount owed by it to the Issuer arising under or in connection with the Subordinated Notes and the Receipts and Coupons relating thereto (if any) and each holder of a Subordinated Note or a Receipt or Coupon relating thereto (if any) shall, by virtue of its subscription, purchase or holding of any such Note, Receipt or Coupon, be deemed to have waived all such rights of set-off.

#### **4 Negative Pledge in relation to the Senior Notes**

##### **(a) Restriction**

So long as any of the Senior Notes, Receipts (if any) or Coupons (if any) remain outstanding (as defined in the Trust Deed or, as the case may be, the Instrument) [neither]<sup>(1)</sup> the Issuer [nor the Guarantor]<sup>(1)</sup> nor any of [its]<sup>(2)</sup> and <sup>(5)</sup> [their respective]<sup>(1)</sup> Subsidiaries (as defined in Condition 10) shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“Security”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer’s obligations under the Senior Notes, Receipts (if any), Coupons (if any) and the Trust Deed [or, as the case may be, the Guarantor’s obligation under the Senior Guarantee]<sup>(1)</sup> (A) are secured equally and rateably therewith in the same manner or to the satisfaction of the Trustee or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Senior Noteholders provided that nothing in this Condition 4(a) shall prevent the Issuer [or the Guarantor]<sup>(1)</sup> from creating or having outstanding Security on or with respect to the assets or receivables or any part thereof of the Issuer [or of the Guarantor]<sup>(1)</sup> which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security or having the benefit of such secured guarantee or indemnity is limited to the value of such assets or receivables.

##### **(b) Relevant Debt**

For the purposes of this Condition, “Relevant Debt” means any present or future (actual or contingent) indebtedness in the form of, or represented by, bonds, notes, debentures or other securities that, with the consent of the Issuer [and the Guarantor]<sup>(1)</sup> are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, or other recognised securities market (other than an issue which is placed in Portugal in an amount greater than 50 per cent. of its aggregate principal amount), having an original maturity of more than one year from its date of issue. For the avoidance of doubt, indebtedness, for the purpose of this definition, does not include preference shares or any other equity securities or Covered Bonds (as defined below).

“Covered Bonds” means any mortgage-backed bonds and/or covered bonds or notes (*Obrigações Hipotecárias*) issued pursuant to Decree law no. 59/2006 of 20 March (as amended) by any of the Issuers or any subsidiary thereof, the obligations of which benefit from a special creditor privilege (“*privilégio creditório especial*”) as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other eligible assets permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

#### **5 Interest and other Calculations**

##### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 3(c) on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

##### **(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

###### **(i) Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 3(c) on each Interest Payment Date. Such

Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/ are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean 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 either 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 as determined by the Calculation Agent. 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x) (2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).



(iv) **Rate of Interest for Index Linked Interest Notes**

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused or is not made by reason of Condition 5(m), in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual

Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

**(i) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts***

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes), the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(j) *Determination or Calculation by Trustee***

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(k) *Definitions***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “TARGET Business Day”); and/or

- (iii) in the case of a currency and/or one or more Additional Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “Calculation Period”)

- (i) if “Actual/Actual” or “Actual/Actual - ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (v) if “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vi) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vii) if “Actual/Actual-ICMA” is specified hereon,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“Determination Date” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“Reference Rate” means the rate specified as such hereon.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**(l) Calculation Agent**

The Issuer shall procure that there shall at all times be four Reference Banks and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written approval of the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes)) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**(m) Undated Subordinated Notes**

Interest on Undated Subordinated Notes shall accrue from day to day and shall, subject to Condition 3(c) above, be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest

accrued in the Interest Period ending on (but excluding) such Compulsory Interest Payment Date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects and gives not less than 30 days' notice of such election to the holders of Undated Subordinated Notes in accordance with Condition 16) the interest accrued in the Interest Period ending on (but excluding) such Optional Interest Payment Date (an "Accrual Period") but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose; and any interest not so paid shall, so long as the same remains unpaid, constitute "Arrears of Interest". The Issuer may at its option (after giving notice to the holders of Undated Subordinated Notes in accordance with Condition 16) at any time pay all or part of the Arrears of Interest (being, if part only, the whole of the interest accrued on all the Undated Subordinated Notes during any one or more Accrual Period(s)) but so that, in the case of any such partial payment, the interest accrued during any Accrual Period shall not be paid prior to that accrued during any earlier Accrual Period. All Arrears of Interest shall become due in full on whichever is the earliest of (i) the date on which any dividend or other distribution is next declared, paid or made on any class of stock or share capital of the Issuer, or, in the case of CGDF as Issuer, the Guarantor, (ii) the date set for any repayment permitted under Condition 6(c) or (d) and (iii) the commencement of winding-up of the Issuer, provided that in the case of (i), (ii) or (iii) notice shall be given to the holders of Undated Subordinated Notes in accordance with Condition 16. If notice is given by the Issuer of its intention to pay all or part of the Arrears of Interest, the Issuer shall be obliged, subject to Condition 3(c) above, to do so upon the expiry of such notice. Neither Arrears of Interest nor any interest due but unpaid shall bear interest.

For the purpose of this paragraph:

"Compulsory Interest Payment Date" means any Interest Payment Date in relation to which any dividend or other distribution has been declared, paid or made on any class of the stock or share capital of the Issuer, or in the case of CGDF as Issuer, the Guarantor in the immediately preceding interest period; and

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

## **6 Redemption, Purchase and Options**

### **(a) Redemption by Instalments and Final Redemption**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt (if any), in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Senior Note or Dated Subordinated Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount. Each Undated Subordinated Note is undated and accordingly has no final maturity date and is only redeemable or payable in accordance with the following provisions of this Condition or Condition 10(b).

### **(b) Early Redemption**

#### *(i) Zero Coupon Notes*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity

Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall (subject, in the case of Dated Subordinated Notes, to the provisions of Condition 3(b) and, in the case of Undated Subordinated Notes, to the provisions of Condition 3(c) and provided the Bank of Portugal's consent has been obtained in relation to the early redemption of either Dated or Undated Subordinated Notes) be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon, save in the case of Undated Subordinated Notes, which shall have an Early Redemption Amount equal to their nominal amount.

(c) ***Redemption for Taxation Reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to consent thereto having been obtained from the Bank of Portugal in the case of Subordinated Notes) on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer [(or, if the Senior or Subordinated Guarantee in the case of Senior or Subordinated Notes, as the case may be, were called, the Guarantor)]<sup>(1)</sup> satisfies the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8(b) as a result of any change in, or amendment to, the laws or regulations of [the Cayman Islands]<sup>(1)</sup> [the Republic of Portugal ("Portugal")]<sup>(2)</sup> [France]<sup>(4)</sup> [Portugal]<sup>(3)</sup> or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer [(or the Guarantor, as the case may be)]<sup>(1)</sup> taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer [(or the Guarantor, as the case may be)]<sup>(1)</sup> would be obliged to pay such additional amounts were a payment in respect of the Notes [(or the Guarantee, as the case may be)]<sup>(1)</sup> then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (in the case of Notes other than Book Entry Notes) or the Portuguese Paying Agent (in the case of Non Publicly Offered Book Entry Notes) a certificate signed by two Directors of the Issuer [(or the Guarantor, as the case may be)]<sup>(1)</sup> stating that the obligation referred to in (i) above cannot be avoided by the Issuer [(or the Guarantor, as the case may be)]<sup>(1)</sup> taking reasonable measures available to it and the Trustee or the Portuguese Paying Agent, as the case may be, shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.

**(d) Redemption at the Option of the Issuer**

If Call Option is specified hereon (but subject to consent thereto having been obtained from the Bank of Portugal in the case of Subordinated Notes), the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

**(e) Redemption at the Option of Noteholders**

If, in relation to Senior Notes only, Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts (if any) and Coupons (if any) and unexchanged Talons (if any)) provided that no deposit of Notes will be required in respect of Non Publicly Offered Book Entry Notes with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(f) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

**(g) Purchases**

The Issuer[, the Guarantor]<sup>(1)</sup> and any of [its]<sup>(2)</sup> and <sup>(5)</sup> [their respective]<sup>(1)</sup> Subsidiaries (with the consent of the Bank of Portugal in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmatured Receipts (if any) and Coupons (if any) provided they comply with any applicable laws and unexchanged Talons (if any) relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(h) Cancellation**

All Notes purchased by or on behalf of the Issuer[, the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2)</sup> and <sup>(5)</sup> [their respective]<sup>(1)</sup> subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts (if any) and Coupons (if any) and all unexchanged Talons (if any) to the Issuing and Paying Agent or in accordance with Interbolsa regulations in case of Non Publicly Offered Book Entry Notes and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts (if any) and Coupons (if any) and unexchanged Talons (if any) attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer [and the Guarantor] <sup>(1)</sup> in respect of any such Notes shall be discharged.



## **7 Payments and Talons**

### **(a) Bearer Notes and Non Publicly Offered Book Entry Notes**

Payments of principal and interest, including Arrears of Interest, (if any), in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

Payments in respect of the Non Publicly Offered Book Entry Notes will be made by transfer to the registered account of the Noteholder maintained by or on behalf of it with a bank that processes payments in the relevant currency, details of which appear in the records of the relevant affiliated member of Interbolsa at the close of business on the Payment Business Day (as defined below) before the due date for payment of principal and/or interest.

"Payment Business Day" means a day which (subject to Condition 8):

- (a) is or falls before the due date for payment of principal and/or interest; and
- (b) is a TARGET Settlement Day.

### **(b) Registered Notes**

#### *(i) Payments of Principal*

Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

#### *(ii) Payments of Interest*

Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth DTC business day (meaning any day on which DTC (as defined in Condition 7(b)(iv)), is open for business) before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

#### *(iii) Payment Initiation*

Where payment is to be made by transfer to an account in the relevant Specified Currency, payment instructions (for value the date, or if that is not a relevant Business Day, for value the first following day which is a relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Paying Agent is open for business on the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent, on a day on which the Agent is open for business and on which the relevant Certificate is surrendered.

#### *(iv) Payments Through The Depository Trust Company*

Registered Notes, if so specified on them, will be issued in the form of one or more Certificates registered in the name of, or in the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S.

dollars will be made in accordance with Conditions 7(b)(i), (ii) and (iii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payment, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least twelve DTC business days prior to the relevant payment date, to receive payments in such Specified Currency. The Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency.

(v) *Delay in Payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(b)(iii) arrives after the due date for payment.

(vi) *Payment Not Made in Full*

If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

**(c) *Payments in the United States***

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is not illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(d) *Payments subject to Fiscal Laws***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(e) *Appointment of Agents***

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer [and the Guarantor]<sup>(1)</sup> and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent act solely as agents of the Issuer [and the Guarantor]<sup>(1)</sup> and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer [and the Guarantor]<sup>(1)</sup> reserve[s]<sup>(2)</sup> and <sup>(5)</sup> the right at any time with the prior written approval of the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation

to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case excluding Eurolist by Euronext Lisbon, as approved by the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes), (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive and (viii) an Exchange Agent in relation to Registered Notes.

In addition, the Issuer [and the Guarantor]<sup>(1)</sup> shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16.

**(f) *Unmatured Coupons and Receipts and unexchanged Talons***

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmaturing Coupons (if any) relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon (if any) relating to such Note (whether or not attached) shall become void and no Coupon (if any) shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts (if any) relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmaturing Coupons (if any) are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons (if any), and where any Bearer Note is presented for redemption without any unexchanged Talon (if any) relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) Other than in respect of Book Entry Notes if the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) *Talons***

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon (if any) forming part of such Coupon sheet may be surrendered at a specified office of the Paying Agents in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons (if any) that may have become void pursuant to Condition 9).

**(h) Non-Business Days**

If any date for payment in respect of any Note, Receipt (if any) or Coupon (if any) is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation or in Portugal in case of Non Publicly Offered Book Entry Notes, in such jurisdictions as shall be specified as “Additional Financial Centres” hereon and: (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a TARGET Business Day.

**8 Taxation**

**(a) Payments free of withholding tax**

All payments of principal and interest in respect of the Notes, the Receipts (if any) and the Coupons (if any) [or under the Senior Guarantee or the Subordinated Guarantee]<sup>(1)</sup> shall[, subject to the conditions and limitations set out below,]<sup>(4)</sup> be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within [the Cayman Islands]<sup>(1)</sup> [Portugal]<sup>(2)</sup> [France]<sup>(4)</sup> [Portugal]<sup>(3)</sup> or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Payments of interest and other types of remuneration on the Notes and the Coupons will be made without withholding or deduction for or on account of taxes imposed or levied by or on behalf of the Republic of Portugal where the relevant proof of non-residence status has been provided by the Noteholders and Couponholders to the Issuer (in case of Notes issued by CGD through CGDM) or to the direct registration entity (in case of Notes issued directly by CGD) prior to the Relevant Date. Where no such relevant proof of non-residence status is provided in the terms below by Noteholders or Couponholders, payments of interest and other types of remuneration to such Noteholders or Couponholders will, as set out below, be made subject to deduction of withholding tax by or on behalf of the Republic of Portugal.

Interest and other revenues in respect of Notes issued by CGDFB which are issued or are deemed to be issued outside France benefit from the exemption from the withholding tax set out under Article 125 A III of the *Code Général des Impôts* (the “French General Tax Code”), as provided for in Article 131 *quater* of the French General Tax Code. Accordingly, such payments will not give the right to any tax credit from any French source.<sup>(4)</sup>

**(b) Additional Amounts**

If applicable law should require that payments of principal or interest in respect of the Notes, the Receipts and the Coupons or payments under the Guarantee, be subject to deduction or withholding in respect of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or within [the Cayman Islands]<sup>(1)</sup>, [Portugal]<sup>(2)</sup>, [France]<sup>(4)</sup>, [Portugal]<sup>(3)</sup> or any political subdivision or any authority therein or thereof having power to tax, the Issuer [or, as the case may be, the Guarantor]<sup>(1)</sup> shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

*(i) Other connection*

To, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with [the Cayman Islands]<sup>(1)</sup> [Portugal]<sup>(2)</sup> [France]<sup>(4)</sup> [Portugal]<sup>(3)</sup> other than the mere holding of the Note, Receipt or Coupon; or

(ii) *Lawful avoidance of withholding*

- (aa) To, or to a third party on behalf of, the effective beneficiary of the Notes in respect of whom the information and documentation (which may include certificates) required in order to comply with Decree-Law 193/2005 of 7 November, and any implementing legislation, is not received before the Relevant Date; or
- (bb) To, or to a third party on behalf of, the effective beneficiary of the Notes of whom the information and documentation required in order to comply with Madeira Free Trade Zone tax regime, and any implementing legislation, is not received before the Relevant Date; or
- (cc) To, or to a third party on behalf of, the effective beneficiary of the Notes (i) in respect of whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received before the Relevant Date, and (ii) who is resident in one of the contracting states; or
- (dd) To, or to a third party on behalf of, the effective beneficiary of the Notes resident in a tax haven jurisdiction as defined in Order No. 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública nº 150/2004), as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of central banks and governmental agencies of those blacklisted jurisdictions, or a non-resident legal entity held, directly or indirectly, in more than 20 per cent. by entities resident in the Republic of Portugal; or
- (ee) To, or to a third party on behalf of (i) a effective beneficiary of the Notes who is a Portuguese resident legal entity subject to Portuguese corporation tax with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal acting with respect to the holding of the Notes through a permanent establishment in Portugal; or

(iii) *Presentation more than 30 days after the Relevant Date*

Presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(iv) *Payment to individuals*

Where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) *Payment by another Paying Agent*

(Except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(vi) *Supply of Information*

Each holder of Notes shall be responsible for supplying, in a reasonable and timely manner, any information as may be required in a reasonable and timely manner in order to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council Meeting dated 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; or

(vii) *Portugal*

If the Conditions so provide.

As used in these Conditions, “Relevant Date” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

**(c) [Interpretation:**

- (i) “Residency Information” means the confirmation that must be made by the relevant Noteholder and Couponholder, as the case may be, substantially in the terms set forth in the “Taxation” section below.
- (ii) “Statement of non-Portuguese Beneficial Ownership” means the document issued by the Noteholder or Couponholder substantially in the terms set forth in the “Taxation” section below and signed by each Noteholder or Couponholder (as the case may be) pursuant to Article 119 of the Código do Imposto sobre o Rendimento das Pessoas Singulares (“CIRS”) and Circular 6/2003.]<sup>(2)</sup>

**9 Prescription**

Claims against the Issuer [and/or the Guarantor]<sup>(1)</sup> for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within twenty years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

**10 Events of Default**

If any of the following events (“Events of Default”) occurs and is continuing, the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer [and the Guarantor]<sup>(1)</sup> that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

**(a) In the case of Senior Notes**

- (i) *Non-Payment*  
Default is made for a period of ten business days or more in the payment of any principal or interest in respect of the Notes or any of them after the due date therefor; or
- (ii) *Breach of Other Obligations*  
The Issuer [or the Guarantor]<sup>(1)</sup> does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 20 business days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer [or the Guarantor]<sup>(1)</sup> by the Trustee; or

(iii) *Cross-Default*

- (A) Any other present or future indebtedness of the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries (as defined below) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
- (B) Any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
- (C) The Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided, in every case, that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds the higher of U.S. \$20,000,000 (or its equivalent in other currencies) or 1 per cent. of the Shareholders' Equity of CGD; or

(iv) *Enforcement Proceedings*

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries and adequate steps to stop and remedy such situation are not taken by CGD provided that (a) the claim in such distress, attachment, execution or other legal process exceeds U.S.\$500,000 (or its equivalent in other currencies) in each case and (b) that such distress, attachment, execution or other legal process is not, in the opinion of the Trustee, vexatious or frivolous; or

(v) *Security Enforced*

Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and adequate steps to stop and remedy such situation are not taken by CGD; or

(vi) *Cessation of Business*

[Any of]<sup>(1)</sup> the Issuer [or the Guarantor]<sup>(1)</sup> or any Principal Subsidiary shall cease to carry on the whole or in the opinion of the Trustee substantially the whole of its business except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(vii) *Insolvency*

[Any of]<sup>(1)</sup> the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer[, the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries; or

(viii) *Winding-up*

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries, or the Issuer [or the Guarantor]<sup>(1)</sup> or any of [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> Principal Subsidiaries cease or through an official action of its board of directors threaten to cease to carry on all or (in the opinion of the Trustee) a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or

consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(ix) *[Ownership]*

The Issuer ceases to be wholly-owned and controlled by the Guarantor; or]<sup>(1)</sup>

(x) *Authorisation and Consents*

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer [and the Guarantor]<sup>(1)</sup> lawfully to enter into, exercise [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> rights and perform and comply with [its]<sup>(2) and (5)</sup> [their respective]<sup>(1)</sup> obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of [the Cayman Islands]<sup>(1)</sup> [Portugal]<sup>(2)(3)</sup> [France]<sup>(4)</sup> is not taken, fulfilled or done; or

(xi) *Illegality*

It is or will become unlawful for the Issuer [or the Guarantor]<sup>(1)</sup> to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(xii) *Analogous Events*

Any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

(xiii) *[Guarantee]*

The Senior Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect,<sup>(1)</sup> provided that except in the case of paragraphs (i) and (viii) (in the case of winding-up or dissolution), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of these Conditions:

“Accounts” means the most recent annual audited consolidated accounts prepared by the Issuer in accordance with generally accepted accounting principles in the jurisdiction of incorporation of the Issuer;

“Group” means CGD and its Subsidiaries;

“Principal Subsidiary” at any time shall mean, in relation to the Issuer, any Subsidiary:

- (i) whose net assets (as shown by the then most recent audited balance sheet of such Subsidiary and attributable to the Issuer) constitutes at least ten per cent. of the consolidated net assets of the Group (as shown in the then latest Accounts); or
- (ii) whose turnover (as shown by its latest audited profit and loss account of such Subsidiary and attributable to the Issuer) constitutes at least ten per cent. of the consolidated turnover of the Group (as shown in the latest Accounts),

provided that, if a Subsidiary itself has subsidiaries and produces in respect of any year an audited consolidated balance sheet of such Subsidiary and its subsidiaries, the reference above to business assets of such Subsidiary shall be construed as a reference to business assets of such Subsidiary and its consolidated subsidiaries and the reference to the then most recent audited balance sheet of such Subsidiary shall be construed as a reference to the then most recent audited consolidated balance sheet of such Subsidiary and its consolidated subsidiaries.

A report by the Auditors (as defined in the Trust Deed) of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.



“Subsidiary” means, in relation to the relevant Issuer [or the Guarantor]<sup>(1)</sup>, any entity whose affairs are required by law or in accordance with generally accepted accounting principles applicable in the jurisdiction of incorporation of the relevant Issuer or the Guarantor, as the case may be, to be consolidated in the consolidated accounts of the Issuer or the Guarantor, as the case may be.

“Shareholders’ Equity of CGD” means, at any relevant time, a sum equal to the aggregate of CGD’s shareholders’ equity as certified by the Auditors (as defined in the Trust Deed) of CGD by reference to the latest audited consolidated financial statements of CGD.

**(b) In the case of the Subordinated Notes**

[In the event of the winding-up of the Guarantor and]<sup>(1)</sup> if any one or more of the following events (each an “Event of Default”) shall occur:

- (i) default is made for a period of ten business days or more in the payment of any principal or interest due, in respect of Undated Subordinated Notes only, on any Compulsory Interest Payment Date, in respect of the Notes or any of them after the due date therefor or, as the case may be, after any other date upon which the payment of interest is compulsory, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer, but may take no further action in respect of such default. Provided that, in relation to Undated Subordinated Notes only, for the avoidance of doubt, the exercise by the Issuer of its right, pursuant to Condition 5(m), not to make any payment(s) of interest in respect of Undated Subordinated Notes shall not constitute failure to make payment of interest; or
- (ii) If:
  - (a) otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer [or the Guarantor]<sup>(1)</sup> [;or
  - (b) except with the prior consent in writing of the Trustee or the sanction of an Extraordinary Resolution of the Noteholders, the Guarantee is terminated or any provision of the Guarantee is modified or waived in circumstances where such modification or waiver would, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or is not enforced in a timely manner by the Issuer or is breached by the Guarantor,]<sup>(1)</sup>

the Trustee may at its discretion, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction), subject as provided below, give notice to the Issuer that the Subordinated Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount as defined in Condition 6(b)(ii) together with accrued interest as provided in the Trust Deed.

Notwithstanding the Trustee having given notice that the Undated Subordinated Notes are immediately due and repayable, the Issuer may only redeem such Notes with the prior approval of the Bank of Portugal.

There can be no assurance that the Bank of Portugal will give its approval to any such redemption, Noteholders should be aware of the fact that the Bank of Portugal approval will depend on the capital adequacy of the Issuer [and the Guarantor]<sup>(1)</sup>.

**(c) In the case of both Senior Notes and Subordinated Notes**

- (i) The Trustee shall be bound to take action as referred to in paragraphs (a) and/or (b) above only if (a) it shall have been so requested in writing by Noteholders holding not less than one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (b) it shall have been indemnified or secured (whether by payment in advance or otherwise) to its satisfaction.
- (ii) No Noteholder shall be entitled to proceed directly against the Issuer [or, as the case may be, the Guarantor]<sup>(1)</sup> unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. No Holder shall be entitled to institute

proceedings for the winding-up of the Issuer [or, as the case may be, the Guarantor or to submit a claim in such winding-up]<sup>(1)</sup>, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so or, being able and bound to submit a claim in such winding-up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up of the Issuer [or, as the case may be, the Guarantor]<sup>(1)</sup> and/or submit a claim in such winding-up to the same extent (but no further or otherwise) that the Trustee would have been entitled to do.

## **11 Meetings of Noteholders, Modification, Waiver and Substitution**

### **(a) Meetings of Noteholders**

The Trust Deed and, in relation to Non Publicly Offered Book Entry Notes only, the Instrument contain provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes [, or]<sup>(1)</sup> (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution[, or (viii) to modify or cancel the Guarantee]<sup>(1)</sup>, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.*

**(b) Modifications**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is (in the opinion of the Trustee) of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. The Trustee may agree, without the consent of the Noteholders or Couponholders, on or after the Specified Date (as defined below) to such modifications to the Notes, the Coupons and the Trust Deed in respect of redenomination of the Notes in euro and associated reconventioning, renominatisation and related matters in respect of the Notes as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions and to provide for redemption at the euro equivalent of the sterling principal amount of the Notes). For these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community or otherwise participates in European economic and monetary union in a manner with an effect similar to such third stage.

**(c) Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Relevant Issuer's successor in business or of any other Subsidiary of CGD in place of the Issuer, or of any previous substitute, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer [or the Guarantor]<sup>(1)</sup> any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

**12 Enforcement**

At any time after the Notes (other than Publicly Offered Book Entry Notes) become due and payable, the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes) may, at its discretion and without further notice, institute such proceedings against the Issuer [and/or the Guarantor]<sup>(1)</sup> as it may think fit to enforce the terms of the Trust Deed, the Notes (other than Publicly Offered Book Entry Notes), the Receipts (if any) and the Coupons (if any), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes (other than Publicly Offered Book Entry Notes) outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer [or the Guarantor]<sup>(1)</sup> unless the Trustee (in the case of Notes other than Publicly Offered Book Entry Notes), having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

**13 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer[, the Guarantor]<sup>(1)</sup> and any entity related to the Issuer [or the Guarantor]<sup>(1)</sup> without accounting for any profit.

#### **14 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note (other than Book Entry Notes), Certificate, Receipt (if any), Coupon (if any) or Talon (if any) is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority requirements, at the specified office of the Issuing and Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt (if any), Coupon (if any) or Talon (if any) is subsequently presented for payment or, as the case may be, for exchange for further Coupons (if any), there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons (if any) must be surrendered before replacements will be issued.

#### **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed and, in relation to Non Publicly Offered Book Entry Notes only, the Instrument contain provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

#### **16 Notices**

Notices to the holders of Registered Notes shall be valid, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, if published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if not so listed, shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times) and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice 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.

The Issuer shall comply with Portuguese law in respect of Notices relating to Non Publicly Offered Book Entry Notes.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

#### **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term and conditions of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **18 Governing Law and Jurisdiction**

### **(a) Governing Law**

The Trust Deed except Clause 3 insofar as it relates to Subordinated Notes, the Notes except Conditions 3(b) and 3(c), (d)(ii) and (iii), the Receipts (if any), the Coupons (if any) and the Talons (if any) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that, with respect to Non Publicly Offered Book Entry Notes only, the form (*representação formal*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, are governed by, and shall be construed in accordance with, Portuguese law. Clause 3 of the Trust Deed (insofar as it relates to Subordinated Notes) and Conditions 3(b) and 3(c), (d) (ii) and (iii) are governed by, and shall be construed in accordance with, Portuguese law.

### **(b) Jurisdiction**

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts (if any), Coupons or Talons (if any) [or the Guarantee]<sup>(1)</sup> and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts (if any), Coupons (if any) or Talons (if any) [or the Guarantee]<sup>(1)</sup> (“Proceedings”) may be brought in such courts. [Each of the]<sup>(1)</sup> [The]<sup>(2) and (5)</sup> Issuer [and the Guarantor] [has]<sup>(2) and (5)</sup> [have]<sup>(1)</sup> in the Trust Deed or the Instrument, as the case may be, irrevocably submitted to the jurisdiction of such courts.

### **(c) Service of Process**

[Each of the]<sup>(1)</sup> [The]<sup>(2) and (5)</sup> Issuer [and the Guarantor]<sup>(1)</sup> has irrevocably appointed Caixa Geral de Depósitos, London branch at its offices presently located at 10 King William Street, London EC4N 7TW as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

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*Notes:*

(1) Square bracketed provisions will only appear on Notes issued by CGDF.

(2) Square bracketed provisions will only appear on Notes issued by CGDM.

(3) Square bracketed provisions will only appear on Notes issued by CGD.

(4) Square bracketed provisions will only appear on Notes issued by CGDFB.

(5) Square bracketed provisions will only appear on Notes issued by CGD and CGDFB.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES CLEARED THROUGH EUROCLEAR OF CLEARSTREAM WHILE IN GLOBAL FORM**

*References in this section to the “Issuer” shall be references to the party specified as such in the relevant Final Terms.*

### **Initial Issue of Notes**

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes 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.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depositary or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **Exchange**

#### **1 Temporary Global Notes**

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

## **2 Permanent Global Notes**

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of 2.1 below, Registered Notes:

- 2.1 if the Permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- 2.2 otherwise, (1) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

## **3 Permanent Global Certificates**

If the Final Terms states that the Notes are to be represented by a Permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1 if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- 3.2 if principal in respect of any Notes is not paid when due or 3.3 with the consent of the Issuer, provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

## **4 Partial Exchange of Permanent Global Notes**

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the Permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

## **5 Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal

aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or, if the Global Note is an NGN, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form 42 set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

## **6 Exchange Date**

“Exchange Date” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

## **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### **1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of CGNs represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(b)(v) will apply to Definitive Notes only. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

### **2 Prescription**

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of twenty years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

### **3 Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder’s holding, whether or not represented by a Global Certificate.)



#### **4 Cancellation**

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

#### **5 Purchase**

Notes represented by a Permanent Global Note may only be purchased by the Issuer, the Guarantor (in the case of Notes issued by CGDF) or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

#### **6 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

#### **7 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the Permanent Global Note is a CGN, presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

#### **8 NGN nominal amount**

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

#### **9 Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

#### **10 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required

by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and so long as the Notes may be listed on any other stock exchange, notices will be published in such manner as the rules of that stock exchange may require.

## **11 Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **12 Registered Notes**

Registered Notes of each Tranche of a Series which are sold in an “offshore transaction” within the meaning of Regulation S (“Unrestricted Notes”) will initially be represented by interests in an Unrestricted Global Certificate, without interest coupons, deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear on its Issue Date. Registered Notes of such Tranche sold in the United States to qualified institutional buyers pursuant to Rule 144A (“Restricted Notes”) will initially be represented by a Restricted Global Certificate, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any Restricted Global Certificate and any individual definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under “Transfer Restrictions”.

Each Unrestricted Note will have a ISIN and Common Code and each Restricted Note will have a CUSIP number.

## TERMS AND CONDITIONS OF THE PUBLICLY OFFERED BOOK ENTRY NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Publicly Offered Book Entry Notes in book entry form, representing each Series. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. References in the Conditions to “Publicly Offered Book Entry Notes” are to the Publicly Offered Book Entry Notes of one Series only, not to all Notes that may be issued under the Programme.*

Notes in book entry form that are publicly offered in Portugal (“Publicly Offered Book Entry Notes”) are constituted by registration in the Interbolsa book-entry system and governed by these conditions and its Schedule attached hereto. An amended and restated agency agreement dated 2 April 2009 (as amended or supplemented as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes between the Issuer, the other issuers named in it, the guarantor named in it, Citicorp Trustee Company Limited, Citibank, N.A. as initial issuing and paying agent and calculation agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent) and the “Calculation Agent(s)”. Copies of the Agency Agreement are available for inspection during usual business hours at the specified offices of the Paying Agents. Citibank International plc, Sucursal em Portugal will be the paying agent in Portugal (the “Portuguese Paying Agent”).

The Noteholders are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### **1 Form, Denomination and Title**

The Publicly Offered Book Entry Notes are issued in dematerialised book-entry form (*forma escritural*) either in bearer (*ao portador*) or in registered (*nominativas*) form in the specified denomination provided that in the case of any Publicly Offered Book Entry Notes which are to be admitted to trading on a regulated market within the European Union or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €1,000 as indicated in the applicable Final Terms.

The Publicly Offered Book Entry Notes will be registered by Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”) as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) (“CVM”).

Each person shown in the individual securities accounts held with an affiliated member of Interbolsa as having an interest in the Publicly Offered Book Entry Notes shall be considered the holder of the principal amount of Publicly Offered Book Entry Notes recorded. One or more certificates in relation to the Publicly Offered Book Entry Notes (each a “Certificate”) will be delivered to the relevant Noteholder by the financial intermediary with which the relevant Publicly Offered Book Entry Notes are held in a securities account in respect of the relevant Noteholder’s registered holding of Publicly Offered Book Entry Notes upon the request by the relevant Noteholder and in accordance with that financial intermediary’s procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

Title to the Publicly Offered Book Entry Notes passes upon registration in the relevant individual securities accounts held with an affiliated member of Interbolsa. Any Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Noteholder.

This Publicly Offered Book Entry Note is a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note (together “Subordinated Notes”) which may qualify as a Cash Bond Note (*obrigação de caixa*), as indicated in the applicable Final Terms.

This Publicly Offered Book Entry Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Publicly Offered Book Entry Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

In these Conditions, “Noteholder” for the purposes of Publicly Offered Book Entry Notes in book entry form and (in relation to a Publicly Offered Book Entry Note) “holder” mean the person in whose name a Publicly Offered Book Entry Note is registered in the relevant individual securities accounts held with an affiliated member of Interbolsa.

## **2 Status**

### **(a) Status of Senior Notes**

The Senior Notes are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

### **(b) Status of Dated Subordinated Notes**

The Dated Subordinated Notes are direct and unsecured obligations of the Issuer subordinated as provided below and rank and will rank *pari passu* among themselves.

The claims of the holders of the Dated Subordinated Notes against the Issuer in respect of payments pursuant to the Dated Subordinated Notes will, in the event of the bankruptcy or winding-up of the Issuer (to the extent permitted by Portuguese law), be subordinated in right of payment to the claims of all unsubordinated creditors of the Issuer (including claims of depositors) so that in the bankruptcy or winding-up of the Issuer, no payment will be made in respect of the Dated Subordinated Notes unless the claims of all unsubordinated creditors (including claims of depositors) of the Issuer, to the extent that such claims are admitted to proof in the bankruptcy or winding-up (not having been satisfied out of the other resources of the Issuer), excluding interest accruing after commencement of the bankruptcy or winding-up, shall have been paid, satisfied or discharged in full and will rank, in the event of the bankruptcy or winding-up of the Issuer, at least *pari passu* in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer.

For the purposes of this paragraph (b), “Subordinated Indebtedness” means all indebtedness of the Issuer which is subordinated, in the event of the bankruptcy or winding-up of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer including claims of depositors other than indebtedness which ranks or is expressed to rank junior to the Dated Subordinated Notes and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

### **(c) Status of Undated Subordinated Notes**

The Undated Subordinated Notes are direct and unsecured obligations of the Issuer subordinated, to the extent permitted by Portuguese law, to the claims of Senior Creditors of the Issuer (as defined below) in that payment by the Issuer (insofar as such payment relates to payment obligations of the Issuer in respect of Undated Subordinated Notes) is conditional upon the Issuer being solvent (as described below) at the time of payment by the Issuer to the Noteholders and in that no such payment shall be made except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For this purpose, the Issuer shall be considered to be solvent if both (i) it is able to pay its debts to Senior Creditors of the Issuer as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) to Senior Creditors of the Issuer. A report as to the solvency of the Issuer by two directors of the Issuer or, if the directors have not reported within 14 days before any payment is due, the Auditors of the Issuer, or, if the Issuer is being wound up, its liquidator shall, in each case in the absence of manifest error, be treated and accepted by the Issuer and any holder of Undated Subordinated Notes as correct and sufficient evidence thereof. In the absence of any such report to the contrary, it shall be assumed (unless the contrary is proved prior to the date of payment) that the Issuer is and will after payment hereunder be solvent for such purposes. The Issuer shall give prompt notice to the Noteholders, if, at any time, it would not be solvent (as described above).

For the purposes of this paragraph (c), “Assets” means the total consolidated gross assets of the Issuer and “Liabilities” means the total consolidated gross liabilities of the Issuer, all as shown by the latest published audited consolidated balance sheet of the Issuer but adjusted for contingencies and for subsequent events in such manner and to such extent as such directors, auditors, or liquidator, as the case may be, may determine to be appropriate.

Any amounts which might otherwise have been allocated in or toward payment of principal and interest in respect of Undated Subordinated Notes will be available to meet the losses of the Issuer.

If, otherwise than for the purpose of a reconstruction or amalgamation on terms previously approved by an Extraordinary Resolution (as defined in the Schedule attached hereto) of the Noteholders or the Common Representative (as defined in Condition 11) if so authorised to approve such reconstruction or amalgamation on the Noteholders' behalf by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer in Portugal, the Issuer shall, in lieu of any other payment in respect of Undated Subordinated Notes, be obliged to pay, in respect of each Undated Subordinated Note, such amounts as would have been payable if the holder thereof had, on the day preceding the commencement of such winding-up, become a holder of preference stock or shares in the capital of the Issuer forming or being part of a class having a preferential right in the winding-up over the holders of all other classes of stock or shares in the capital of the Issuer and entitled to receive in such winding-up an amount equal to the full amount payable under the Issuer in respect of such Undated Subordinated Note.

For the purpose of this paragraph (c), "Senior Creditors of the Issuer" means creditors of the Issuer (i) who are unsubordinated creditors of the Issuer; or (ii) who are subordinated creditors of the Issuer (including the holders of Dated Subordinated Notes) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the holders of the Undated Subordinated Notes (whether only in the event of a bankruptcy or winding-up of the Issuer or otherwise).

**(d) No Set-Off in respect of Subordinated Notes**

Subject to applicable law, no holder of a Subordinated Note may exercise or claim any right of set-off in respect of any amount owed by it to the Issuer arising under or in connection with the Subordinated Notes and each holder of a Subordinated Note shall, by virtue of its subscription, purchase or holding of any such Note, be deemed to have waived all such rights of set-off.

**3 Negative Pledge in relation to the Senior Notes**

**(a) Restriction**

So long as any of the Senior Notes remain outstanding (as defined below), neither the Issuer nor any of its Subsidiaries (as defined in Condition 9) shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Senior Noteholders or the Common Representative (as defined in Condition 11) if so authorised to approve such security, guarantee, indemnity or other arrangement on the Noteholders' behalf by an Extraordinary Resolution of the Noteholders provided that nothing in this Condition 3(a) shall prevent the Issuer from creating or having outstanding Security on or with respect to the assets or receivables or any part thereof of the Issuer which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security or having the benefit of such secured guarantee or indemnity is limited to the value of such assets or receivables.

For the purposes of these Conditions, "outstanding" means, in relation to the Notes, all the Notes issued except (a) those which have been redeemed, (b) those in respect of which the date for redemption has occurred and the redemption moneys have been duly paid to the relevant Noteholder or on its behalf and remain available for payment in accordance with the Rules, (c) those in respect of which claims have become prescribed under Condition 8 and (d) those which have been purchased and cancelled as provided in the Conditions, provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of Noteholders and (2) the determination of how many Notes are outstanding for the purposes of Condition 10 and the Schedule, those Notes which are beneficially held by or on behalf of the Issuer, or any of its Subsidiaries and not cancelled shall (unless no longer so held) be deemed not to remain outstanding. "Rules" means the legislation, rules, regulations and operating procedures from time to time applicable to and/or stipulated by Interbolsa in relation to the CVM.

**(b) Relevant Debt**

For the purposes of this Condition, “Relevant Debt” means any present or future (actual or contingent) indebtedness in the form of, or represented by, bonds, notes, debentures or other securities that, with the consent of the Issuer are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, or other recognised securities market (other than an issue which is placed in Portugal in an amount greater than 50 per cent. of its aggregate principal amount), having an original maturity of more than one year from its date of issue. For the avoidance of doubt, indebtedness, for the purpose of this definition, does not include preference shares or any other equity securities or Covered Bonds (as defined below).

“Covered Bonds” means any mortgage-backed bonds and/or covered bonds or notes (*Obrigações Hipotecárias*) issued pursuant to Decree law no. 59/2006 of 20 March 2006 (as amended) by any of the Issuers or any subsidiary thereof, the obligations of which benefit from a special creditor privilege (*privilégio creditório especial*) as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other eligible assets permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

**4 Interest and other Calculations**

**(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

*(ii) Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean 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 either 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 as determined by the Calculation Agent. 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Publicly Offered Book Entry Notes will be determined as provided hereon.

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x) (2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the

Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), 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 Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) *Zero Coupon Notes*

Where a Publicly Offered Book Entry Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Publicly Offered Book Entry Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Publicly Offered Book Entry Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Publicly Offered Book Entry Notes and otherwise as specified hereon.



**(e) *Accrual of Interest***

Interest shall cease to accrue on each Publicly Offered Book Entry Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused or is not made by reason of Condition 4(l), in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

**(f) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding***

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

**(g) *Calculations***

The amount of interest payable per Calculation Amount in respect of any Publicly Offered Book Entry Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Publicly Offered Book Entry Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

**(h) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts***

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Publicly Offered Book Entry Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Publicly Offered Book Entry Notes that is to make a further calculation upon receipt of such information and, if the Publicly Offered Book Entry Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to

such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published 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. If the Publicly Offered Book Entry Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Publicly Offered Book Entry Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(i) Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Publicly Offered Book Entry Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “Calculation Period”);

- (i) if “Actual/Actual” or “Actual/Actual - ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (v) if “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls; “Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls; “M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls; “M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls; “D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and “D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vii) if “Actual/Actual-ICMA” is specified hereon,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (b) if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“Determination Date” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Publicly Offered Book Entry Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“Reference Rate” means the rate specified as such hereon.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Publicly Offered Book Entry Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**(j) Calculation Agent**

The Issuer shall procure that there shall at all times be four Reference Banks and one or more Calculation Agents if provision is made for them hereon and for so long as any Publicly Offered Book Entry Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Publicly Offered Book Entry Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**(k) Undated Subordinated Notes**

Interest on Undated Subordinated Notes shall accrue from day to day and shall, subject to Condition 2(c) above, be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period ending on (but excluding) such Compulsory Interest Payment Date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects and gives not less than 30 days' notice of such election to the holders of Undated Subordinated Notes in accordance with Condition 13) the interest accrued in the Interest Period ending on (but excluding) such Optional Interest Payment Date (an "Accrual Period") but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose; and any interest not so paid shall, so long as the same remains unpaid, constitute "Arrears of Interest". The Issuer may at its option (after giving notice to the holders of Undated Subordinated Notes in accordance with Condition 13) at any time pay all or part of the Arrears of Interest (being, if part only, the whole of the interest accrued on all the Undated Subordinated Notes during any one or more Accrual Period(s)) but so that, in the case of any such partial payment, the interest accrued during any Accrual Period shall not be paid prior to that accrued during any earlier Accrual Period. All Arrears of Interest shall become due in full on whichever is the earliest of (i) the date on which any dividend or other distribution is next declared, paid or made on any class of stock or share capital of the Issuer, (ii) the date set for any repayment permitted under Condition 5(c) or (d) and (iii) the commencement of winding-up of the Issuer, provided that in the case of (i), (ii) or (iii) notice shall be given to the holders of Undated Subordinated Notes in accordance with Condition 13. If notice is given by the Issuer of its intention to pay all or part of the Arrears of Interest, the Issuer shall be obliged, subject to Condition 2(c) above, to do so upon the expiry of such notice. Neither Arrears of Interest nor any interest due but unpaid shall bear interest.

For the purpose of this paragraph:

"Compulsory Interest Payment Date" means any Interest Payment Date in relation to which any dividend or other distribution has been declared, paid or made on any class of the stock or share capital of the Issuer in the immediately preceding interest period; and "Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

**5 Redemption, Purchase and Options**

**(a) Redemption by Instalments and Final Redemption**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Publicly Offered Book Entry Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Publicly Offered Book Entry Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Publicly Offered Book Entry Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt (if any), in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Senior Note or Dated Subordinated Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Publicly Offered Book Entry Note falling within paragraph (i) above, its final Instalment Amount. Each Undated Subordinated Note is undated and accordingly has no final maturity date and is only redeemable or payable in accordance with the following provisions of this Condition or Condition 9(b).

**(b) Early Redemption**

*(i) Zero Coupon Notes*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Publicly Offered Book Entry Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Publicly Offered Book Entry Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Publicly Offered Book Entry Note shall be the scheduled Final Redemption Amount of such Publicly Offered Book Entry Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Publicly Offered Book Entry Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Publicly Offered Book Entry Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Publicly Offered Book Entry Note shall (subject, in the case of Dated Subordinated Notes, to the provisions of Condition 2(b) and, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) and provided the Bank of Portugal's consent has been obtained in relation to the early redemption of either Dated or Undated Subordinated Notes) be the Amortised Face Amount of such Publicly Offered Book Entry Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Publicly Offered Book Entry Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Publicly Offered Book Entry Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

*(ii) Other Notes*

The Early Redemption Amount payable in respect of any Publicly Offered Book Entry Note (other than Publicly Offered Book Entry Notes described in (i) above), upon redemption of such Publicly Offered Book Entry Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon, save in the case of Undated Subordinated Notes, which shall have an Early Redemption Amount equal to their nominal amount.

**(c) Redemption for Taxation Reasons**

The Publicly Offered Book Entry Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to consent thereto having been obtained from the Bank of Portugal in the case of Subordinated Notes) on any Interest Payment Date (if this Publicly Offered Book Entry Note is either a Floating Rate Note or

an Index Linked Note) or at any time (if this Publicly Offered Book Entry Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as described under Condition 7(b) as a result of any change in, or amendment to, the laws or regulations of the Republic of Portugal ("Portugal") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Publicly Offered Book Entry Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Portuguese Paying Agent and the Common Representative (as defined in Condition 11), if such Common Representative has been appointed, a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

**(d) Redemption at the Option of the Issuer**

If Call Option is specified hereon (but subject to consent thereto having been obtained from the Bank of Portugal in the case of Subordinated Notes), the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Publicly Offered Book Entry Notes on any Optional Redemption Date. Any such redemption of Publicly Offered Book Entry Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Publicly Offered Book Entry Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Publicly Offered Book Entry Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of Publicly Offered Book Entry Notes, the nominal amount of all outstanding Publicly Offered Book Entry Notes will be redeemed proportionally.

**(e) Redemption at the Option of Noteholders**

If, in relation to Senior Notes only, Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Publicly Offered Book Entry Note, upon the holder of such Publicly Offered Book Entry Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Publicly Offered Book Entry Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent within the notice period. No option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(f) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

**(g) Purchases**

The Issuer and any of its Subsidiaries (with the consent of the Bank of Portugal in the case of Subordinated Notes) may at any time purchase Publicly Offered Book Entry Notes in the open market or otherwise at any price.

**(h) Cancellation**

All Publicly Offered Book Entry Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation in accordance with Interbolsa regulations and if so surrendered, shall, together with all Publicly Offered Book Entry Notes redeemed by the Issuer, be cancelled forthwith. Any Publicly Offered Book Entry Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Publicly Offered Book Entry Notes shall be discharged.

**6 Payments and Talons**

**(a) Payments**

Payments in respect of the Publicly Offered Book Entry Notes will be made by transfer to the registered account of the Noteholder maintained by or on behalf of it with a bank that processes payments in the relevant currency, details of which appear in the records of the relevant affiliated member of Interbolsa at the close of business on the Payment Business Day (as defined below) before the due date for payment of principal and/or interest.

“Payment Business Day” means a day which (subject to Condition 7):

- (a) is or falls before the due date for payment of principal and/or interest; and
- (b) is a TARGET Settlement Day.

**(b) Payments in the United States**

Notwithstanding the foregoing, if any Publicly Offered Book Entry Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Publicly Offered Book Entry Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is not illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(c) Payments subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

**(d) Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities, (iv) such other agents as may be required by the rules of any other stock exchange on which the Publicly Offered Book Entry Notes may be listed, in each case excluding Eurolist by Euronext Lisbon, and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Publicly Offered Book Entry Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 13.



**(e) Non-Business Days**

If any date for payment in respect of any Publicly Offered Book Entry Note is not a business day, the holder shall not be entitled to payment until the next following business day or to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Portugal, in such jurisdictions as shall be specified as “Additional Financial Centres” hereon and (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a TARGET Business Day.

**7 Taxation**

**(a) Payments free of Withholding Tax**

All payments of principal and interest in respect of the Publicly Offered Book Entry Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Portugal or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Payments of interest and other types of remuneration on the Publicly Offered Book Entry Notes will be made without withholding or deduction for or on account of taxes imposed or levied by or on behalf of the Republic of Portugal where the relevant proof of non-residence status has been provided by the Noteholders to the direct registration entity prior to the Relevant Date. Where no such relevant proof of non-residence status is provided in the terms below by Noteholders, payments of interest and other types of remuneration to such Noteholders will, as set out below, be made subject to deduction of withholding tax by or on behalf of the Republic of Portugal.

**(b) Additional Amounts**

If applicable law should require that payments of principal or interest in respect of the Publicly Offered Book Entry Notes be subject to deduction or withholding in respect of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or within Portugal or any political subdivision or any authority therein or thereof having power to tax, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Publicly Offered Book Entry Note:

*(i) Other Connection*

To, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Publicly Offered Book Entry Note by reason of his having some connection with Portugal other than the mere holding of the Publicly Offered Book Entry Note; or

*(ii) Lawful Avoidance of Withholding*

- (A) To, or to a third party on behalf of, an effective beneficiary of the Publicly Offered Book Entry Notes in respect of whom the information and documentation (which may include certificates) required in order to comply with Decree-Law 193/2005 of 7 November 2005, and any implementing legislation, is not received before the Relevant Date; or
- (B) To, or to a third party on behalf of, an effective beneficiary of the Publicly Offered Book Entry Notes in respect of whom the information and documentation required in order to comply with the Madeira Free Trade Zone tax regime, and any implementing legislation, is not received before the Relevant Date; or
- (C) To, or to a third party on behalf of, an effective beneficiary of the Publicly Offered Book Entry Notes (i) in respect of whom the information and documentation required by

Portuguese law in order to comply with any applicable tax treaty is not received before the Relevant Date, and (ii) who is resident in one of the contracting states; or

- (D) To, or to a third party on behalf of, an effective beneficiary of the Publicly Offered Book Entry Notes resident in a tax haven jurisdiction as defined in Order 150/2004, of 13 February 2004 (*Portaria do Ministro das Finanças e da Administração Pública n° 150/2004*), as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of central banks and governmental agencies of those blacklisted jurisdictions, or a non-resident legal entity held, directly or indirectly, in more than 20 per cent. by entities resident in the Republic of Portugal; or
- (E) To, or to a third party on behalf of, (i) an effective beneficiary of the Publicly Offered Book Entry Notes who is a Portuguese resident legal entity subject to Portuguese corporation tax, with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal acting with respect to a holding of the Publicly Offered Book Entry Notes through a permanent establishment in Portugal; or

(iii) *Presentation more than 30 Days after the Relevant Date*

Presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(iv) *Payment to Individuals*

Where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) *Payment by Another Paying Agent*

Presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Publicly Offered Book Entry Note to another Paying Agent in a Member State of the European Union; or

(vi) *Supply of Information*

Each holder of Publicly Offered Book Entry Notes shall be responsible for supplying, in a reasonable and timely manner, any information as may be required in a reasonable and timely manner in order to comply with the identification and reporting obligations imposed on it by European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council meeting dated 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vii) *Portugal*

If the Conditions so provide.

As used in these Conditions, “Relevant Date” in respect of any Publicly Offered Book Entry Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Publicly Offered Book Entry Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Publicly Offered Book Entry Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal

payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition.

## **8 Prescription**

Claims against the Issuer for payment in respect of the Publicly Offered Book Entry Notes shall be prescribed and become void unless made within twenty years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **9 Events of Default**

If any of the following events (“Events of Default”) occurs and is continuing, the holder of any Publicly Offered Book Entry Note, unless a Common Representative (as defined in Condition 11) has been authorised to declare the Publicly Offered Book Entry Notes due and payable on the Noteholders’ behalf by an Extraordinary Resolution of the Noteholders, in which case the Common Representative only, may give written notice to the Portuguese Paying Agent that the Publicly Offered Book Entry Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

### **(a) In the case of Senior Notes**

#### *(i) Non-Payment*

Default is made for a period of ten business days or more in the payment of any principal or interest in respect of the Publicly Offered Book Entry Notes or any of them after the due date therefor; or

#### *(ii) Breach of Other Obligations*

The Issuer does not perform or comply with any one or more of its other obligations in the Publicly Offered Book Entry Notes which default is incapable of remedy or is not remedied within 20 business days after notice of such default shall have been given to the Portuguese Paying Agent or the Common Representative, if such Common Representative has been appointed, at its specified office by any Noteholder; or

#### *(iii) Cross-Default*

- (A) Any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries (as defined below) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
- (B) Any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
- (C) The Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided, in every case, that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds the higher of U.S. \$20,000,000 (or its equivalent in other currencies) or 1 per cent. of the Shareholders’ Equity of CGD; or

(iv) *Enforcement Proceedings*

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and adequate steps to stop and remedy such situation are not taken by CGD, provided that (a) the claim in such distress, attachment, execution or other legal process exceeds U.S.\$500,000 (or its equivalent in other currencies) in each case and (b) such distress, attachment, execution or other legal process is not vexatious or frivolous; or

(v) *Security Enforced*

Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and adequate steps to stop and remedy such situation are not taken by CGD; or

(vi) *Cessation of Business*

The Issuer or any Principal Subsidiary shall cease to carry on the whole or substantially the whole of its business except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders or the Common Representative, if such Common Representative has been so authorised to approve the terms of such reconstruction, amalgamation, reorganisation, merger or consolidation on the Noteholders' behalf by an Extraordinary Resolution of the Noteholders; or

(vii) *Insolvency*

The Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer or any of its Principal Subsidiaries; or

(viii) *Winding-up*

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries cease or through an official action of its board of directors threatens to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders or the Common Representative if such Common Representative has been so authorised to approve the terms of such reconstruction, amalgamation, reorganisation, merger or consolidation on the Noteholders' behalf by an Extraordinary Resolution of the Noteholders; or

(ix) *Authorisation and Consents*

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Publicly Offered Book Entry Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Publicly Offered Book Entry Notes admissible in evidence in the courts of Portugal is not taken, fulfilled or done; or

(x) *Illegality*

It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Publicly Offered Book Entry Notes; or

(xi) *Analogous Events*

Any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For the purpose of these Conditions: “Accounts” means the most recent annual audited consolidated accounts prepared by the Issuer in accordance with generally accepted accounting principles in the jurisdiction of incorporation of the Issuer;

“Auditors” means the auditors for the time being of CGD or if they are unable or unwilling to carry out any action requested of them under these Conditions, such other firm of accountants as may be nominated by the Issuer and approved by the Common Representative if such Common Representative has been appointed;

“Group” means CGD and its Subsidiaries;

“Principal Subsidiary” at any time shall mean, in relation to the Issuer, any Subsidiary:

- (i) whose net assets (as shown by the then most recent audited balance sheet of such Subsidiary and attributable to the Issuer) constitutes at least ten per cent. of the consolidated net assets of the Group (as shown in the then latest Accounts); or
- (ii) whose turnover (as shown by its latest audited profit and loss account of such Subsidiary and attributable to the Issuer) constitutes at least ten per cent. of the consolidated turnover of the Group (as shown in the latest Accounts),

provided that, if a Subsidiary itself has subsidiaries and produces in respect of any year an audited consolidated balance sheet of such Subsidiary and its subsidiaries, the reference above to business assets of such Subsidiary shall be construed as a reference to business assets of such Subsidiary and its consolidated subsidiaries and the reference to the then most recent audited balance sheet of such Subsidiary shall be construed as a reference to the then most recent audited consolidated balance sheet of such Subsidiary and its consolidated subsidiaries.

“Subsidiary” means, in relation to the Issuer, any entity whose affairs are required by law or in accordance with generally accepted accounting principles applicable in the jurisdiction of incorporation of the Issuer to be consolidated in the consolidated accounts of the Issuer.

“Shareholders’ Equity of CGD” means, at any relevant time, a sum equal to the aggregate of CGD’s shareholders’ equity as certified by the Auditors of CGD by reference to the latest audited consolidated financial statements of CGD.

**(b) *In the case of the Subordinated Notes***

If any one or more of the following events (each an “Event of Default”) shall occur:

- (i) default is made for a period of ten business days or more in the payment of any principal or interest due, in respect of Undated Subordinated Notes only, on any Compulsory Interest Payment Date, in respect of the Publicly Offered Book Entry Notes or any of them after the due date therefor or, as the case may be, after any other date upon which the payment of interest is compulsory, any Noteholder, unless a Common Representative has been authorised to institute proceedings for the winding-up of the Issuer on the Noteholders’ behalf by an Extraordinary Resolution of the Noteholders, in which case the Common Representative only, may institute proceedings for the winding-up of the Issuer, but may take no further action in respect of such default. Provided that, in relation to Undated Subordinated Notes only, for the avoidance of doubt, the exercise by the Issuer of its right, pursuant to Condition 4(l), not to make any payment(s) of interest in respect of Undated Subordinated Notes shall not constitute failure to make payment of interest; or
- (ii) If otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved by an Extraordinary Resolution of the Noteholders or the Common Representative if so authorised to approve the terms of such reconstruction or amalgamation on the Noteholders’ behalf by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer, any Noteholder, unless a Common Representative has been authorised to give notice that the Subordinated Notes are immediately due and payable on the Noteholders’ behalf by an Extraordinary Resolution of the Noteholders, in which case the

Common Representative only, may give written notice to the Portuguese Paying Agent that the Subordinated Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount as defined in Condition 5(b)(ii) together with accrued interest.

Notwithstanding any Noteholder or the Common Representative, as the case may be, having given notice that the Undated Subordinated Notes are immediately due and repayable, the Issuer may only redeem such Publicly Offered Book Entry Notes with the prior approval of the Bank of Portugal.

There can be no assurance that the Bank of Portugal will give its approval to any such redemption, Noteholders should be aware of the fact that the Bank of Portugal approval will depend on the capital adequacy of the Issuer.

## **10 Meetings of Noteholders, Modification and Waiver**

### **(a) Meetings of Noteholders**

A meeting of Noteholders may be convened by the Common Representative (if any) or, if (i) no Common Representative has been appointed or (ii) if appointed, the relevant Common Representative has failed to convene a meeting, by the chairman of the general meeting of shareholders of the Issuer, and shall be convened if requested by Noteholders holding not less than 5 per cent. in principal amount of the Publicly Offered Book Entry Notes for the time being outstanding. The quorum for any meeting shall be one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes the consideration of proposals relating to the modification or waiver of any of these Conditions or of any matters in connection with Conditions 2, 3 and 9, in which case, and except if it is an adjourned meeting, such quorum shall be a person or persons holding or representing at least 50 per cent. of the aggregate principal amount of the Notes then outstanding. The number of votes required to pass a resolution on a matter other than a modification or waiver to any of these Conditions or of any matters as set out in Conditions 2, 3 and 9 (an "Extraordinary Resolution") is a majority of the votes cast at the relevant meeting; the majority required to pass an Extraordinary Resolution is at least 50 per cent. of the aggregate principal amount of the Notes then outstanding or, at any adjourned meeting, two-thirds of the votes cast at the relevant meeting regardless of any quorum. Resolutions passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting or have voted against the approved resolutions.

*These Conditions may be amended, modified or varied in relation to any Series of Publicly Offered Book Entry Notes by the terms of the relevant Final Terms in relation to such Series.*

### **(b) Modifications**

Provided that a Common Representative has been appointed, the Issuer may agree with the Common Representative to (i) any modification of any of the provisions of any of these Conditions that is of a formal, minor or technical nature or is made to correct a manifest error or is made to comply with mandatory provisions of law, and (ii) any other modification or waiver of any of these Conditions that is not materially prejudicial to the interests of the Noteholders. Any such modification or waiver shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable. The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## **11 Common Representative**

The Noteholders shall at all times be entitled to appoint and dismiss by resolution a Common Representative. Upon the appointment of a new Common Representative pursuant to this Condition, any previously appointed and dismissed Common Representative will immediately cease its engagement and will be under the obligation immediately to transfer to the new Common Representative appointed by the Noteholders all documents and information then held by such Common Representative pertaining to the Publicly Offered Book Entry Notes. As used herein: "Common Representative" means a law firm, an accountant's firm or an individual person (which is not a holder of Publicly Offered Book Entry Notes), which may be appointed by the

holders of Publicly Offered Book Entry Notes under the terms of the Portuguese Companies Code (*Código das Sociedades Comerciais*).

## **12 Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Publicly Offered Book Entry Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Publicly Offered Book Entry Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Publicly Offered Book Entry Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Publicly Offered Book Entry Notes.

## **13 Notices**

Notices to the Noteholders shall comply with the applicable legal requirements. All notices regarding the Publicly Offered Book Entry Notes will be deemed to be validly given on the date of the respective publication and may be given in any way which complies with the Portuguese Security Code (*Código dos Valores Mobiliários*) and Interbolsa's rules and regulations on notices to investors, notably the disclosure of information through the website of the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* (the "CMVM")) ([www.cmvm.pt](http://www.cmvm.pt)) and/or the Issuer's website ([www.cgd.pt](http://www.cgd.pt)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Publicly Offered Book Entry Notes are for the time being listed.

## **14 Governing Law and Jurisdiction**

### **(a) Governing Law**

The Publicly Offered Book Entry Notes and any non-contractual obligations in connection with them are governed by, and shall be construed in accordance with, Portuguese law.

### **(b) Jurisdiction**

The Courts of Portugal are to have jurisdiction to settle any disputes that may arise out of or in connection with any Publicly Offered Book Entry Notes and accordingly any legal action or proceedings arising out of or in connection with any Publicly Offered Book Entry Notes ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

## **SCHEDULE**

### **PROVISIONS FOR MEETINGS OF HOLDERS OF PUBLICLY OFFERED BOOK ENTRY NOTES**

*The provisions for meetings of holders of Publicly Offered Book Entry Notes are generally provided for in the Portuguese Companies Code (Código das Sociedades Comerciais) and have been summarised in the provisions of this Schedule. In the event of any inconsistency between the provisions in this Schedule and those in the Portuguese Companies Code, the provisions in the Portuguese Companies Code shall prevail.*

#### **1 CONVENING OF MEETING**

##### **1.1 Convening of meeting**

A meeting of holders of Publicly Offered Book Entry Notes of a given Series may be convened by (A) the Common Representative, at any time, or if (i) the Common Representative refuses to convene such a meeting or (ii) the meeting fails to be convened because a Common Representative has not been appointed, (B) the chairman of the general meeting of the shareholders of the Issuer in accordance with article 355 of the Portuguese Companies Code. The Common Representative and the chairman of the general meeting of the shareholders of the Issuer must convene a meeting if so requested by holders of Publicly Offered Book Entry Notes holding not less than five per cent. of the aggregate principal amount of the Publicly Offered Book Entry Notes of the relevant Series. Every meeting of holders of Publicly Offered Book Entry Notes shall be held on the date, and at the time and place, approved by the Common Representative or the chairman, as the case may be, as specified in the notice for such meeting of holders of Publicly Offered Book Entry Notes.

##### **1.2 Judicial convening of meeting by holders of Publicly Offered Book Entry Notes**

If the Common Representative and the chairman of the general meeting of the shareholders of the Issuer refuse to convene a meeting, the holders of Publicly Offered Book Entry Notes holding not less than five per cent. of the aggregate principal amount of the Publicly Offered Book Entry Notes of the relevant Series may require that the meeting of the holders of such Publicly Offered Book Entry Notes be judicially convened, in accordance with article 355-3 of the Portuguese Companies Code.

#### **2 NOTICE**

##### **2.1 Notice period and notice details**

For the purposes of convening a meeting of holders of Publicly Offered Book Entry Notes, the Common Representative or the chairman of the general meeting of shareholders of the Issuer, as the case may be, shall give all holders of Publicly Offered Book Entry Notes a notice of such meeting at least 30 calendar days (as per article 377-4 of the Portuguese Companies Code, applicable ex vi article 355-2 of the same Code) prior to the date of such meeting of holders of Publicly Offered Book Entry Notes, in accordance with the applicable laws and regulations, including any rules and regulations of Interbolsa, CMVM and of any stock exchange where the Publicly Offered Book Entry Notes are listed. Such notice shall contain the full identification details of the Issuer, shall specify the date, time, place and agenda of the meeting of holders of Publicly Offered Book Entry Notes and be disclosed in accordance with all the aforementioned rules and regulations, including the provisions of article 167 of the Portuguese Companies Code and/or the legal or regulatory provisions that may substitute or supplement it.

##### **2.2 Notice of proposed resolutions**

A notice calling for a meeting of holders of Publicly Offered Book Entry Notes shall set out the full text of any resolutions to be approved unless the Common Representative agrees that such notice shall instead specify the nature of the resolutions without including the full text. Such notice shall make reference, in relation to the Issuer, to the matters set out in article 171 of the Portuguese Companies Code including the place, date and the time for the meeting as well as the nature of the meeting (of joint or separate series) and any requirements for the exercise of voting rights.



### **3 CHAIRMAN**

The Common Representative (or any duly authorised representative thereof) will take the chair at any meeting of holders of Publicly Offered Book Entry Notes. If the Common Representative, or any duly authorised representative thereof, is not present within 15 minutes after the time fixed for the meeting of holders of Publicly Offered Book Entry Notes, the chairman of the general meeting of shareholders of the Issuer shall take the chair of such meeting of the holders of Publicly Offered Book Entry Notes. The chairman of an adjourned meeting of holders of Publicly Offered Book Entry Notes need not be the same person as was the chairman of the original meeting.

### **4 QUORUM AND MAJORITIES**

#### **4.1 Quorum**

The quorum at any meeting of holders of Publicly Offered Book Entry Notes convened to vote on:

- 4.1.1 a resolution other than an Extraordinary Resolution will be one or more persons holding, or representing holders of, Publicly Offered Book Entry Notes of the relevant Series, whatever the nominal amount of the Publicly Offered Book Entry Notes so held or represented in such Series; or
- 4.1.2 an Extraordinary Resolution will be one or more persons holding or representing at least 50 per cent. of the aggregate principal amount of the Publicly Offered Book Entry Notes of the relevant Series then outstanding or, at any adjourned meeting, one or more persons holding, or representing holders of, Publicly Offered Book Entry Notes of the relevant Series, whatever the nominal amount of the Publicly Offered Book Entry Notes so held or represented in such Series.

#### **4.2 Majorities**

The majorities required to approve a resolution at any meeting convened in accordance with these rules shall be:

- 4.2.1 if in respect of a resolution other than an Extraordinary Resolution, the majority of the votes cast at the relevant meeting of holders of Publicly Offered Book Entry Notes; or
- 4.2.2 if in respect of an Extraordinary Resolution, at least 50 per cent. of the aggregate principal amount of the Publicly Offered Book Entry Notes then outstanding or, at any adjourned meeting, two-thirds of the votes cast at the relevant meeting of holders of Publicly Offered Book Entry Notes.

### **5 ADJOURNED MEETING**

The chairman may, and if directed by the majority of the votes cast at the relevant meeting of holders of Publicly Offered Book Entry Notes, shall adjourn such meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

### **6 PARTICIPATION**

Besides the holders or representatives of the holders of Publicly Offered Book Entry Notes, the following persons may attend a meeting: (a) representatives of the Issuer and the Common Representative; (b) the financial advisers of the Issuer and the Common Representative; (c) the legal counsel to the Issuer and the Common Representative; (d) any other person approved by those present at the meeting of holders of Publicly Offered Book Entry Notes or by the Common Representative; and (e) any other person authorised by law.

### **7 VOTES**

Each holder of Publicly Offered Book Entry Notes or its representative shall have one vote in respect of each Publicly Offered Book Entry Note held or represented.

## 8 VOTING CERTIFICATES AND PROXIES

### 8.1 Voting certificates

Voting certificates may be obtained by each holder of Publicly Offered Book Entry Notes in accordance with the Portuguese Securities Code and the procedures and regulations of Interbolsa. So long as a voting certificate is valid, the bearer thereof or any proxy named in accordance with paragraph 8.2 below shall be deemed to be the holder of Publicly Offered Book Entry Notes to which it relates for all purposes in connection with the meeting of holders of Publicly Offered Book Entry Notes.

### 8.2 Voting by proxies

Any holder of a Publicly Offered Book Entry Note may vote by proxy by issuing a mandate letter for such purpose addressed to the chairman of the relevant meeting of holders of Publicly Offered Book Entry Notes. Unless revoked and save as set out below, any appointment of a proxy in relation to a meeting of holders of Publicly Offered Book Entry Notes as described in paragraph 8.1 above shall remain in force in relation to any resumption of such meeting following an adjournment. No such appointment of a proxy in relation to a meeting originally convened which has been adjourned for the lack of quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such a meeting must be re-appointed to vote at the meeting when it is resumed.

## 9 POWERS

### 9.1 Power of a meeting of holders of Publicly Offered Book Entry Notes

Subject to article 355 of the Portuguese Companies Code and to paragraph 9.2, the holders of Publicly Offered Book Entry Notes present at any meeting of holders of Publicly Offered Book Entry Notes shall have the power (exercisable only by resolution), without prejudice to any other powers conferred on it or any other person to:

- (a) approve an Extraordinary Resolution;
- (b) appoint, remove and/or decide on the remuneration of any Common Representative;
- (c) authorise the Common Representative (subject or not to it being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any resolution;
- (d) discharge or exonerate any Common Representative from any liability in respect of any act or omission for which it may become responsible under the Publicly Offered Book Entry Notes or the Conditions; and
- (e) approve a resolution on any other matter legally attributed to the meeting of holders of Publicly Offered Book Entry Notes or which may affect its interests, to the extent permitted by Portuguese law.

### 9.2 Extraordinary Resolution

For the purposes of this Schedule, “Extraordinary Resolution” means any resolution to be taken in relation to a modification or waiver to any of these Conditions or of any matters as set out in Conditions 2, 3 and 9.

## 10 RESOLUTION BINDS ALL HOLDERS OF PUBLICLY OFFERED BOOK ENTRY NOTES

### 10.1 Binding nature

Subject to paragraph 10.2 below, any resolution passed at a meeting of holders of Publicly Offered Book Entry Notes duly convened and held shall be binding upon all holders of Publicly Offered Book Entry Notes (if applicable) of CGD, whether or not (i) such holders of Publicly Offered Book Entry Notes are present at such meeting, (ii) such holders of Publicly Offered Book Entry Notes are voting at that meeting and (iii) such holders of Publicly Offered Book Entry Notes are voting in favour of the relevant resolution.

## **10.2 Notice of voting results**

Notice of the result of every vote on a resolution duly considered by the holders of Publicly Offered Book Entry Notes shall be published (at the expense of the Issuer) in accordance with the Conditions and sent to the Paying Agents (with a copy to the Issuer and the Common Representative).

## **11 MINUTES**

Minutes of all resolutions and proceedings at each meeting of holders of Publicly Offered Book Entry Notes shall be made. The chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such meeting of holders of Publicly Offered Book Entry Notes in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

## **12 WRITTEN RESOLUTION AND UNANIMOUS RESOLUTION**

A resolution of holders of Publicly Offered Book Entry Notes may also be approved in the form of a unanimous written resolution or in the form of a universal resolution, as per the terms of article 54 of the Portuguese Companies Code (applicable by analogy).

## **13 ADJOURNMENT FOR WANT OF QUORUM**

If within 15 minutes after the time fixed for any meeting a quorum is not present, then:

- (a) in the case of a meeting judicially convened by the holders of Publicly Offered Book Entry Notes, it shall be dissolved; and
- (b) in the case of any other meeting (unless the Issuer and the Common Representative otherwise agree), it shall be adjourned for such period as the chairman of the meeting decides (which shall be not less than 15 days and not more than 30 days), provided that no meeting may be adjourned more than once for want of a quorum.

## **14 NOTICE FOLLOWING ADJOURNMENT**

Paragraph 2 (Notice) shall apply to any meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 15 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements that will apply when the meeting resumes.

It shall not be necessary to give notice of the resumption of a meeting that has been adjourned for any other reason.

## **15 NO OBLIGATION TO EXERCISE**

Unless the applicable laws and regulations require otherwise, a holder of Publicly Offered Book Entry Notes shall not be obliged to vote at a meeting in respect of its whole holding of Publicly Offered Book Entry Notes, but if it participates or is represented at such meeting it shall be obliged to cast all the votes which it exercises in the same way.

## **BOOK ENTRY NOTES HELD THROUGH INTERBOLSA**

### **General**

Securities cleared through Interbolsa are held through a centralised system (“*sistema centralizado*”) composed by interconnected securities accounts, through which such 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 procedures required for the exercise of ownership rights inherent to the Book Entry Notes 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.

Book Entry Notes held through Interbolsa will be attributed an International Securities Identification Number (“ISIN” code) through the codification system of Interbolsa. These Book Entry Notes will be accepted and registered with CVM the centralised securities system managed and operated by Interbolsa and settled by Interbolsa’s settlement system.

### **Form of the Book Entry Notes held through Interbolsa**

The Book Entry Notes of each Series will be in book entry form and title to the Book Entry Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable Comissão do Mercado de Valores Mobiliários (“CMVM”) and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Notes held through Interbolsa.

The Book Entry Notes 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 (as defined below) on behalf of the holders of the Book Entry Notes. Such control accounts reflect at all times the aggregate of Book Entry Notes held in the individual securities accounts opened with each of the Interbolsa Participants. The expression “Interbolsa Participant” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Book Entry Notes shall be treated as the holder of the principal amount of the Book Entry Notes recorded therein.

### **Payment of principal and interest in respect of Book Entry Notes held through Interbolsa**

Whilst the Book Entry Notes are held through Interbolsa, (i) payment of principal and interest in euros in respect of the Book Entry Notes will be (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) from the payment current account which the Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Paying Agent’s behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Book Entry Notes and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current accounts to the accounts of the owners of those Book Entry Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be (ii) payment of principal and interest in currencies other than euros in respect of the Book Entry Notes will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter

(b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of those Book Entry Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

**Transfer of Book Entry Notes held through Interbolsa**

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

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes by the Issuers under the Programme will be applied by the relevant Issuer for general corporate purposes throughout the CGD Group.

## DESCRIPTION OF THE CGD GROUP

### History and Introduction

Caixa Geral de Depósitos was created as a state bank by legislative charter (“*Carta de Lei*”) of 10 April 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. Caixa Geral de Depósitos was transformed into a state owned public limited company (“*sociedade anónima de capitais exclusivamente públicos*”) on 20 August 1993, by Decree-law no. 287/93, when its name was also changed to Caixa Geral de Depósitos, S.A. (“CGD”). At present it operates as a full service bank and is subject to the legislation applicable to Portuguese financial institutions. CGD is wholly owned by the Portuguese state.

CGD’s registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (tel: +351 21 795 30 00 / +351 21 790 50 00). Its share capital is €3,500,000,000 (following share capital increases from €2,950,000,000 to €3,100,000,000 on 31 December 2007, and from €3,100,000,000 to the current share capital amount on 1 August 2008). CGD is registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

Where information is stated in this section to have 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 statements in this section relating to market positions of the Issuer are based on calculations made by the Issuer using data produced by itself and/or obtained from other entities and which is contained or referred to in the Annual Report of the Issuer for 2007 (available at [www.cgd.pt](http://www.cgd.pt)).

CGD (together with its subsidiaries, the “CGD Group” or the “Group”) remained the banking sector leader in Portugal in 2007 in terms of segments and key products, specifically as regards the individual customers segment, both in terms of deposits and mortgages. Reference should be made, in the case of banking operations, to the market share of client deposits, with 27.2 per cent. at the end of 2007, particularly the individual customers segment with 32.9 per cent. The global market share of loans and advances to customers was 20.3 per cent. (23.6 per cent. in the individual customers segment). CGD, in turn, had a 27.2 per cent. share of the mortgage sub-segment (Source: Bank of Portugal Monetary and Financial Statistics).

The CGD Group retained its market leadership in Cape Verde with a market share of around 46.2 per cent. in terms of lending and 58.7 per cent. in terms of deposits, through Banco Comercial do Atlântico and Garantia-Companhia de Seguros de Cabo Verde (Source: Banco de Cabo Verde, December 2007).

In national insurance, the CGD Group, through its holding company for the insurance sector, was a market leader in 2007 in terms of annual total sales with a market share of 26.0 per cent. The CGD group was also a “non-life” insurance market leader in 2007 with a share of 31.2 per cent., and ranked first in terms of “life insurance” with a share of 23.6 per cent. (Source: Instituto de Seguros de Portugal (Portuguese Insurance Institute), December 2007). Its position was further consolidated with the acquisition in 25 January 2005 of the insurance company Império-Bonança.

In asset management, the CGD subsidiary Caixagest, S.A. held first position in 2007 in terms of funds managed in the unit trust funds investment league, having a market share of 24.1 per cent., with high demand providing Fundimo, S.A. with a 12.2 per cent. share of open-ended property investment funds, climbing to the second place in terms of capital under management (Source: Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios, December 2007).

CGD was classified as the 99th largest banking institution worldwide, by assets, and 128th by shareholders’ equity, in 2007 (Source: July 2008, issue of “The Banker”). In European terms, CGD ranked 61st in terms of assets and 68th in terms of shareholders’ equity (Source: September 2008 issue of “The Banker”).

CGD is a member of the European Savings Banks Group, the Credit Local d’Europe and the EU’s Committee of Clearing Banks – EBA. The CGD Group forms the largest Portuguese financial group by reference to its consolidated assets.

CGD is engaged in all areas of the Portuguese financial sector. It provides customers with a full range of financial products and services ranging from traditional banking to investment banking, insurance, asset management, venture capital, brokerage, real estate and specialised credit services.

The CGD Group intends to maintain its dominant position in Portugal. Through its network of 1,187 branches, 377 of which are located outside Portugal, CGD continues to focus on developing its client base offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group.

The CGD Group has expanded into foreign markets, mainly neighbouring regions in Spain and into markets with historical or linguistic ties to Portugal, such as Mozambique, Cape Verde and Macao. It is present, through branches, subsidiaries and representative offices, in Spain (Banco Caixa Geral, SA (“Banco Caixa Geral”), with a total of 208 branches), France (French Branch with 45 branches), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique (Banco Comercial e de Investimentos with 42 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with 33 branches in total), South Africa, São Tomé e Príncipe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and East-Timor. In recent years, the CGD Group has applied new strategies, dominated by initiatives involving the modernisation of electronic distribution channels, such as Caixa Directa On-Line (e-banking), Caixa Electrónica (e-channel for corporate), CaixaNet (IT infrastructures) and Bolsa Caixa Imobiliário (a channel dedicated to real estate and mortgages).

### **Current Activities**

The CGD Group’s activities include commercial and investment banking, insurance, leasing and factoring, asset management, venture capital, financial services and real estate management.

Set out below is a chart giving details of the principal activities and companies within the CGD Group, showing CGD’s or its subsidiaries’ equity interest where appropriate, as at 30 September 2008.



**CAIXA GERAL DE DEPÓSITOS GROUP – 31 December 2008**

	CAIXA GERAL DE DEPÓSITOS	BANCO CAIXA GERAL (Spain)	BANCO CAIXA GERAL BRAZIL	MERCANTILE BANK HOLDINGS (South Africa)	PAREANCA SGPS	E. COMERCIAL E DE INVESTIMENTOS (Mozambique)
	99.8%	100.0%	100.0%	91.8%	100.0%	51.0%
COMMERCIAL BANKS	BANCO NACIONAL ULTRA MARINO (Macao)	CAIXA GERAL DEP. SUBSIDIARIA OFFSHORE MACAU	BANCO INTERATLANTICO (Cape Verde)	BANCO ATLANTICO (Cape Verde)		
	100.0%	100.0%	70.0%	65.0%		
	GERANCA SGPS	CAIXA BANCO DE INVESTIMENTO	CAIXA CAPITAL	CAIXA DESENVOLVIMENTO SGPS		
	100.0%	99.7%	100.0%	(100.0%)		
INVESTMENT BANKING & VENTURE CAPITAL	CAIXA - GESTÃO DE ACTIVOS SGPS	CAIXAGEST	CGD PENSÕES	FUNDIMO		
	100.0%	100.0%	100.0%	100.0%		
ASSET MANAGEMENT	CAIXA LEASING E FACTORING-IFC	CREDIP - IFC	BCI-ALD (Mozambique)	PROMOLEASING (Cape Verde)		
	51.0%	80.0%	100.0%	52.7%		
INSURANCE / LIFE INSURANCE	CAIXA SEGUROS SGPS	Companhia de Seguros Fidelidade-Mundial	IMPÉRIO BONANCA Companhia de Seguros	VIA DIRECTA Companhia de Seguros	CARES Companhia de Seguros	GABARITA (Cape Verde)
	100.0%	100.0%	100.0%	100.0%	100.0%	80.9%
	HPP - Hospitais Privado de Portugal, SGPS	GEP - Gestão de Penhagens Automóveis	EAPS - Empresa de Análise, Prevenção e Segurança	EFS - Gestão de Sistemas de Saúde	MULTICARE - Seguros de Saúde	Companhia Portuguesa de Resseguros
	75.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	CAIXATEC - Tecnologias de Informação	CAIXANET	IMOCAIXA	INMOBILIARIA CAIXA GERAL	FIDELIDADE MUNDIAL, SGII	
	100.0%	80.0%	100.0%	(Spain)	100.0%	
OTHER	SOGRUPO - Serviços Administrativos ACE	SOGRUPO - Sistemas de Informação ACE	SOGRUPO IV - Gestão de Imóveis ACE			
HOLDING COMPANIES	CAIXA PARTICIPAÇÕES, SGPS	WOLFPART SGPS	PARCAIXA			
	100.0%	100.0%	51.0%			

## Group Overview

CGD Group's evolution was characterised by the continuity of the principal guidelines of the three year period programme.

The process of acquiring the entire share capital of Império Bonança and Companhia Portuguesa de Resseguros was completed, with the aim of consolidating CGD Group's leading position in the insurance area, through Caixa Seguros, SGPS, S.A. ("Caixa Seguros"). Companhia Portuguesa de Resseguros is specifically geared to reinsurance operations, with the Multicare-Seguros de Saúde being formed to handle insurance and reinsurance operations notably in the management of a franchised doctors' network in the health field.

Under the partnership entered in 2007 between CGD Group and the biggest Spanish hospital group USP Hospitales ("USP"), Caixa- Seguros took a 10 per cent. equity stake in USP in 2007, which simultaneously, acquired a 25 per cent. equity stake in HPP-Hospitais Privados de Portugal, SGPS ("HPP"), which manages a network of hospitals and clinics. The latter acquisition took the form of USP's subscription of €1,833 thousand in an increase in HPP's share capital.

In terms of the development of CGD Group's property business, reference should be made to the €50 thousand to €1,300 thousand increase in the share capital of Wolfpart, SGPS and the holding company's acquisition of 25 per cent. of the share capital of the Torre Ocidente, Imobiliária and Torre Oriente, Imobiliária companies.

Venture capital operations included a €109.8 million increase in the share capital of Fundo de Capital de Risco Grupo CGD – Caixa Capital, to assure the scheduled investments of the fund, which was fully subscribed by CGD which controls 96.87 per cent. of the fund.

In the international area, reference should be made to a 9 per cent. equity stake in Banco Comercial e de Investimentos e Fomento, in Mozambique, increasing the Group's stake from 42 per cent. to 51 per cent. of the bank's capital.

In Spain, Banco Caixa Geral paid the third and last tranche of the 2005 share capital increase in the amount of €82,495 thousand, providing the Group with an effective investment of 99.75 per cent. in the bank.

In the second half of 2007, CGD formed its Spanish branch, with the aim of supporting the Group's operations which, given their specific characteristics, should be kept on CGD's balance sheet.

In Macau, CGD fully subscribed the increase in the share capital of its Macau offshore branch in the amount of 51 million patacas, equivalent to €4,313 thousand.

Reference should lastly be made to the fact that the Central Bank of Brazil gave CGD Group permission to form Banco Caixa Geral – BRASIL, S.A ("Banco Caixa Geral Brazil") in Brazil, in February 2008, which began operating at the beginning of 2009.

Regarding the domestic operations, the Instituição Financeira de Crédito, SA ("CREDIP"), in partnership with Participações Públicas, SGPS ("Parpública"), was created in April 2007, which is particularly geared to public infrastructures financing. CGD subscribed 80 per cent. of the €10 million share capital with Parpública subscribing the remaining 20 per cent.

Also Parcaixa, SGPS ("Parcaixa") was created in partnership with Participações Públicas, SGPS ("Parpública"), CGD holding 51 per cent. of Parcaixa's share capital. This new holding company controls the entire share capital of Caixa Leasing e Factoring – IFIC, 19 per cent. of the share capital of AdP – Águas de Portugal, SGPS and 19.5 per cent. of the share capital of Sage secur – Sociedade de Estudos, Desenvolvimento e Participações em Projectos.

Regarding financial investments portfolio management, in conformity with the guidelines defined for CGD Group, the equity investment in PTM was increased from 1.41 per cent. to 14.38 per cent. in 2007. The entire amount of the stake in Cimpor was alienated as were the minor investments in the NYSE Euronext Inc., and Mastercard Inc.

In 2007 work continued on reorganising CGD Group's web presence via CAIXATEC - Tecnologias de Comunicação, SA, a company formed by the merger between CaixaWeb - Serviços Técnicos e de Consultoria, SA and Imoport.com. This new company is geared to the development of portals associated with the Group's development.

In the cultural area, reference should be made to the formation process of Fundação Caixa Geral de Depósitos (Culturgest), formally certified for cultural promotion activities on 24 January 2008, replacing Culturgest – Gestão de Espaços Culturais.

### Summary Financial Information

Set out below in summary form are the audited, consolidated profit and loss accounts and the audited, consolidated balance sheets (showing net figures) of the CGD Group for the years ended 31 December 2006 and 31 December 2007:

### Consolidated Income Statement

	<u>Year ended 31 December</u>	
	<u>2006</u>	<u>2007</u>
	(€ million)	
Interest and similar income.....	4,390.0	5,910.1
Interest and similar costs.....	(2,685.1)	(3,971.0)
Income from equity instruments.....	73.0	92.9
<b>Net interest income.....</b>	<b>1,777.9</b>	<b>2,032.0</b>
Income from services rendered and commissions .....	441.3	491.0
Cost of services and commissions .....	(76.5)	(96.0)
Results from financial operations.....	130.7	84.3
Other net operating income.....	124.6	88.8
<b>Net Operating Income.....</b>	<b>2,397.9</b>	<b>2,600.1</b>
<b>Technical margin on insurance operations.....</b>	<b>586.2</b>	<b>549.2</b>
Premiums net of reinsurance.....	2,626.7	2,242.8
Result of investments relating to insurance contracts.....	312.2	310.8
Cost of claims costs net of reinsurance.....	(2,187.3)	(1,868.4)
Commissions and other income and cost relating to insurance contracts.....	(165.3)	(135.9)
<b>Net operating income from banking and insurance operations.....</b>	<b>2,984.2</b>	<b>3,149.3</b>
Staff costs.....	(918.3)	(942.2)
Other administrative costs.....	(634.3)	(650.7)
Depreciation and amortisation.....	(142.2)	(142.7)
Provisions net of reversals.....	(106.4)	(72.8)
Loan impairment net of reversals and recovery.....	(232.1)	(249.4)
Other asset impairment net of reversals and recovery.....	(69.6)	(19.4)
Result of associated companies .....	108.5	3.2
<b>Income before tax and minority interest.....</b>	<b>989.8</b>	<b>1,075.1</b>
Income tax.....	(222.5)	(117.5)
<i>Current</i> .....	(265.7)	(315.2)
<i>Deferred</i> .....	43.2	137.6
<b>Consolidated net income for the year.....</b>	<b>767.3</b>	<b>897.6</b>
Minority interest.....	(33.5)	(41.3)
<b>Net income attributable to the shareholder of CGD.....</b>	<b>733.8</b>	<b>856.3</b>

## Consolidated Balance Sheet

	As at 31 December	
	2006	2007
	(€ million)	
<b>Assets</b>		
Cash and cash equivalents at central banks.....	2,243.3	1,925.5
Cash balances at other credit institutions.....	679.0	952.7
Loans and advances to credit institutions.....	8,458.4	4,789.7
	<b>11,380.7</b>	<b>7,667.8</b>
Financial assets at fair value through profit or loss.....	7,843.0	6,841.9
Available-for-sale financial assets.....	12,432.0	15,371.1
Unit-linked investments.....	848.4	777.1
Hedging derivatives.....	108.2	125.6
Held-to-maturity investments.....	0.0	0.0
	<b>21,231.7</b>	<b>23,115.7</b>
Loans and advances to customers.....	57,268.3	66,844.3
Non-current assets held for sale.....	78.3	454.9
Investment property.....	339.5	410.3
Tangible assets.....	1,037.9	977.1
Intangible assets.....	639.8	411.2
Investments in associates.....	328.2	316.7
Current tax assets.....	32.8	29.7
Deferred tax assets.....	547.2	683.1
Technical provisions for outwards reinsurance.....	237.2	234.3
Other assets.....	3,124.3	2,408.5
<b>Total assets.....</b>	<b>96,245.8</b>	<b>103,553.8</b>
<b>Liabilities</b>		
Resources of central banks and other credit institutions.....	5,503.8	8,841.2
Customer resources.....	53,767.8	54,038.8
Liability of unit-linked products.....	847.4	777.1
Debt securities.....	13,360.3	16,230.9
	<b>67,975.5</b>	<b>71,046.8</b>
Financial liabilities at fair value through profit or loss.....	589.9	1,193.8
Hedging derivatives.....	626.2	814.4
Non-current liabilities held for sale.....	0.0	283.8
Provisions for employee benefits.....	495.9	531.6
Provisions for other risks.....	468.5	404.9
Technical provisions for insurance contracts.....	7,828.0	7,673.9
Current tax liabilities.....	138.8	182.1
Deferred tax liabilities.....	199.4	153.1
Other Subordinated liabilities.....	1,925.7	2,667.4
Other liabilities.....	5,480.4	4,219.7
<b>Total liabilities.....</b>	<b>91,232.2</b>	<b>98,012.7</b>
Share capital.....	2,950	3,100
Fair value reserves.....	656.4	381.2
Other reserves and retained earnings.....	(20.4)	503.8
Net income attributable to the shareholder of CGD.....	733.8	856.3
Minority interests.....	693.9	699.8
<b>Total shareholder's equity.....</b>	<b>5,013.7</b>	<b>5,541.1</b>
<b>Total liabilities and shareholder's equity.....</b>	<b>96,245.8</b>	<b>103,553.8</b>

The following table shows certain key ratios for the CGD Group at 31 December for each of the years set out:

	<b>As at 31 December</b>	
	<b>2006</b>	<b>2007</b>
	(%)	
<b>Structural Ratios</b>		
Customer loans <sup>(1)</sup> /customer deposits.....	106.5	123.7
Customer loans <sup>(1)</sup> /net assets.....	59.5	64.5
Mortgages/Customer loans <sup>(2)</sup> .....	52.7	47.8
<b>Profitability and Efficiency Ratios</b>		
Return on equity (before tax) <sup>(3)</sup> .....	21.3	20.5
Return on equity (after tax) <sup>(3)</sup> .....	16.5	17.1
Return on assets (before tax) <sup>(3)</sup> .....	1.10	1.09
Return on assets (after tax) <sup>(3)</sup> .....	0.86	0.91
Net operating income <sup>(4)</sup> /average net assets.....	3.36	3.19
Cost-to-income <sup>(4)</sup> .....	56.2	55.1
Operating costs based on average net assets.....	1.89	1.75
Employee Costs based on Net Operating Income.....	30.5	29.9
<b>Asset Quality Ratios</b>		
Non-performing credit ratio <sup>(5)</sup> .....	2.29	2.10
Non-performing credit (net) / total credit (net) <sup>(5)</sup> .....	(0.36)	(0.43)
Overdue credit / total credit.....	2.15	2.08
Credit more than 90 days overdue /total credit.....	1.91	1.83
Accumulated impairment /overdue credit.....	123.2	121.4
Accumulated impairment /credit more than 90 day overdue.....	138.5	137.9
<b>Capital Ratios</b>		
Solvency ratio for the purpose of the Bank of Portugal.....	10.5	10.1
Tier 1 for the purpose of the Bank of Portugal.....	7.4	6.7

(1) Customer loans after impairment.

(2) Customer loans before impairment.

(3) Considering average shareholders' equity and net asset values.

(4) Includes income from associated companies.

(5) Indicators calculated in accordance with Bank of Portugal "instruction"

## **Economic Environment**

The 1.9 per cent. increase in Portugal's GDP in 2007 reinforced the preceding year's recovery of 1.2 per cent. and is expected to increase to 2.2 per cent. in 2008 (Source: European Commission, Economic Outlook for Autumn 2007). This growth, which was still lower than the European Union average, was principally based on sound performance in terms of exports of goods and services and corporate investment, albeit constrained by both external and internal factors. The former included the growing integration of the emerging economies in world trade terms, interest rate hikes, particularly in the first half of 2007 and the increase in oil prices and progressive appreciation of the euro. Added to these constraints was the turbulence felt in international financial markets generated by the U.S. sub-prime crisis, in the second half of 2007, whose future real economic effects have not yet been totally identified. This was accompanied, at the same time, by a correction of several domestic economy imbalances, particularly relating to the process involving adjustments to the public accounts.

The positive evolution of domestic demand particularly derived from investment, with private consumption maintaining the same rate of change in 2007 as in 2006, reflecting high levels of household debt and a significant increase in interest rates in the first half of 2007.

In terms of external demand, the recovery of around 7 per cent. in exports was supported by more dynamic economic growth in the European Union, which took in around 77 per cent. of Portuguese exports in 2007. Imports into Portugal, in turn, increased at a slower pace in 2007, at around 4.1 per cent., to the benefit of the trade balance. Deriving from the above, the proportion of the deficit on the current account for Portugal, as a percentage of GDP, was reduced from 8.6 per cent. to 8.2 per cent. in 2007.

In terms of public finance, the government of Portugal continued to focus on measures for containing expenditure, having succeeded in reducing the public sector to GDP deficit from 3.9 per cent. to 2.6 per cent., against a target of 3 per cent., therefore demonstrating a progressive and gradual consolidation of the public accounts which should lead to the results desired by the Stability and Growth Pact of the European Union.

### *Deposits and Credit Aggregates*

The domestic contribution in Portugal to the M3 liquidity aggregate, mainly comprising liabilities payable on demand and with a maturity of up to two years, excluding currency in circulation, expanded significantly in 2007, with a 5 per cent. increase in total deposits and particularly individual customers' and emigrants' deposits which were up 8.1 per cent.) (Source: Bank of Portugal, Statistics Bulletin for February 2008).

Total domestic lending in Portugal was up 11.3 per cent. in 2007 and, as in previous years, continued to expand at a much higher rate than total deposits. Reference should be made to corporate growth of 14.3 per cent. in 2007, which was far higher than the rate of change in mortgage lending. Growth in mortgage lending was down from 9.9 per cent. in 2006 to 8.5 per cent. in 2007, in line with the trend, already noted in 2006, accompanying a cooling mortgage lending market in Portugal over the last few years. The increase in consumer credit was slightly up over the 2006 annual figure (Source: Bank of Portugal, Statistics Bulletin for February 2008).

### *Interest Rates*

The European Central Bank ("ECB") made two changes to its reference rate in 2007 (25 basis points ("bp") in March and 25 bp in June) as part of its inflation control and price stability policy in the Eurozone, in a context of high credit and currency expansion. The ECB made large liquidity injections into the banking system in the second half of 2007, following the financial market instability caused by the U.S. sub-prime crisis. As a consequence, interest rates on the money market intensified their upwards movement, to a close of 3.92 per cent. (Overnight), and a 12 month Euribor rate of 4.74 per cent. as at 31 December 2007.

## **Overview of the Financial Performance of the CGD Group**

### *Assets and Liabilities*

In 2007 CGD Group's net assets were up 7.6 per cent. over the preceding year to €103.6 billion as at 31 December 2007. Particularly significant contributory factors were increases in loans and advances to customers and securities investments. On the liabilities side, reference should be made to the expansion of credit institutions' resources and debt securities.

As at 31 December 2007 CGD's separate accounts, which include the activity of France, London, Luxembourg, Monaco, New York, Grand Cayman, Madeira offshore, East Timor and Zhuhai branches,

contributed 73.7 per cent. to the Group's net assets, the insurance sector with 12.2 per cent. and Banco Caixa Geral in Spain with 4.4 per cent. Reference should be made to Caixa Leasing e Factoring contributing 2.7 per cent. of CGD's total assets and BNU (Macau) contributing 1.8 per cent. of CGD's total assets as at 31 December 2007.

The following table shows the consolidated net assets of the principal companies in the CGD Group, excluding inter-company balances, as at 31 December for each of the years set out:

	<b>As at 31 December</b>			
	<b>2006</b>		<b>2007</b>	
	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>
	(€ million)		(€ million)	
Caixa Geral de Depósitos <sup>(1)</sup> .....	72,904	75.7	76,310	73.7
Caixa Seguros.....	11,761	12.2	12,675	12.2
Banco Caixa Geral (Spain).....	3,321	3.6	4,608	4.4
BNU-Banco Nacional Ultramarino, SA (Macao).....	1,381	1.4	1,909	1.8
Caixa – Banco de Investimento.....	1,305	1.4	1,620	1.6
Caixa Leasing and Factoring.....	2,124	2.2	2,745	2.7
Banco Comercial Atlântico (Cape Verde).....	494	0.5	554	0.5
Banco Comercial e de Investimentos (Mozambique).....	344	0.4	449	0.4
Mercantile Lisbon Bank Holdings.....	323	0.3	374	0.4
Other companies <sup>(2)</sup> .....	2,290	2.4	2,310	2.2
<b>Consolidated net assets.....</b>	<b>96,246</b>	<b>100.0</b>	<b>103,554</b>	<b>100.0</b>

(1) Includes CGD and branches.

(2) Includes CGD Group companies consolidated by the equity accounting method and Companhia Produtora de Conservas Alimentares, SA ("Compal").

As at 31 December 2007, loans and advances to credit institutions were down 32.6 per cent. to €7.7 billion compared to €11.4 billion as at 31 December 2006. Loans and advances from credit institutions as at 31 December 2007 increased 60.0 per cent. compared to 2006, from €5.5 billion to €8.8 billion.

In addition to resources obtained from credit institutions on the money market in the form of deposits, CGD financed its operations through debt issues, principally mortgage bonds (€5.35 billion) whose respective amounts have been recognised as "debt securities", with an increase in its balance from €13.4 billion as at 31 December 2006 to €16.2 billion as at 31 December 2007.

The 16.6 per cent. increase in the balance on loans and advances to customers (gross) to €68.6 billion in the year ended 31 December 2007, was fuelled by a 28.6 per cent. growth of corporate loans and, to a lesser extent, a 5.7 per cent. growth in mortgage lending compared to the year ended 31 December 2006.

In terms of credit structure in the year ended 31 December 2007, the individual customers segment continues to account for a large proportion of total credit, absorbing 55.4 per cent. of the total loans balance, with 47.8 per cent. for housing and 7.6 per cent. for other purposes.

The mortgage lending balance was up 5.7 per cent. in the year ended 31 December 2007 compared to the year ended 31 December 2006 to €32.8 billion, comprising 47.8 per cent. of all CGD Group lending. The outstanding balance of €30.3 million in Portugal at 31 December 2007 comprised 719,902 mortgage loan contracts.

The global deposits balance, almost exclusively comprising deposits taken from the retail sector was down 1.2 per cent. in the year ended 31 December 2007 compared to the year ended 31 December 2006 to €50.6 billion.

Total resources taken by the Group in the year ended 31 December 2007, excluding money market resources from financial institutions were up 4.2 per cent. compared to the year ended 31 December 2006 to €91.2 billion with a 4.9 per cent. increase in balance sheet resources to €78.5 billion and 0.2 per cent. fall in "off-balance sheet" resources to €12.7 billion.

Resources taken by the Group from institutional investors in the capital markets were up 32.7 per cent. in the year ended 31 December 2007 compared to the year ended 31 December 2006 to a global balance of €17.6 billion, upon which amount a large part of asset growth was based. These resources mainly derived from issues of covered bonds and euro medium term notes.

#### *Shareholders' Equity*

During 2007, there was a 10.5 per cent. increase of €527 million in shareholders' equity to €5.5 billion compared to 2006. Reference should be made to CGD's capacity to generate its own funds, deriving from profits, and the increase of €150 million in share capital.

Factors having a negative effect included, as at 31 December 2007, the payment of €260 million in dividends to the state shareholder and a €275 million decrease in the amount of fair value reserves. During the same year the reduction in the amount of fair value reserves derived from the depreciation of the securities portfolio associated with the occurrence of the turbulence in financial markets, since July 2007, owing to the effects of the U.S. sub-prime crisis.

#### *Own Funds and Solvency Ratio*

As at 31 December 2007 the consolidated solvency ratio, calculated under Bank of Portugal rules, was 10.1 per cent. in comparison to the preceding year's 10.5 per cent., owing to the 16.2 per cent. growth in weighted risk positions as opposed to the 11.9 per cent. increase in own funds. As at 31 December 2007 Tier I was 6.7 per cent. and Core Tier I was 5.8 per cent.

In 2007, there was a €500 million increase in complementary own funds over the preceding year, deriving from new Lower Tier II subordinated debt issues, particularly placed in the last quarter of 2007, which were up €578 million to €669 million in comparison with the same figures in 2006. Reference should also be made, in respect of the evolution of complementary own funds in 2007, to the €75 million decrease in revaluation reserves relating to available for sale securities, associated with the difficulties in the financial markets referred to above.

In 2007, there was an increase of €76 million in reductions to total own funds in comparison with 2006, deriving from the decrease of insurance companies' surplus solvency margin and from the depreciation of their securities portfolios.

An analysis of weighted assets shows a 16.2 per cent. increase to €61 billion in 2007, giving minimum own funds requirements of €4,880 million, in comparison to existing total funds of €6,175 million in 2006, i.e. a surplus of €1,295 million at the end of 2007.

In 2007 the major growth in weighted positions was essentially associated with increased lending on domestic and international operations (Spain and France).

#### *Income and Profit Ratios*

CGD Group's consolidated net income for 2007 was up 16.7 per cent. to €856.3 million against the preceding year's €733.8 million.

In 2007 Caixa Seguros increased the size of its contribution to the Group's consolidated net income by 6.5 per cent. over 2006 to €162.4 million. CGD Group's foreign branches contributed €101.9 million (up 155 per cent. compared to 2006) and investment banking €36.2 million (up 37.2 per cent. compared to 2006).

Net operating income from banking and insurance operations was up 5.5 per cent. over 2007 to €3,149.3 million in comparison with 2006 figures, with net interest income up 14.3 per cent. to €2,032.0 million. This income included interest income as the principal component part of the Group's net operating income in 2007, which was up 13.7 per cent. to €1,939.1 million at 31 December 2007, in addition to income from equity instruments comprising a 27.2 per cent. increase in dividends to €92.9 million.

Non-interest income, as another of net operating income's component parts, was €568.1 million as at 31 December 2007. This particularly included income from services and commissions (net of costs) which was up 8.3 per cent. in comparison with 2006 to €394.9 million at the end of 2007. In 2007 income from financial operations was €84.3 million, after the allocation of the entire negative impact generated by the U.S. sub-prime crisis, in addition to the depreciation of securities portfolios resulting from increased spreads. CGD lost around €86 million on its exposure to the U.S. market in 2007.



In the insurance area, the contribution in 2007 of €549.2 million to the Group's net operating income from the technical margin on insurance operations was down 6.3 per cent. compared with 2006.

Operating costs (employee costs, external supplies and services and amortisation) were up 2.4 per cent. to €1,735.7 million in 2007, in line with CGD's cost containment and rationalisation policy:

- Employee costs were up 2.6 per cent. to €942.2 million at the end of 2007. The figure includes the payment of a further contribution of around €6 million to the CGA, for survivors' pensions liabilities, in 2007.
- External supplies and services were up 2.6 per cent. to €650 million at the end of 2007. Amortisation was relatively stable (up 0.4 per cent.) at €142.7 million.

In 2007, gross operating income was up 9.6 per cent. over the preceding year to €1,413.6 million. There was an 8.6 per cent. increase of €85.3 million in CGD's income before tax and minority shareholders' interests, over 2006 to €1,075.1 million as at 31 December 2007 after provisions and impairment appropriations and income from associated companies.

2007 income from associated companies, however, was only €3.2 million against €108.6 million in 2006. This derived, to a large extent, from non-recurring income on the extraordinary proceeds from REN - Redes Energéticas Nacionais SGPS, SA's ("REN") disposal of its equity investment in GALP Energia SGPS, SA ("GALP"), in the said year.

As at 31 December 2007, income tax totalled €177.5 million. €315.2 million of the said amount comprised current tax (up 18.6 per cent.) with €137.6 million of deferred tax assets to be deducted, respectively €265.7 million and €43.2 million in 2006.

In 2007 an amount of €41.3 million in income was attributable to minority shareholders' interests and, in consolidation terms, consisted of the appropriation of part of the results of subsidiaries not owned by CGD, particularly BCI (Mozambique) with €6.7 million, Mercantile (South Africa) with €1.4 million and Banco Comercial do Atlântico (Cape Verde) with €3.8 million. They also include €29.9 million in income paid to underwriters of the preference shares issued by CGD.

Net income, after tax and minority shareholders' interests, was up 16.7 per cent. over 2006 to €856.3 million in 2007.

In 2007 an amount of €268.8 million was allocated to credit and other assets impairment appropriations, net of reversals, with a provisions appropriation of €72.8 million, totalling €341.6 million altogether, in comparison to €408.1 million in 2006. During 2007 the reduction of €66.5 million in comparison with 2006 particularly comprised impairment of "other assets" (down €50.2 million) and provisions (net) (down €33.6 million). There was a slight increase in credit impairment (€17.3 million) during 2007.

In terms of credit impairment, losses, net of reversals, were up 37.6 per cent. in 2007 to €341.3 million against the year 2006 figure of €291.7 million. The final amount of credit impairment, however, benefited from a highly significant improvement in the recovery of credit, already classified as unrecoverable and written-off from assets, increasing from €40.3 million in 2006 to €77.1 million, in 2007.

Impairment on loans and advances to customers, set up in 2007, generated a risk cost measurement ratio of 0.36 per cent. on loans and advances to customers, against a 2006 figure of 0.39 per cent.

There was a 1.1 per cent. improvement in CGD's cost income ratio from 56.2 per cent. in 2006 to 55.1 per cent. at the end of 2007, including the figures for the insurance companies, owing to CGD's qualification as a financial conglomerate. The ratio in respect of banking operations only was down from 53.6 per cent. in 2006 to 52.5 per cent. in 2007.

There were also improvements in the other efficiency ratios during 2007, i.e. operating costs over assets or employee costs over net operating income, accompanied by the evolution of cost income.

In 2007 profit ratios were similar to 2006: return on equity ("ROE") was 17.1 per cent. (20.5 per cent. before tax), return on assets ("ROA") was 0.91 per cent. (1.09 per cent. before tax).

In 2007 net operating income from banking and insurance to average net assets was down from 3.36 per cent. as at 31 December 2006 to 3.19 per cent. as at 31 December 2007, influenced by the marked growth of average assets (up 10.3 per cent.).

## **Banking Strategy**

### *Retail Banking*

CGD's retail banking area continued to develop its strategic "Project Líder" programme for the period 2005-2007 to which various adjustments were made in 2007. The project was referred to in 2007 as "Caixa 2007: A Better Bank".

Such change was based on a more dynamic approach and commercial aggressiveness, in a highly competitive market in which the price variable and increase or consolidation of market share have been decisive factors. During 2007 endeavours were made to modernise and achieve greater visibility in the market, with more use being made of segmentation and customer relationships, greater use of electronic channels and a more adequate offer of products and services, in addition to fine-tuning procedures and tools geared to business needs compared with 2006.

The establishing of more active, structured, articulated communication with customers and the branch network in 2007 were decisive factors in achieving the pre-established objectives.

In terms of action plans and relationships with key areas, reference should be made to the consolidation of service models for premium customers, small businesses and university students in 2007.

Information on the 2007 principal initiatives by segment and product, launched that year, is set out below.

### *Segmentation and Products*

#### *Mass Market Residents Segment*

To consolidate its leading position in the individual customers' segment in Portugal during the year of 2007, in which it had, as at 31 December 2007, a market share of more than 33 per cent. and particularly in the mass market, Caixa continued to commit to reinforcing the competitiveness of its principal anchor products, particularly mortgage lending, involving greater involvement with its extensive customer base, via cross-selling operations.

In 2007 a pilot project was launched in four branch offices, with the creation of a specific helpdesk, with the objective of improving customer satisfaction levels.

Targeted at customers and to commemorate International Women's Day, in 2007 Caixa introduced an innovative insurance package – Caixa Woman – exclusively for women interested in protecting their financial balance or family.

Caixa continued to provide competitive retirement enhancement solutions in the form of retirement savings plans and pension funds, to assist its customers in planning their retirement over the year of 2007. Caixa reinforced its offer in this area in 2007 with the launch of its "Leve" (light) retirement savings plan under which small amounts can be paid in.

In the microcredit area, 2007 was a year of consolidation of the products created under the agreements entered into in 2005. The experience acquired by CGD in this new financing area, required several adjustments to internal optimisation procedures, justifying the distinction between the social aspect of microcredit which includes the ANDC – Associação Nacional para o Direito ao Crédito ("National Association for the Right to Credit") – and JRS - Serviço Jesuíta de Apoio aos Refugiados ("Jesuit Refugee Service") lines of credit and a "business" approach referred to as microfinance, which includes the ANJE line of credit and other products developed in the meantime (e.g. Caixa Jovem Empreendedor ("Young Entrepreneurs") and FINICIA).

In the microfinance sphere, reference should be made to the creation in 2007 of the Caixa Jovem Empreendedor line of credit as a product designed to finance the innovative projects of young people, i.e. recent graduates.

#### *Premium Customer Segment*

Caixa remained committed to the development of projects targeted at the Premium Customer segment in 2007, particularly based on:

- the implementation in such year of a CRM–Customer Relationship Management system, designed to facilitate the activities of managers via the introduction of new functionalities, improvements to management information and personalised relationship of trust with customers;

- consolidating the Caixazul Service as the principal support for the relationship with the segment's customers in 2007.

#### *Young People and University Students Segment*

2007 also witnessed a reinforcement of the model for the university segment, in which CGD was the undisputed market leader in 2007, based on such aspects as the Central University Branch (AUC) and University Branches. The model comprised a diversified offer tailored to these customers; access to and relationship with Caixa via the CUP Portal and diverse electronic channels and agreements with higher educational establishments.

In 2007 AUC was given the commercial/relationship responsibility for this segment and began to provide a distance banking service via the Caixa Universidade Politécnico service, by telephone, internet and email. Its portfolio was reinforced in 2007 with the inclusion of a further twenty thousand new customers under its management.

#### *Residents Abroad Segment*

In 2007, after an analysis of the residents abroad segment based on Caixa's existing customers and other Portuguese citizens abroad, diverse initiatives and objectives designed to secure new customers were launched, reinforcing CGD's position and role as the leading bank in Portugal for such citizens abroad.

The actions taken during the year of 2007 comprised around twenty key initiatives ranging from knowledge of customers to the launch of new products and services, including improved procedures and internal information, particularly distance banking.

#### *Corporate Segment*

To achieve an increase of its market share in the segment, in 2007 work was completed on the internal reorganisation of the corporate network (the largest in Portugal for this segment). The segment started to be handled by Caixa Empresas, which reinforced its respective teams. Actions designed to improve the offer of products and services and loan issue procedures were also taken during the year of 2007, and new functionalities were also introduced on the Caixa e-banking service.

Caixa's share of the corporate market recorded appreciable growth from 13.3 per cent. in 2006, to 14.9 per cent. at year end 2007.

In the small companies sub-segment 2007 was characterised by the launch of the new Caixa Empresas small companies service, modelled on a specialised advisory service provided by a team of 105 managers at 101 CGD branch offices and geared to one-man companies and self employed professional customers on the private individuals and business network.

In 2007 the offer of products was organised and reinforced in accordance with companies' needs: current management, investment and, in the international area, geared to several sectors of activity such as restaurateurship, commerce and services, and pharmacies/chemists, with the design of special reception areas for users of this new service.

#### *Products and Services*

##### *Savings*

With the aim of taking in fresh resources Caixa launched several savings products in 2007, with the paramount concern of adjusting its offers to its customers' investment profiles: Prudent, Balanced, Dynamic and Risk-taking.

##### *Mortgage lending*

The growing competitiveness of the mortgage lending market in previous years, deriving from the evolution of interest rates, introduction of changes in legislation and reinforcement of advertising campaigns by the principal credit institutions forced new challenges upon CGD, resulting in the implementation of important measures in 2007 pursuant to the scope of the renewal of offers designed to secure and retain the loyalty of customers and reinforce operational efficiency.

In 2007 CGD implemented a faster, simpler process, providing customers with clear benefits, while at the same time reducing the administrative workload of branch offices and releasing workers for commercial

activities. It must also be pointed out that the implementation of improvements in terms of mortgage lending is an ongoing process, taking into account the need for innovation in terms of offer and adjusting price to customer risk, under Basel II, in addition to other challenges geared to securing customers and retaining their loyalty.

In due consideration of the different characteristics, needs and motivations of its diversified range of customers, in 2007 CGD concentrated on the creation of mortgage lending solutions specifically geared to different segments, particularly young customers, foreigners, senior citizens and second home purchasers.

In terms of the renovation and increased flexibility of offers, during the year of 2007 new conditions designed to promote access to credit by a more comprehensive customer base were introduced. Credit facilities were also made available to a wider customer base, in the form of an increase in the financial/standard guarantee ratio and an increase in the maximum maturity of operations to 50 years.

Owing to the relevance of the evolution of variable mortgage lending interest rates, during the year of 2007 CGD also paid careful attention to customers interested in fixing the value of their repayments during the whole of the credit period, pursuant to which Caixa introduced in 2007 innovative repayment fixing solutions via its introduction of a fixed repayment product.

During 2007 CGD was also engaged in providing active and dynamic support to the urban rehabilitation market, with competitive financing solutions, adapted to the objectives of rejuvenating and promoting traditional and historical zones in major cities. In partnership with the European Investment Bank, CGD renewed its special “Spread Zero” urban rehabilitation offer in 2007, in which no spread is applied in the first year of each loan.

#### *Electronic Channels*

As at 31 December 2007, CGD customers interacted with the bank via several contact points, ranging from traditional bank counter and ATMs to contact centres and the internet. Multichannel integration is an essential vector for customers and in improving the quality of the service provided, with CGD endeavouring to provide for the expectations and demands of customers on the different channels available throughout 2007. Electronic channels play a vital role in transforming retail business, permitting an evolution from ‘transactional’ to customer-centric “relationship” banking, as a fundamental base element of value creation.

##### *Caixa automática and Multibanco channels*

In the context of electronic channels in 2007, which have always been of fundamental relevance in terms of the relationship with CGD, reference should be made to the dynamics of the CAIXAUTOMÁTICA and MULTIBANCO self-service banking network. At the end of 2007, there was a total of 4,543 installations on both CGD and SIBS networks (up 2.7 per cent. compared to 2006) with more than 260 million transactions (up 2.5 per cent. compared to 2006) for an amount of €15.3 billion as at 31 December 2007.

##### *Automatic Payment Terminals*

CGD’s automatic payment terminals network expanded by 20 per cent. in 2007, to around 19,000 installations, with 36.5 million operations involving €2 billion in value, signifying growths of 25 per cent. and 21 per cent., respectively, over 2006.

There was a positive evolution in 2007 in terms of market share, with increases of 1 per cent. in the number of installed automatic payment terminals, 1.5 per cent. in the number of transactions through such terminals and 1.2 per cent. in the value of such transactions.

##### *Caixadirecta*

In 2007 the CAIXA DIRECTA channel (telephone banking) registered an annual growth of 20 per cent. in its number of customers, to close to 1 million contracts. There was a 3 per cent. growth in the number of incoming calls over 2006 to 3 million, of which 86 per cent. were resolved automatically.

##### *Caixadirecta on-line*

CAIXADIRECTA ON-LINE is the internet banking channel for individual customers. It allows customers to examine their accounts, credits and cards. It also provides domestic and international transfers, payments, requests for the issue of chequebooks, makes it possible to schedule payments, trade on the stockmarket and manage investment funds portfolios in addition to subscribing for financial products and applying for cards.

The channel maintained a sustained growth level in 2007, with a highly positive evolution in the number of active contracts and operations performed of 41 per cent. over 2006, to more than 313 million.

#### *Caixa Universidade Politécnico – Central University Branch*

The CAIXA UNIVERSIDADE POLITÉCNICO channel, operational since September 2005, had been revitalising the management of the university segment prior to 2007, in its adoption of a pioneering service model based on a distance banking concept, with new forms of interaction and communication.

In 2007 the Central University Branch (AUC) had more than 170 thousand customers, having, by the end of 2007, achieved a highly significant volume of business based on segment specialisation.

The AUC has always been a unique structure in the Portuguese banking scene owing to CGD's commitment to the university segment.

#### *Caixa e-banking*

Caixa e-banking is the internet banking channel for the corporate and institutional segment. During 2007, it continued to enjoy widespread customer preference, as measured by the evolution of the number of contracts with a 25 per cent. increase in 2007 to close to 70 thousand, of which more than 55 thousand were active as at 31 December 2007.

Security is considered an extremely important aspect of internet banking. Special reference should be made to the introduction in 2007 of a “mastercard” to validate operations using Caixadirecta on-line, wap, sms and Caixa e-banking services.

#### *CaixaContactCenter*

CaixaContactCenter's objective is to promote the integrated management of inbound and outbound contacts, on any channel, i.e. the performing of operations and provision of clarifications to customers, in addition to securing business on the basis of upselling and cross-selling strategies. As of 31 December 2007, its functions also included the executing and monitoring of telemarketing, customer loyalty and customer support campaigns, surveys and promotions on products and services available on the traditional networks.

Around 50 thousand emails were received from customers in 2007. There was a significant volume of outbound activity as part of telemarketing campaigns and credit recovery operations in that year (up 54 per cent. and 61 per cent. in comparison with 2006 figures respectively), number of calls made and number of customers contacted, with similar gains in efficiency. An average of 2.95 calls was required to establish a contact in 2007. This was slightly lower than the preceding year's number.

#### *Bolsa Caixa Imobiliário*

The Bolsa Caixa Imobiliário (BCI) channel provides CGD and non-CGD customers with dynamic, user-friendly information on property. In 2007 it comprised a network of 104 multimedia kiosks to access its property database which was also available at [www.bci.cgd.pt](http://www.bci.cgd.pt).

#### *Caixa on the Internet*

In 2007 CGD Group used its online and distance channels to offer products and services targeted to meet the expectations of its customers, on the basis of a user-friendly, intuitive, information system, capable of ensuring high levels of customer satisfaction.

During 2007 CGD continued to introduce ever more sophisticated initiatives in terms of communication and relationship with its customers and the market, investing heavily in automatic banking installations and the multichannel system, in addition to global communication systems such as the internet, mobile and new media technologies and diverse online environments.

#### *Funding*

The global deposits balance, almost exclusively comprising deposits taken from the retail sector was down 1.2 per cent. over 2006 to €50.6 billion at the end of 2007.

### Customer resources (Consolidated)

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>Deposits</b> .....	<b>51,204</b>	<b>50,593</b>	<b>(611)</b>	<b>(1.2%)</b>
Sight.....	18,226	18,409	184	1.0%
Term.....	23,868	23,982	114	0.5%
Savings.....	8,277	7,520	(757)	(9.1%)
Mandatory.....	833	681	(152)	(18.2%)
<b>Other resources</b> <sup>(a)</sup> .....	<b>2,564</b>	<b>3,446</b>	<b>882</b>	<b>34.4%</b>
<b>Total</b> .....	<b>53,768</b>	<b>54,039</b>	<b>271</b>	<b>0.5%</b>

(a) Includes fixed-rate insurance products.

In 2007 falls were recorded in balances on savings accounts (down 9.1 per cent. in comparison with 2006 figures), sight deposits (down 3.6 per cent. in comparison with 2006 figures) individual customers and corporate term deposits (down 30.7 per cent. in comparison with 2006 figures) and the public sector (down 82 per cent. in comparison with 2006 figures). Term deposits, however, expanded significantly in 2007 (up 12.2 per cent. in comparison with 2006 figures) in the individual customers' segment in addition to sight deposits made by companies (up 22.8 per cent. in comparison with 2006 figures).

### Customer deposits (Consolidated)

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>Individual customers</b> .....	<b>38,797</b>	<b>39,908</b>	<b>1,111</b>	<b>2.9%</b>
Sight.....	11,757	11,329	(428)	(3.6%)
Term.....	18,763	21,059	2,296	12.2%
Savings.....	8,277	7,520	(757)	(9.1%)
<b>Corporate</b> .....	<b>7,415</b>	<b>7,010</b>	<b>(404)</b>	<b>(5.4%)</b>
Sight.....	3,505	4,302	797	22.8%
Term.....	3,909	2,708	(1,201)	(30.7%)
<b>Public Sector</b> .....	<b>4,993</b>	<b>3,675</b>	<b>(1,318)</b>	<b>(26.4%)</b>
Sight.....	2,963	2,778	(185)	(6.3%)
Term.....	1,196	216	(980)	(82.0%)
Mandatory.....	833	681	(152)	(18.2%)
<b>Total</b> .....	<b>51,204</b>	<b>50,593</b>	<b>(611)</b>	<b>(1.2%)</b>

CGD Caixa's market share of customers deposits in Portugal as at 31 December 2007, which Caixa continued to lead, was 27.2 per cent. At the end of 2007, Caixa had a 32.9 per cent. market share of the individual customers' market compared to 35.2 per cent. in 2006, whose reduction is associated with the difficulties experienced in a highly competitive market.

CGD's domestic operations accounted for €41.4 billion of the deposits balance in 2007, equivalent to around 81.8 per cent. of the total consolidated balance for that year. Regarding the branch and Group Company results as at 31 December 2007, reference should also be made to the BNU (Macau) branch with €2.1 billion, Banco Caixa Geral with €1.8 billion, France branch with €1.4 billion and Macau offshore branch with €1.1 billion.

Total resources taken by the Group, excluding money market resources from financial institutions were up 4.2 per cent. to €91.2 billion with a 4.9 per cent. increase, in 2007 in comparison with 2006 in balance sheet resources to €78.5 billion and 0.2 per cent. fall in "off-balance sheet" resources to €12.7 billion by the end of 2007.

### *Structured products*

In respect of resources taken as a whole, the 2007 year end results include structured products, comprising deposits, bonds, unit trust, pension and insurance funds.

Customer subscriptions by product types in 2007, totalling €3.3 billion, were distributed as follows:

	<u>Amount</u>	<u>Per cent.</u>
	(€ million)	
<b>Type</b>		
Deposits – domestic market .....	833	25.5%
Deposits in offshore branches.....	176	5.4%
Bonds.....	681	20.9%
Unit trust and pension funds.....	537	16.5%
Insurance.....	801	24.6%
PPR (Retirement Plans).....	234	7.2%
<b>Total</b> .....	<b><u>3,263</u></b>	<b><u>100.0%</u></b>

More than 61 per cent. of the above structured products were subscribed for by the premium customer segment with 68 per cent. having a maturity period of more than 3 years.

### *Group Resources*

An increase of 9.5 per cent. during 2007 in capitalisation insurance to €8.7 billion and an increase in “other customer resources” of €1.6 billion, represented by cash bonds and subordinated cash bonds, were also added to the value of the deposits taken from the retail sector in the Group’s balance sheet for 2007.

## Resources taken by CGD GROUP <sup>(a)</sup>

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>Customer Resources</b>				
<b>Balance sheet:</b> .....	<b>74,814</b>	<b>78,512</b>	<b>3,698</b>	<b>4.9%</b>
<b>Retail</b> .....	<b>61,545</b>	<b>60,910</b>	<b>(635)</b>	<b>(1.0%)</b>
• Customer deposits.....	51,204	50,593	(611)	(1.2%)
• Capitalisation insurance <sup>(b)</sup> .....	7,944	8,699	755	9.5%
• Other customer resources.....	2,397	1,618	(779)	(32.5%)
<b>Institutional Investors</b> .....	<b>13,269</b>	<b>17,602</b>	<b>4,333</b>	<b>32.7%</b>
• EMTN.....	6,625	6,787	162	2.4%
• ECP and USCP.....	3,525	4,544	1,020	28.9%
• Nostrum Mortgages and Nostrum Consumer.....	1,134	879	(255)	(22.5%)
• Covered bonds.....	1,985	5,391	3,406	171.6%
<b>Off-balance sheet:</b> .....	<b>12,746</b>	<b>12,715</b>	<b>(31)</b>	<b>(0.2%)</b>
Investment units in unit trust funds.	7,637	7,488	(149)	(2.0%)
• Caixagest .....	6,381	6,217	(164)	(2.6%)
• Fundimo.....	1,256	1,271	15	1.2%
Pension fund.....	1,253	1,452	200	15.9%
Wealth management.....	3,856	3,775	(81)	(2.1%)
<b>Total</b> .....	<b>87,559</b>	<b>91,227</b>	<b>3,667</b>	<b>4.2%</b>

(a) Does not include credit and financial institutions' deposits.

(b) Includes fixed-rate insurance products.

Resources taken by the Group from institutional investors in the capital market were up 32.7 per cent. in 2007 to a global balance of €17.6 billion, upon which amount a large part of assets growth was based. These resources mainly derived from issues of covered bonds and euro medium term notes during 2007.

Off-balance sheet resources for 2007 particularly included the €7.5 billion taken by the Group's Caixagest and Fundimo unit trust investment funds, comprising a reduction of 2 per cent. over 2006 and reflecting poor economic conditions in financial markets in the second half of 2007, which had negative impacts on unit trust investment funds. Reference should also be made to the 15.9 per cent. increase in resources generated by pension funds in 2007, to €1.5 billion, in addition to wealth management funds with €3.8 billion.

During 2007 there was a considerable 21.5 per cent. expansion in debt securities to a balance of €16.2 billion. Particular reference should be made to the contribution of the diverse covered bond issues launched during that year, totalling €3.35 billion and generating a 171.6 per cent. increase in the aggregate total of such bonds to €5.4 billion, at the end of 2007.

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
EMTN programme issues <sup>(a)</sup> .....	5,167	4,890	(277)	(5.4%)
ECP and USCP programme issues .....	3,525	4,544	1,020	28.9%
Nostrum Mortgages and Nostrum Consumer.....	1,134	879	(255)	(22.5%)
Covered bonds.....	1,985	5,391	3,406	171.6%
Cash bonds and certificates of deposit.....	1,550	526	(1,023)	(66.1%)
<b>Total</b> .....	<b>13,360</b>	<b>16,231</b>	<b>2,871</b>	<b>21.5%</b>

(a) Does not include €1,897 million of issues classified as subordinated liabilities in 2007.



In 2007 the outstanding balance on non-subordinated bonds related to the EMTN programme totalled €4.9 billion, although the balance was down 5.4 per cent. (€277 million) in comparison with 2006 owing to the effect of liquidations during the year.

Owing to the liquidity crisis in the second half of 2007, the commercial paper programme strengthened its role as a prime vehicle for taking in short term funds, with a 28.9 per cent. increase in comparison with 2006 in its balance to €4,544 million.

## Loans

The 16.6 per cent. increase since 2006 in the balance on loans and advances to customers (gross) to €68.6 billion in 2007, was fuelled by a 28.6 per cent. growth of corporate loans and, to a lesser extent, a 5.7 per cent. growth in mortgage lending.

This was offset by the credit balance on the Central and Local Government account with a significantly reduced balance (down 18 per cent. compared with 2006), owing to the budget consolidation framework policy, which also affected the municipalities' balance (down 1.7 per cent. compared with 2006) and by the fact that at the end of 2006 a repo operation had been realised on a large amount of public debt, which was liquidated in early 2007 and therefore distorted the comparability of the figures.

### Loans and advances to customers <sup>(a)</sup>

By customer segment

	As at 31 December		Per cent.		Change	
	2006	2007	2006	2007	Total	Per cent.
	(€ million)	(€ million)			(€ million)	
Corporate.....	21,746	27,957	37.0%	40.7%	6,212	28.6%
Central and local government.....	3,242	2,658	5.5%	3.9%	(584)	(18.0%)
<i>Of which: municipalities.....</i>	<i>2,409</i>	<i>2,368</i>			<i>(41)</i>	<i>(1.7%)</i>
Individual customers .....	33,837	37,958	57.5%	55.4%	4,121	12.2%
<b>Total .....</b>	<b>58,824</b>	<b>68,573</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9,749</b>	<b>16.6%</b>

(a) Consolidated operations.

In terms of credit structure, in 2007 the individual customers segment continued to account for a large proportion of total credit, absorbing 55.4 per cent. of the total loans balance, with 47.8 per cent. for housing and 7.6 per cent. for other purposes.

CGD's operations in Portugal in 2007 accounted for around 78 per cent. of total credit. During that year, special reference should be made, in the case of CGD's subsidiary companies, to Banco Caixa Geral with 6 per cent. of the total and Caixa Leasing e Factoring with 4 per cent. as at 31 December 2007.

Owing to the favourable development of loans and advances to customers during 2007, CGD's respective market share, in Portugal, at the end of that year was 20.3 per cent. with a 13.3 per cent. to 14.9 per cent. increase in the corporate segment in comparison with the previous year. CGD's market share of mortgage lending at the end of 2007 was 27.2 per cent. and, in the case of central and local government, 44.6 per cent. During 2007, Caixa continued to lead these segments.

## Loans and Advances to Customers – Market Shares in Portugal<sup>(a)</sup>

By customer segment

	As at 31 December	
	2006	2007
Corporate .....	13.3%	14.9%
Central and local government.....	56.2%	44.6%
Individual customers .....	24.0%	23.6%
Housing.....	27.7%	27.2%
Other .....	7.5%	8.5%
<b>Global.....</b>	<b>20.2%</b>	<b>20.3%</b>

(a) Source: Bank of Portugal (Monetary and Financial Statistics). Credit includes securitised operations.

### Corporate Loans

Corporate loans were up 28.6 per cent. in 2007 to €6.2 billion, increasingly reflecting CGD's objective of achieving benchmark operator status in this segment. There was a marked boost in the services in 2007 (up 42.6 per cent. in comparison with 2006 results) and construction and public works sectors (up 31 per cent. since the previous year) offset by a 16.7 per cent. reduction in the manufacturing sector.

### Corporate Loans <sup>(a)</sup>

By sectors of activity

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
Agriculture and fisheries.....	345	253	(92)	(26.7%)
Mining and manufacturing.....	3,410	2,841	(569)	(16.7%)
Construction and public works.....	3,621	4,744	1,123	31.0%
Electricity, gas and water.....	1,268	1,433	165	13.0%
Services.....	13,102	18,686	5,584	42.6%
<b>Total.....</b>	<b>21,746</b>	<b>27,957</b>	<b>6,212</b>	<b>28.6%</b>

(a) Consolidated operations

In 2007 the credit balance on the services sector was mainly invested in the “rents and services provided to companies” subsector with €5.2 billion, “property activities” with €3.8 billion, “wholesale and retail activities” with €3 billion, and “auxiliary financial intermediation activities” with €1.6 billion.

### Loans and advances to individual customers

In 2007 there was a 12.2 per cent. increase of €4.1 billion in the loans and advances to individual customers balance to an end of year figure of €38 billion, sustained both by housing and “other purposes”.

The mortgage lending balance was up 5.7 per cent. over 2007 to €32.8 billion, comprising 47.8 per cent. of all Caixa Group lending. The outstanding balance of €30.3 million in Portugal at 31 December 2007 comprised 719,902 mortgage loan contracts.

New mortgage lending operations in Portugal in 2007 comprised 62,255 contracts for an amount of €4,565 million, i.e. growths of 11.9 per cent. and 9.9 per cent. respectively. These figures reflect CGD's marked recovery from the significant downturn which occurred in 2006.

## Loans and advances to individual customers <sup>(a)</sup>

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>Housing</b> .....	31,002	32,780	1,778	5.7%
<b>Other</b> .....	2,835	5,178	2,343	82.6%
of which:				
<b>Credicaixa (consumer credit)</b> <sup>(b)</sup> .....	826	889	63	7.6%
<b>Credit cards</b> <sup>(b)</sup> .....	210	280	70	33.3%
<b>Total</b> .....	<b>33,837</b>	<b>37,958</b>	<b>4,121</b>	<b>12.2%</b>

(a) Consolidated operations.

(b) Operations in Portugal

In 2007 credit for “other purposes” was based on a broad-ranging product offer for various purposes such as consumer credit, credit cards, consumer durables and home improvements, which, for domestic operations is usually provided by Credicaixa (up 7.6 per cent. since 2006) and credit cards (up 33.3 per cent. since 2006).

### Overdue Credit, Impairment and Provisions

Overdue credit was up 12.7 per cent. over 2006 to €1,425 million in 2007, giving an overdue to total credit ratio of 2.1 per cent., slightly lower than in 2006. The non-performing credit ratio in 2007, calculated under Bank of Portugal rules, was also 2.1 per cent. (against 2.3 per cent. in 2006).

In 2007 there was an 11.1 per cent. reinforcement of €173 million as at 31 December 2007 to the accumulated impairment on loans and advances to customers (normal and overdue) of €1,729 million. This signified adequate levels of overdue credit cover of 121.4 per cent. for total overdue credit and 138 per cent. for credit overdue more than 90 days, which values were also in line with 2006 figures.

## Loans and Advances to Customers (consolidated)

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>1. Total credit</b> .....	<b>58,824</b>	<b>68,573</b>	<b>9,749</b>	<b>16.6%</b>
<b>1.1. Loans and advances to customers (outstanding)</b>	57,561	67,148	9,588	16.7%
<b>1.2. Overdue credit and interest</b> .....	1,264	1,425	161	12.7%
<i>Of which: more than 90 days overdue</i> .....	1,123	1,253	130	11.6%
<b>2. Credit impairment</b> .....	<b>1,556</b>	<b>1,729</b>	<b>173</b>	<b>11.1%</b>
<b>2.1. Accumulated impairment – loans and advances to customers</b> .....	685	763	79	11.5%
<b>2.2. Accumulated impairment – overdue credit and interest</b> .....	872	965	94	10.8%
<b>3. Credit net of impairment</b> .....	<b>57,268</b>	<b>66,844</b>	<b>9,576</b>	<b>16.7%</b>
<b>Ratios</b>				
Non-performing credit ratio <sup>(1)</sup> .....	2.29%	2.10%		
Non-performing credit, net/Total credit, net <sup>(1)</sup> .....	-0.36%	-0.43%		
Overdue credit/Total credit.....	2.15%	2.08%		
Credit overdue for more than 90 days/Total credit.....	1.91%	1.83%		
Accumulated impairment/Non-performing credit.....	115.7%	120.1%		
Accumulated impairment/Overdue credit.....	123.2%	121.4%		
Accumulated impairment/Credit overdue for more than 90 days.....	138.5%	137.9%		

(1) Indicators calculated in accordance with Bank of Portugal Instruction.

## Provisions

The change in the provisions for employee benefits and provisions for other risks in 2007 and 2006 were as follows:

	2007 (€ thousand)							Balances at 31.12.2007
	Balances at 31.12.2006	Acquisition of subsidiaries	Additions	Reversals	Write-offs	Exchange differences	Other	
Provision for employee benefits.....	495,870	—	15,462	(1,030)	(19,307)	(200)	40,830	531,625
Provision for litigation.....	29,590	(453)	5,038	(529)	(2,180)	51	(7,095)	24,422
Provision for guarantees and other commitments.....	58,915	—	13,978	(5,070)	—	(234)	82	67,671
Provision for other risks and charges.....	380,008	476	85,929	(40,973)	(123,915)	(63)	11,382	312,844
	468,513	23	104,945	(46,572)	(126,095)	(246)	4,369	404,937
	964,383	23	120,407	(47,602)	(145,402)	(446)	45,199	936,562

  

	2006 (€ thousand)							Balances at 31.12.2006
	Balances at 31.12.2005	Acquisition of subsidiaries	Additions	Reversals	Write-offs	Exchange differences	Other	
Provision for employee benefits.....	471,719	—	12,463	(1,195)	(24,906)	(838)	38,627	495,870
Provision for litigation.....	12,427	453	18,524	(1,707)	(33)	(74)	—	29,590
Provision for guarantees and other commitments.....	38,190	—	17,802	(1,800)	—	(13)	4,736	58,915
Provision for other risks and charges.....	198,576	—	124,516	(62,245)	(8,322)	(1,150)	128,633	380,008
	249,193	453	160,842	(65,752)	(8,355)	(1,237)	133,369	468,513
	720,912	453	173,305	(66,947)	(33,261)	(2,075)	171,996	964,383

The provisions for litigation set out above corresponded to the best estimate of the Group as to the amounts to be spent on their resolution, based on estimates of the Legal Department and lawyers that accompanied the processes.

At 31 December 2006 the heading “Provision for other risks and charges” includes an addition of €120,253 thousand to cover for the possible taxation of capital gains realised on the sale of Caixa’s participation in Banco Itaú in 2000 and 2001 which was recorded as against “Income tax”.

In December 2007, Caixa was notified of additional tax and interest for late payments for the years 2000, 2001 and 2003 in the amount of €145,422 thousand. As a result of this situation, Caixa made the respective payment and used in full the amount of the provision for other risks and charges. The difference between the amount effectively paid and the recorded cost in 2006, in the amount of €15,130 thousand, was reflected in the “Current tax – prior year adjustments” heading.

The heading “Acquisition of subsidiaries” for 2007 reflects, essentially, the incorporation of Companhia Portuguesa de Resseguros in the accounts of Caixa Seguros and for 2006, the acquisition of Compal. The “Sale of subsidiaries” in 2007, refers to the reclassification of Compal as a non-current asset held for sale.

## Impairment

The changes in impairment in 2007 and 2006 were as follows:

	2007 (€ thousand)							Balance at 31.12.2007	Recovery of credit, interest and expenses
	Balance at 31.12.2006	Acquisition of subsidiaries	Addition	Reversals	Write-offs	Exchange differences	Transfers and other		
Impairment of loans and adv. to customers.....	1,556,149	(1,431)	739,491	(398,216)	(164,163)	(7,586)	4,605	1,728,849	(91,836)
Impairment of loans and adv. to credit institutions.....	2,355	—	7,567	(6,058)	—	—	(2,527)	1,337	—
Impairment of available-for- sale financial assets									
Equity instruments.....	276,409	(53)	—	—	(110,679)	(203)	8,261	173,735	—
Debt instruments.....	14,024	—	4,317	(242)	—	(298)	(8,208)	9,593	—
Impairment of other tangible assets.....	18,533	—	—	(1,676)	(225)	—	151	16,783	—
Impairment of intangible assets.....	44,709	—	—	(43,750)	—	—	(46)	913	—
Impairment of non-current assets held for sale.....									
Subsidiaries.....	—	—	40,000	—	—	—	—	40,000	—
Property and equipment.....	17,318	—	5,073	(1,170)	(1,519)	—	322	20,024	—
Impairment of other assets									
Assets received in payment of loans granted.....	20,083	—	—	(4,623)	(3,300)	—	—	12,160	—
Other assets.....	161,690	(3,537)	27,053	(6,807)	1,186	—	(5,383)	174,202	—
Impairment in associated companies.....	569	—	2,593	(2,878)	(414)	(24)	154	—	—
	<u>555,690</u>	<u>(3,590)</u>	<u>86,603</u>	<u>(67,204)</u>	<u>(114,951)</u>	<u>(525)</u>	<u>(7,276)</u>	<u>448,747</u>	<u>—</u>
	<u>2,111,839</u>	<u>(5,021)</u>	<u>826,094</u>	<u>(465,420)</u>	<u>(279,114)</u>	<u>(8,111)</u>	<u>(2,671)</u>	<u>2,177,596</u>	<u>(91,836)</u>

  

	2006 (€ thousand)							Balance at 31.12.2006	Recovery of credit, interest and expenses
	Balance at 31.12.2005	Acquisition of subsidiaries	Addition	Reversals	Write-offs	Exchange differences	Transfers and other		
Impairment of loans and adv. to customers.....	1,401,319	—	960,147	(668,408)	(118,156)	(11,948)	(6,805)	1,556,149	(59,615)
Impairment of loans and adv. to credit institutions.....	890	—	5,488	(6,982)	—	(10)	2,969	2,355	—
Impairment of available-for- sale financial assets									
Equity instruments.....	283,427	—	19,713	—	(17,730)	—	(9,001)	276,409	—
Other.....	12,156	—	561	(79)	—	57	1,329	14,024	—
Impairment of other tangible assets.....	16,118	—	2,789	—	(102)	(1)	(271)	18,533	—
Impairment of intangible assets.....	—	—	40,020	(6,449)	—	—	11,139	44,710	—
Impairment of non-current assets held for sale.....	9,990	—	3,055	(2,713)	(1,888)	—	8,874	17,318	—
Impairment of other assets									
Assets received in payment of loans granted.....	13,970	—	14,987	—	—	—	(8,874)	20,083	—
Other assets.....	155,847	3,537	10,437	(9,001)	(581)	—	1,451	161,690	—
Impairment of investments in associated companies.....	—	—	—	(2,213)	—	(68)	2,850	569	—
	<u>492,398</u>	<u>3,537</u>	<u>97,050</u>	<u>(27,437)</u>	<u>(20,301)</u>	<u>(22)</u>	<u>10,466</u>	<u>555,691</u>	<u>—</u>
	<u>1,893,717</u>	<u>3,537</u>	<u>1,057,197</u>	<u>(695,845)</u>	<u>(138,457)</u>	<u>(11,970)</u>	<u>3,661</u>	<u>2,111,840</u>	<u>(59,615)</u>

In 2007, the “Recovery of loans receivable, interest and expenses” includes €34,250 thousand relative to the sale by Caixa of a number of credits which have been written-off.

In 2006, the “Impairment of available-for-sale financial assets” includes €15,863 thousand referring to impairment recognised by Caixa on the investment VAA – Vista Alegre Atlantis.

### Securities Investments

There was a 9.7 per cent. increase, over 2006, in the Group’s securities investments balance to €23.2 billion in 2007, of which around €10.5 billion or 45 per cent. of the total comprised insurance companies’ investments.

### Securities investments (Consolidated)<sup>(a)</sup>

	As at 31 December		Change	
	2006	2007	Total	Per cent.
	(€ million)	(€ million)	(€ million)	
<b>Banking</b> .....	<b>11,152</b>	<b>12,666</b>	<b>1,514</b>	<b>13.6%</b>
Financial assets at fair value through profit or loss.....	7,843	6,842	(1,001)	(12.8%)
Available for sale financial assets .....	3,309	5,824	2,515	76.0%
<b>Insurance</b> .....	<b>9,971</b>	<b>10,508</b>	<b>537</b>	<b>5.4%</b>
Available for sale financial assets.....	9,123	9,731	608	6.7%
Investments associated with unit-linked products.....	848	777	(71)	(8.4%)
<b>TOTAL</b> .....	<b>21,123</b>	<b>23,173</b>	<b>2,050</b>	<b>9.7%</b>

(a) before impairment.

“Available for sale financial assets” represented 67.1 per cent. of the portfolios total, including, inter alia, various non-strategic financial investments as set out below:

### Principal Financial Investments

	As at 31 December 2007	
	Amount	% Capital
	(€ million)	
Portugal Telecom.....	577.3	5.73%
Energas de Portugal.....	842.4	5.15%
Banco Comercial Portugues, S.A.....	294.6	2.20%
PT Multimédia.....	412.7	13.98%
GALP.....	163.6	1.07%

### Risk Management

Risk management was, as of 31 December 2007, centralised in CGD. It encompassed the assessment and control of the CGD Group’s credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

#### Credit Risk

Credit risk is the most relevant risk in terms of CGD’s operations being the possibility of financial losses incurred on defaults by customers or counterparties – major enterprises, SMEs, small businesses, individual customers and financial institutions. This explains the reasons for the continuous improvements made in 2007 both in terms of methodologies as to risk assessment and control tools contributing to the sustained development

of CGD Group's maintenance of a conservative risk profile, based on continuing efforts throughout 2007 to optimise return from different business areas.

According with the procedures in place in 2007, credit risk assessment occurred at all decision-making levels when issuing loans and was afterwards monitored by adequate assessment instruments during the operation's maturity period.

For exposures then considered to be relevant in credit risk terms, more specific opinions were produced, as a complement to internal rating models and any already existing assessment which, in addition to the analysis of counterparty evolution, incorporated projects' forecast economic-financial evolution and the influence and perception of any risk enhancing factors, in addition to identifying any conditions mitigating such risks.

As at 31 December 2007, the assessment was normally based on an economic group level considering the following weighting factors:

- external credit risk ratings;
- internal ratings;
- credit risk in respect of various group areas/companies;
- level of concentration to exposure;
- type of loan, purpose and amount of the proposed operations; and
- regulatory limits on major risks, as regards shareholders' equity and solvency ratio-related considerations.

Risk assessments of financial institutions were then based on internal regulations. In 2007 the allocation of exposure risk per counterparty was based on information provided by rating agencies or internal models, associated with weighting factors considering the entity's capital.

The risk assessment methodology aimed at defined limits per counterparty, the processing thereof by computer systems to permit an analysis of the risks to which each entity was exposed by business unit or on a consolidated level. Counterparty risk was also measured and control exercised over exposure and limits allocations.

Other quantitative and qualitative criteria were employed during 2007. In particular, market characteristics and the economy in which companies operated and the quality of the shareholder structure were determining factors behind the allocation of the referred to limit. Sub-limits by maturity and product were also defined, on the basis of a counterparty's or respective product's underlying degree of risk.

An internal rating model for credit institutions had previously been developed to improve portfolio analysis and achieve more rigorous assessment standards and whose current use had been broadly disseminated during 2007.

Credit risk control implicit in CGD's portfolio comprised a monitoring procedure on the principal indicators whose portfolio was split up by product, customer segment, decision-making structure, level of financial system exposure, operating sector and geographical area. The information source for the monthly analyses was the risk Datamart which was developed under Basel II. In risk concentration terms, the analysis in 2007 was based on the determination of the amount of major exposure to economic groups and a comparison with the maximum limits defined by the supervisory bodies.

Various improvements were made to the credit monitoring process during 2007, many of which deriving from the entry into service of new operating systems. Credit warnings contributed towards detecting and avoiding future defaults and were a powerful tool, whose use improved the quality of CGD's credit portfolio in 2007.

During 2007 a new application was developed to improve the monitoring of customer credit portfolio risk with the aim of supporting the credit warning process in CGD. This new development — SGAC (Credit Management and Monitoring System) — was made operational during 2007 and the branch network and risk area made full use thereof.

### *Credit Control and Recovery*

The operating model used in the credit recovery area was modified in 2007, in order to improve efficiency in terms of loan restructuring and repayment activity, with particular focus on extra-judicial settlements.

In general terms, the then current credit monitoring system required the risk management area to issue warnings to the commercial and credit recovery areas. According to such system, in the first 90 days of customer default, credit repayment was the exclusive responsibility of the commercial areas, and in the case of failure to recover credit, was passed over to the recovery area within a maximum period of 180 days.

In 2007 thirteen regional hubs were created for operational recovery and negotiation, ensuring the necessary contacts with customers in an attempt to find solutions to specific situations. A volume of €1 billion of credit was under analysis in 2007, divided up between restructuring procedures (67 per cent.) and collections (33 per cent.). In 2007 the recovery and negotiation stage was extended to commercial areas with the purpose of accelerating the treatment of defaults by giving responsibility for credit recovery to those areas at an early stage of default.

On the individual customers segment, the 2007 procedures for the treatment of overdue credit were automated in the whole branch network and which was a determining action for avoiding the deterioration of the relevant indicators, notwithstanding the difficult economic circumstances of Portuguese families with excessive debt levels. 51 per cent. of customers in this situation were rerouted to the branch network with around 37 per cent. still being negotiated and legal proceedings being taken in 12 per cent. of cases.

In the corporate segment, and until the automatic allocation process was completed, the recovery during 2007 only affected customers in special cases where global value comprised 68 per cent. of overdue credit to companies.

In the legal recovery area and in addition to credit repayments and collections, guidelines for the reduction of portfolio operations and pending actions were defined in 2007, making it possible to close the year with 11,871 operations, comprising 8,311 actions, with a reversal of the growth trend of pending operations/actions and maintaining the same objective for 2008, with a rationalisation of the human resources allocated to the activity.

### *Market Risk*

In 2007 CGD Group's market risk management rules on each portfolio or business unit, included market risk limits, credit exposure limits, market and liquidity risk, required levels of return, types of authorised instruments and maximum permitted loss levels.

Executive functions of market operations and associated risk control were then completely separate.

In 2007 risk hedging operations were decided by portfolio managers or business units. They were based on risk limits and authorised instruments in which the risk management area collaborated on assessing the impact of overall risk hedges entered into or any alteration of authorised market risk levels, if deemed advisable under the circumstances.

The market risk measure used in 2007 for all types of market risk was Value at Risk (VaR) (interest rates, shares, exchange rates, volatility), using the historical simulation method. The confidence levels used in the simulation were contingent upon the portfolio's objectives. Other market risk measures, such as sensitivity to the price changes of underlying assets (basis point value (bpv) for interest rates) and other sensitivity indicators commonly applied to share portfolios, were also applied. Stress testing assessments were also developed during 2007.

In 2007 daily theoretical and real VaR analysis was performed, with the calculation of theoretical backtesting values and the monthly calculation of real backtesting values. The number of exceptions obtained, i.e. the number of times theoretical or real losses exceeded VaR, allowed for assessment of the method's accuracy and any necessary adjustments.

The 2007 management of the trading portfolio had short term objectives designed to exploit market opportunities, whereas investment portfolio objectives were medium and long term and designed to generate a regular and reasonably steady income stream.

Under 2007 management rules each portfolio was subject to restrictions in terms of its composition, as regards assets and risk levels. Risk levels were defined by credit exposure (concentration by name, sector, rating



and country), market exposure (maximum total risk level by risk factor and maturity period) and liquidity (minimum number of listings required, maximum authorised investment portfolio percentage for each issue, composition of share portfolios based on their inclusion in authorised indices). As at 31 December 2007, monthly control and return reports were produced and their credit risk assessed according to the regulatory requirements in place and market risk assessed by internal models.

#### *Asset and Liability Management*

During 2007 CGD continued to improve the techniques associated with the asset and liability management process (asset-liability management, ALM), with the view to ongoing compliance with the permanent objective of prudent liquidity management, capital use and control of associated financial risks, particularly liquidity, interest rate and market risks.

#### *Liquidity Risk*

In 2007 liquidity risk management used an analysis of the periods to maturity of different balance sheet assets and liabilities, for each of the different time bands considered, the volumes of cash inflows and cash outflows, and respective liquidity gaps.

Liquidity gaps were then calculated monthly and compared with the fulfilment of three ALCO (asset/liability management committee) defined ratios (two short and one long term). As of 31 December 2007 a structural liquidity concept was used which, in accordance with studies and models developed internally and based on the behaviour of depositors, translated the approximate distribution of on-demand and term deposits over the different time bands.

In the case of on-demand deposits, around 82 per cent. of the balance (core deposits) were considered in 2007 in the greater than 10 years time band with the rest (non-core deposits) being allocated in periods of up to 12 months, in line with seasonality studies and minimum noted balance. In 2007 term and savings deposits were, in turn, split up between the different periods in accordance with a model for estimating their expected average life and expected time distribution of withdrawals.

Around 85 per cent. of the total securities investments balance in 2007 was considered in the period up to 1 month and the remainder split up according to the proportion of the balances in the structure of the residual periods of their initial maturity. Shares and other variable income securities with adequate liquidity were globally considered in the up to 1 month basket.

To avoid high negative liquidity gaps over short term time periods, in 2007 CGD endeavoured to ensure a permanent level of efficient treasury management. To provide for the longer maturity periods, particularly associated with mortgage lending, CGD continued to have resource taking instruments on the domestic and international markets, through its issue of mortgage bonds and euro medium term notes.

The value of the liquidity ratio, information on which since September 2007 is sent to the Bank of Portugal every month, was in line with the defined objectives.

#### *Interest Rate Risk*

Until the end of 2007 CGD ran interest rate risk whenever it was a party to operations whose future financial flows were sensitive to interest rate changes.

To measure such risk, CGD aggregated sensitive assets and liabilities into fixed time bands in accordance with the respective interest repricing dates. The respective assets and liabilities cash flows were then calculated for such time bands together with the corresponding interest rate risk gaps.

Interest rate risk analysis also involves the monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap. The aim is to measure the mismatch level between the average time over which the cash inflows are generated and cash outflows are required.

There was a significant decrease in 2007 in the accumulated static interest rate gap, of up to 12 months, which, although always remaining positive, came to a year end total of €11,431.7 million.

To monitor the effect of the referred to gaps on net interest income, a regular monthly forecast of sensitive assets and liabilities scenarios was produced in 2007. It included relevant banking activity behaviour and trends, evolution of different market rates and expectations reflected in the yield curve.

ALCO approved guidelines on balance sheet and banking portfolio interest rate risk, including the definitions of limits on certain significant variables in terms of the level of exposure to such risk. The objective of these guidelines was to manage the combination of risk/return margins, in balance sheet management terms, while defining the adequate level of exposure and controlling the results of the risk policies and positions assumed.

In 2007 the limits fixed were calculated monthly for the accumulated 12 months gap and the duration gap and quarterly both for the economic value at risk indicator (which translates the changes in the economic value of the bank's capital, resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in CGD's forecast net interest income, resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

In 2007 the interest rate risk in the banking portfolio was also calculated on consolidated operations every six months and sent to the Bank of Portugal. It encompassed all balance sheet and off-balance sheet elements not included in the trading portfolio.

In 2007 the assessment and measurement of this type of risk were based on the accumulated impact of instruments sensitive to interest rates, resulting from a parallel movement of +/- 200 bp on the yield curve. Under the terms of an ALCO resolution, the calculation of this impact on own funds and on net interest income was calculated quarterly in 2007 for internal management purposes with internal limits having been defined for the purpose in question.

2007 year end impacts on shareholders' equity (as defined in the Bank of Portugal's Official Notice 12/92) and interest income (understood to be the difference between interest income and costs, comprising the annualised equivalent of its current level), resulting from the referred to movement in the yield curve, were 2 per cent. and 12 per cent., respectively.

#### *Foreign Exchange Risk*

During 2007 foreign exchange risk was controlled and assessed on a daily, individual basis for domestic operations for each branch office and subsidiary and fortnightly, on a consolidated level for the CGD Group as a whole. VaR amounts and limits are calculated on total open and currency positions.

#### *Operating Risk*

Operating risk was defined in 2007 as the risk of losses deriving from the inadequacy of or faults in processes, persons and information systems as well as from external events.

Pursuant to the framework of duties and obligations deriving from the Basel II accord and in conjunction with international trends on adopting best internal control practice – the U.S. Sarbanes-Oxley Act – CGD has defined in 2007, as methods to be adopted, a standard method for the calculation of own funds to be allocated to operating risk, in addition to the creation of conditions enabling evolution to the advanced measurement approach (AMA).

In addition to the initiatives necessary to provide for the requirements of the said method, a plan to expand the operating risk management methodology to the remaining CGD Group companies was developed in 2007. The methodology used was based on a series of components including: the documentation of processes, potential risks and associated control procedures; a decentralised events and losses information process; a periodical process for operating risk self-assessment; and a specific reporting system to support operating risk management, by process and structural body. Perfecting this methodology aligned with the approaches recommended by COSO (Committee of Sponsoring Organizations of Treadway Commission) and CobiT (specific to information systems).

CGD also continued to invest in the development of solutions designed to ensure the continuity of its business negotiating and operational performance processes in critical areas and/or services. The global business continuity strategy for CGD was updated in 2007 and a Committee for the global management of business continuity created, with the objective of coordinating and linking Group initiatives and processes.

The operating risk management and internal control process were based on an autonomous area and a management committee, comprising the board of directors' advisory body which was responsible for the coordination, appreciation and discussion of issues related with the subject and the strategy and policies established

## *BASEL II*

The new Basel II capital accord establishes rules on risk control management methodologies. 2007 witnessed the formal step for the accord's adoption, with the publication and entry into effect of the statutes embodying the new law in Portugal and other European Union countries.

CGD's Basel II programme, implemented in 2002, pioneered a large number of initiatives in the area of the design and implementation of new methodologies, development of information support systems and the revision of risk management policies and procedures to ensure compliance with the new regulatory framework.

Continuing the endeavours of the last few years, in 2007 the programme evolved considerably including with respect to credit, market, operating, interest rate and other risks, with the objective of positioning CGD in terms of the new risk management and prudential reporting model, applicable from 1 January 2008.

Significant progress was made in 2007 in credit risk area projects, notably in terms of scoring models: following the implementation in previous years of risk rating models for the most significant segments of CGD's retail portfolio. Work was finally completed on the development and supply of credit models for credit cards and small businesses and the respective connection to the operating systems supporting the decision-making process for credit applications in the said segments was progressed further.

For the corporate segments (companies, financial and other institutions), CGD's Basel II programme was completed in 2007 and work began on the implementation process for a computer application which will make it possible to provide commercial areas and the risk management area with adequate information for efficient and effective risk analysis purposes. The application would make it possible to generate, analyse, store and suitably integrate all relevant data for evaluating customer risk profiles and represents an important step to increase the flexibility of and reinforce CGD's procedures in this area.

Lending procedures were revised during 2007 for the purpose of integrating the new methodologies, i.e. risk ratings supplied by scoring and rating models, as comprehensively as possible in the credit risk management procedure, e.g. by a more rigorous and precise assessment of the pricing of operations based on their respective risk level.

At the same time, work was also performed on the project for estimating the risk factors supporting the internal ratings method for selected credit portfolio segments.

Previously developed credit risk models were also validated in 2007 under the coordination of CGD's audit department.

In 2008, the first year in which the Basel II accord came into effect, CGD adopted the standard model for calculating credit risk capital requirements, having submitted its application for the adoption of the internal ratings method to the supervisory authority in 2007.

In the market risk area, after completion of the internal revision of the respective risk management model, the resulting recommendations were implemented by the end of 2007. Work was completed on the "miscellaneous risks" part of the market risk management and control manual.

Work on the application for the adoption of the internal market risk models began in 2007, and was then analysed by the supervisory authorities.

In the interest rate and liquidity risk management areas, more advanced monitoring and risk management functionalities were implemented in 2007 via the new asset liability management (ALM) tool. The part corresponding to such risks in terms of the risk management and control manual was also completed during 2007.

2007 saw the inception of the process for the implementation of the internal capital adequacy assessment processes ("ICAAP") under Pillar 2 of the new Basel accord.

The principal aim of the Basel II programme is to guarantee compliance with the new agreement within the CGD Group. In 2007, work began on the installation of a capital requirements calculation tool for credit and market risk and determination of the solvency ratio. This tool is also intended to be used to generate information for the requirements of Pillar 3 – Market Discipline of the New Basel accord and CGD's internal needs for the analysis and monitoring of the level of exposure to each risk.

The structure previously developed for the integrated risk data repository was consolidated in 2007, with the aim of providing for information requirements on credit, market, interest rate and liquidity risks in accordance with the characteristics defined in the Basel II framework. The principal activities relating to the

design and construction of this repository comprised the technical installation in 2007 of an additional collection of items of information and the inception in 2007 of a functional revision of the existing models for updating purposes.

Data collection in the CGD Group derives from the need to centralise information on Group entities in order to respond adequately, efficiently and promptly to Basel II supervisory authorities' requirements.

Following the work performed prior to 2007, the technical conditions relating to the centralisation of information (communications, processes and frequency etc.) were aligned with the entities of the CGD Group during 2007, and the procedures for the validation of data were established. This was an important initiative, as it enabled higher levels of control and reliability on data, while also improving and simplifying the extraction and transmission process by various Group entities.

### Competition

In 2007 CGD faced intense competition in virtually all of its business areas. There was no particular key competitor for its deposit-taking business in Portugal, although CGD took into account the rates and terms offered by other deposit-taking banks and it followed market trends in the Portuguese deposit-taking sector.

The banks operating in other jurisdictions followed similar policies. In Portugal, the principal competitors of CGD in 2007 for housing loans were MillenniumBCP, Banco Espírito Santo, Banco Santander Totta and Banco BPI.

### Capital

In 2007 CGD had a share capital of €3,500,000,000 (following the share capital increase on 1 August 2008) fully subscribed by the Portuguese State and fully paid. Shares in CGD, including those to be issued in future capital increases, may only belong to the Portuguese State and are held by the Directorate General of the Treasury.

For the purpose of ensuring CGD's independence from its shareholder and of reducing the possibility of any eventual abusive exercise of control over CGD by its shareholder, CGD adopted in 2007 relevant measures in order to grant full transparency in the relations with its shareholder and strict compliance of legal provisions, namely concerning transactions with related parties and conflicts of interest.

The following table sets out the capital position of CGD and the CGD Group as at 31 December 2006 and 2007, respectively, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal:

	As at 31 December	
	2006	2007
	(€ million)	
1 Total own funds ((a)+(b)+(c)).....	5,520	6,175
<b>(a)</b> Base own funds.....	3,878	4,108
Share Capital.....	2,950	3,100
Fair value reserves.....	656	381
Other reserves.....	299	813
Retained earnings.....	(319)	(309)
Net income for year.....	734	856
Minority interest.....	694	700
<b>(b)</b> Complementary own funds.....	2,286	2,786
<b>(c)</b> Deductions.....	(644)	(720)
2 Weighted assets (credit risks) and market risks.....	52,521	61,015
3 Own funds requirements.....	4,202	4,880
4 Surplus own funds (1-3).....	1,318	1,295
5 Solvency ratio <sup>(1)</sup> .....	10.5%	10.1%
6 Tier 1 ratio.....	7.4%	6.7%

(1) Solvency ratio calculated in accordance with Bank of Portugal rules.

The consolidated solvency ratio, as at 31 December 2007 computed in accordance with official rules of the Bank of Portugal, was 10.1 per cent. (as against 10.5 per cent. in the preceding year) and was higher than the minimum 8 per cent. required by the supervisory authorities, evidencing the maintenance of adequate financial structure indicators by CGD.

Financial strength is also expressed by consolidated Tier 1 (based on own funds over weighted assets), which amounted to 6.7 per cent. as at 31 December 2007. This was higher than the internationally acceptable minimum.

## Banking Subsidiaries Activities

### Specialised Credit

During 2007 the specialised credit sector, particularly leasing, retained the growth dynamics of 2006 with a 19.3 per cent. increase in property leasing and a 17.3 per cent. increase in equipment leasing. Factoring growth was moderate in terms of the volume of operations (up 3.8 per cent. in comparison with 2006), with a 1.9 per cent. downturn in consumer credit over 2006.

### Annual Sales

	2006	2007
	(€ million)	
Property leasing.....	2,186	2,607
Equipment leasing.....	3,489	4,095
Factoring.....	19,838	20,609
Consumer credit.....	5,948	5,837

### Caixa Leasing e Factoring

In 2007 CGD Group was active in the specialised credit and associated services sector via Caixa Leasing e Factoring, IFIC (“CLF”) which operated as an umbrella organisation for the Group’s four business areas of equipment and property leasing, factoring and consumer credit.

CLF’s specialisation, within the Group, was reinforced in 2007 with the aim of providing a higher quality service to customers and improving the return on its operations.

Based on its commercial performance and a continuously improved market position, during 2007 CLF achieved higher than average annual growths for the sector in all products in comparison with 2006 results, particularly equipment leasing (up 49 per cent.) and property (up 35 per cent.), comprising increases of 10.1 per cent. to 12.9 per cent. and 15 per cent. to 17 per cent. in its respective market shares.

Consumer credit was up 11.5 per cent. in 2007, reversing 2006’s downturn of 9.2 per cent. There was a 4.6 per cent. increase in the volume of factoring operations in 2007, which, although higher than the system average of 3.9 per cent., was in line with the slowdown in the market.

## CGD Group Sales

	2006	2007	Growth	Market share
	(€ thousand)	(€ thousand)		
<i>Property leasing.....</i>	327,185	442,603	+35.3%	17.0%
<i>Equipment leasing.....</i>	354,093	526,380	+48.7%	12.9%
<i>Factoring.....</i>	2,749,014	2,874,342	+4.6%	13.9%
<i>Consumer credit.....</i>	43,545	48,536	+11.5%	
<i>Of which:</i>				
<i>Automobile finance.....</i>				
<i>Equipment leasing.....</i>	98,343	130,974	+33.0%	
<i>Car finance.....</i>	14,714	19,941	+35.5%	

Growth in automobile leasing and credit operations in 2007 was more than 30 per cent., corresponding in the case of the former to a significant 30.9 per cent. increase in financing of the number of light vehicles.

Also in terms of automobile finance, via LOCARENT, reference should be made to the sustained reinforcement during 2007 of the fleet under management, which ended the year with a 42 per cent. increase in vehicles.

Deriving from the commercial dynamics, in 2007 CLF's assets were up 28.8 per cent. in comparison with 2006, particularly owing to the 28.6 per cent. growth in the loans and advances to customers portfolio, with improvements in all business areas, particularly equipment leasing (up 39 per cent.) and factoring (up 32 per cent.).

During 2007 the evolution in CLF's volume of business generated increases of 9 per cent. in net interest income and 13 per cent. in net operating income, which, in light of strict controls over operating costs, generated net income of €10.4 million against the 2006 figure of €9.4 million. Efficiency and profit ratios also improved during 2007 with cost: income falling from 43.1 per cent. to 39.5 per cent. and ROE improving from 8.4 per cent. to 8.6 per cent. when compared with 2006 results.

### **Asset Management**

Asset management operations were influenced in the first half of 2007 by good world economic performance which, allied with the good financial results announced by companies, fuelled new highs in the principal world stockmarkets. In the second half of 2007, the U.S. sub-prime crisis and fears of its economic consequences, heightened by the announcement of the losses made by several investment banks, led to an environment of risk aversion by investors, interrupting the above referred to appreciation trend.

The 2007 unit trust investment funds market in Portugal recorded first half growth of around 3 per cent. in the volume of funds under management, in line with the trend of the last five years. In the second half of the year, owing to the developing financial crisis, credit and liquidity management were adversely affected by problems in the financial system as a whole and unit trust investment funds in particular.

By the end of 2007, the value of assets under management by Portuguese fund managers as a whole was €25.8 billion, comprising a decrease of 11.6 per cent. over the start of 2007. This result was not homogenous in all fund categories, with the most affected being bond and treasury funds, representing more than 50 per cent. of the market and down €4.1 billion (25 per cent.) over 2006. Other fund categories recognised positive rates of change, particularly special investment and guaranteed capital funds, with increases of €322 million and €431 million, respectively.

The Portuguese property funds market (FII) recorded a 7 per cent. growth of €691 million during 2007, with €10.4 billion in assets under management by management companies as a whole. Growth was centred on closed-ended investment funds and special investment funds with increases of €491 million and €191 million, respectively. Open-ended property funds, on the contrary, decreased in value by €148 million in 2007 and the value of assets was overtaken by closed-ended funds.

In 2007 there was a 5.2 per cent. increase in the growth rate of the Portuguese pension funds market to €22.2 billion. Closed-ended funds, predominantly banking pension funds, were up 5 per cent. to €1 billion and continued to dominate the market, with 94.3 per cent. of the pension funds total as at 31 December 2007. Open-ended pension funds increased by 13.4 per cent. and open-ended PPR (pension) and PPA (share) funds by 4 per cent., although their global values were still relatively insignificant at €88 million and €20 million, respectively at the end of 2007.

### *CGD Group*

Assets under CGD Group management and advisory services were up 4 per cent. during 2007 to €25,028 million.

## Assets managed by the CGD Group

			Market share	
	2006	2007	2006	2007
	(€ million)			
<b>Funds under management</b> .....	23,794	24,724		
— Unit trust funds (Caixagest).....	6,381	6,217	21.9%	24.1%
— Property funds (Fundimo).....	1,256	1,271	12.9%	12.2%
— Pension funds (CGD Pensões).....	1,253	1,452	5.9%	7.0%
— Wealth management (Caixagest).....	14,904	15,784	25.1%	24.7%
<b>Assets – advisory management</b> .....	278	304		
	<u>24,072</u>	<u>25,028</u>		

### CAIXAGEST – Técnicas de Gestão de Fundos

At the end of 2007 Caixagest's leading position in the unit trust funds market was reinforced by a 21.9 per cent. to 24.1 per cent. increase in its market share. There was a 2.6 per cent. decrease in the volume of assets under management to €6,217 million over the same period in 2006, although increasing by an average of 14 per cent. over 2006.

Caixagest launched various funds during 2007 in conjunction with CGD's commercial branches.

In 2007 Caixagest had 51 unit trust investment funds under management at year end, comprising a broadly diversified international financial markets product portfolio adapted to diverse investor segments.

During the course of 2007, Caixagest continued to develop its commercial activity of presenting its wealth management service, in conjunction with CGD's branch network, making it possible to identify new customers and achieving a 20 per cent. increase in the number of wealth management contracts.

Together with contacts with branch network customers, systematic endeavours continued to be made throughout 2007 to support and secure institutional customers. CGD secured a further two new customers with €170 million together with a €675 million reinforcement from existing customers.

2007 was characterised by a 74 per cent. increase in Caixagest's net income over the preceding year to €7.9 million, deriving from the 14 per cent. increase in the average amount of assets under management, favourably reflected in terms of the charging of management and mandatory fees.

### FUNDIMO – Sociedade Gestora de Fundos de Investimento Imobiliário

Fundimo launched four new property investment funds in 2007. Three such funds were for private subscription, in addition to one special fund for private subscription. It had twenty three funds under management as at 31 December 2007.

Special reference should be made to Fundimo's highly dynamic open-ended property fund, with a significant number of acquisitions of high quality, well located properties, sales of empty property and renegotiating of rental contracts to ensure greater stability and loyalty of tenants. The fund's development in 2007, in terms of capital, was affected by higher interest rates, with a slowdown in the rate of subscriptions affected by the sub-prime crisis, resulting in a markedly higher number of redemptions. Notwithstanding the various negative factors affecting both the property and financial market, the fund ended 2007 with one of the highest net yields of 4.5 per cent. in comparison to other funds of the same type.

Reference should also be made to the "Sete Colinas" closed-ended property investment fund for urban rehabilitation in the city of Lisbon. This fund was launched in October 2006, with fund members comprising a collection of major institutional investors. The fund, based on the assets already acquired and under appraisal and growth prospects at the end of 2007, earned the status of being one of the city of Lisbon's principal partners in rehabilitation terms in 2007.

Most of the other funds under management in 2007 were for property promotion. Their activity has, in general terms, proceeded normally, both with regard to investments at their planning stage as those then under construction.

## Property Funds under Management

	<u>2006</u>	<u>2007</u>	<u>Change</u>
	(€ thousand)	(€ thousand)	
Open-ended funds (Fundimo).....	825,612	822,085	(0.4%)
Closed-ended funds.....	430,482	448,746	4.2%

2007 was characterised, in global terms, by an expansion in Fundimo's activity and consequently better results. The increase in the number of funds and amount of assets under management were favourably reflected in the 9 per cent. increase in commissions charges to €8.4 million in December 2007. These growths had a positive effect on results with the Fundimo closed-ended fund ending the year with a 14 per cent. increase in net income to €4.6 million, over the same period in 2006.

### *CGD PENSÕES – Sociedade Gestora de Fundos de Pensões*

CGD Pensões continued to manage its thirteen closed-ended pension funds in 2007, having achieved by 31 December 2007 a mandate to set up a closed-ended fund for a major domestic institution and transfer the management of two closed-end pension funds, starting January 2008.

In the open-ended pension funds field it continued to manage the open-ended “Caixa Reforma Activa” and “Caixa Reforma Valor” pension funds commercialised by the CGD Group branch network, having launched its new “Caixa Reforma Garantida 2022” open-ended fund in March 2007.

The “Caixa Reforma Activa” open-ended pension fund, which had a more conservative investment policy, was up 10.9 per cent. during 2007 to €133.3 million having recorded a new collective subscription and around 1,300 new individual subscriptions in 2007 at a subscription price of €13.1 million.

The “Caixa Reforma Valor” open-ended pension fund which had a more aggressive investment policy was up 63.8 per cent. to €10 million during 2007, having taken in a new collective subscription during the course of 2007 and around five hundred new individual subscriptions at a subscription price of €3.9 million.

At the end of 2007 the value of assets managed by CGD Pensões was up 15.9 per cent. to €1,452 million.

## Funds Under Management

	<u>2006</u>	<u>2007</u>
	(€ thousand)	
<b>Open-ended funds:</b> .....	<b>126,426</b>	<b>155,637</b>
“Caixa Reforma Activa” Fund.....	120,311	133,374
“Caixa Reforma Valor” Fund.....	6,115	10,016
“Caixa Reforma Garantida 2022” Fund.....	—	12,247
<b>Closed-ended funds:</b> .....	<b>1,126,237</b>	<b>1,296,651</b>
Other closed-ended funds.....	1,126,237	1,296,651
<b>Total</b> .....	<b><u>1,252,663</u></b>	<b><u>1,452,288</u></b>

## Insurance

Insurance operations in Portugal accounted for €13,749 million in direct insurance premiums in 2007 (8.8 per cent. of GDP), 68.1 per cent. of which was from life insurance. Global growth of 4.8 per cent. in that year was essentially based on the 6.9 per cent. increase in life insurance, when compared with 2006, benefiting from the good performance of capitalisation insurance. Non-life insurance accounted for around one third of sales evidencing a stagnation in premium volumes (0.5 per cent.), reflecting a decrease in the level of labour and motor insurance, when compared with 2006. Insurance sales abroad (0.88 per cent. of the total) were €122 million, up €10 million over 2006.

There were different levels of concentration in 2007 in terms of life and non-life insurance, with the 5 major groups expanding their market share to 80.6 per cent. (up 1.9 per cent.) in life insurance with a 1.3 per cent. reduction to 63.9 per cent. in non-life insurance owing to a more marked level of growth by the smaller insurance companies.



2007 was a major milestone in terms of the sector's legal environment, with the application of the new mediation law designed to improve the level of professionalism of insurance mediators and an expected increase in the quality of service and information provided to customers.

*Caixa Seguros, SGPS, S.A.*

In 2007 Caixa Seguros, SGPS, S.A. was CGD Group's holding company for insurance area investments. It operated under the Fidelidade Mundial, Império Bonança, OK! Tele-seguro, Multicare and Cares brands, supported by the largest and most diversified network of financial products on the domestic market.

In 2007 Caixa Seguros also operated as an umbrella organisation albeit indirectly for CGD Group's hospital area investments in HPP through Companhia de Seguros Fidelidade Mundial.

In the same year Caixa Seguros operated the largest and most diversified branch network of domestic market financial products: Fidelidade Mundial and Império Bonança branches, agents and brokers, CGD branch offices, CTT counters, internet and telephone in the case of OK! Telesseguro.

Work was completed on the integrated management model and operation of Caixa Seguros's two principal insurance companies in 2007, with the concentration and standardisation of the operating platforms having evolved as planned.

By year end 2007 the objective was achieved without prejudice to increased business specialisation whether in terms of distribution channels, business lines or the projection of the principal commercial brands.

Owing to the importance of prudential management in the insurance business sector, the company continued to implement actions designed to minimise operating risk in 2007, with the aim of adjusting the company's structure to the new market supervision standards.

The implementation and development of a best international practice compliance and prevention of money laundering strategy was therefore particularly important in 2007, with the creation of an Institutional Affairs and Compliance Office in July. Pursuant to the activities already performed, a Group compliance handbook was approved and divulged and training on this subject matter given to more than 300 workers.

Caixa Seguros increased its direct insurance premium sales in 2007 by 12.7 per cent. to €3,659 million, enabling it to consolidate its market lead in this business, first achieved in 2006.

In 2007 activity in Portugal was responsible for 97.8 per cent. of sales with a 12.6 per cent. increase in premium volume to €3,574 million. Foreign operations accounted for €84 million, or around 70 per cent. of the sector's total sales in other markets for the year ended 31 December 2007.

In 2007 Caixa Seguros's market lead with a global market share of 26.0 per cent. (up 1.8 per cent. over the preceding year), encompasses the principal business areas, particularly life insurance, in which it now accounts for around a quarter of the market, but also non-life insurance, with around a third of total premiums sales in Portugal.

Notwithstanding the disparity between market shares for life (23.6 per cent.) and non-life insurance (31.2 per cent.), Caixa Seguros's premium portfolio in 2007 was more evenly distributed between these two business areas than was the case with the rest of the market, with life insurance having 61.7 per cent. of the premiums in comparison to a market total of 68.1 per cent. in 2006.

A significant increase in income, in 2007, derived from the new channels, essentially reflecting the favourable evolution of life insurance, as opposed to traditional channels which continued to reflect the stagnation in non-life insurance, which comprised their principal business area.

There was a 2.5 per cent. increase in the direct insurance claims rate to 58.1 per cent. in 2007 compared to 2006. The change reflected the extraordinary reinforcement of technical provisions to comply with Solvency II requirements during 2007.

In accordance with the domestic assessment rules on assets and technical provisions, technical provisions for direct insurance and inwards reinsurance, including liabilities for financial instruments, totalled €11,484 million in 2007, whereas assets eligible for the representation thereof totalled €12,242 million, giving a cover ratio of 106.6 per cent.

Under IFRS, the Group's insurance contracts liabilities totalled €11,568 million in 2007 with net investments of €12,809 million.

There was a 6.5 per cent. reinforcement in the technical provisions to non-life insurance ratio to 170.3 per cent. during 2007. The market ratio, at the end of 2006, was close to 140 per cent. and was once again indicative of the prudent policy adopted by insurance companies.

In 2007 the Group's liabilities to policyholders and third parties were fully covered and adequately represented, complying with the limits on financial investments, in addition to solvency margin and the Guarantee Fund, significantly exceeding the legal minimums.

There was an 8.5 per cent. reduction of €42.5 million over 2007 in Caixa Seguros's total structural costs to €458.2 million. The fluctuation in the amount of general expenditure over the three years prior to 2007, however, essentially derived from the provisions for risks and charges account heading, owing to the creation of miscellaneous provisions, without which, costs for the period would have decreased.

Net income of €165.3 million, amounting to an increase of 7.0 per cent. during 2007 compared to 2006, continued to benefit from the favourable combination of the effects of selective risk management and implementation of cost containment measures.

Caixa Seguros's consolidated shareholders' equity was up €60.7 million over 2006 to €1,234 million.

The solvency margin required of Caixa Seguros came to a year end total of €653 million, whereas its respective component parts totalled €913 million, giving a solvency margin cover ratio of 140 per cent., representing a high safety margin for all policyholders and economic operators connected to Group companies.

#### *Companhia de Seguros Fidelidade Mundial, SA*

In terms of internal organisation, during 2007 the aim continued to be to achieve greater efficiency in terms of the company's internal architecture, for maximising economies of scale deriving from the integration of back office structures with Império Bonança.

Fidelidade Mundial brand reinforcement and commercial promotion measures also continued to be implemented, in the form of special promotional campaigns, improved sales support computer tools, promotion of innovative life-insurance products and the performance of the Corporate Business Promotion Division, for reinforcing the company's involvement with SMEs on the basis of the "Companies Protection Solutions" concept.

Reference should also be made to the development of the Assurefinance project, on the basis of the mediation network's offer of mortgage lending and automobile finance to Fidelidade Mundial customers. In product policy terms, particular reference should be made to the implementation of measures in 2007 designed to consolidate the then current motor insurance risks portfolio, on the basis of tariff alterations designed to secure new customers with a more favourable risk profile, improved customer portfolio segmentation, inducements to pay premiums by direct debit and the development of a new product for launch in early 2008.

Life insurance included the launch in 2007 of the "Leve" product. This was an innovative retirement savings plan with three investment options, associating a "social protection" component and entitling holders to subscribe for a CGD credit card. During 2007 capitalisation products policy continued to concentrate on limited offer products, with highly attractive conditions.

To improve the offer of "personal protection" insurance, reference should be made to CGD's launch in 2007 of its "Caixa Woman" product designed to provide for women's specific protection requirements and, in the Assurefinance business, a new life insurance policy associated with mortgage lending agreements.

In 2007 CGD was the undisputed market leader with a 21.1 per cent. market share, in addition to the life (22.3 per cent.) and non-life insurance (18.6 per cent.) markets.

CGD sold €2.9 billion of direct insurance premiums in Portugal in 2007. This was equivalent to a 16.9 per cent. increase over 2006 and derived from the favourable performance of life insurance as non-life insurance sales were down by around 3.9 per cent.

In 2007 premium sales in foreign markets totalled €76.1 million. Special reference should be made to growth in the Spain branch in addition to the expansion of non-life insurance in the France branch.

Direct insurance indemnities in Portugal totalled €1,973.8 million in 2007. This was up 47.1 per cent. over 2006, reflecting a 90.1 per cent. increase, particularly in life insurance, deriving from the high volume of redemptions and maturities.

During 2007 there was a 4.7 per cent. decrease in the non-life insurance, net of reinsurance, claims rate on operations in Portugal, owing to the lower rate recorded on the principal insurance aggregates, particularly motor insurance, as the accidents and health and fire and other damage aggregates in 2006 were influenced by extraordinary factors, respectively the company's preparation for the new long term Solvency II programmes on workman's compensation insurance and the abnormally high occurrence of industrial fires and floods.

Fidelidade-Mundial, with €9.9 billion in assets as at 31 December 2007 representing technical provisions achieved a direct insurance and inwards reinsurance technical provisions cover ratio of 104.5 per cent., exceeding liabilities by around €400 million. There was also a series of non-allocated assets suitable for representing technical provisions, which would have the effect of increasing the cover ratio to 109.2 per cent. as at 31 December 2007.

In terms of separate accounts, Fidelidade-Mundial's shareholders' equity was up 5.3 per cent. in 2007 to €1,010 billion. This derived from net income for 2007 and reserves. Net income, in turn, was up 21.2 per cent. during 2007 to €126 million, owing to the improvements in life insurance technical ratios and the reduction of structural costs. Consolidated net income was up around 20 per cent. over 2006 to €133.6 million in 2007.

#### *Império Bonança – Companhia De Seguros, SA*

In terms of Império Bonança's internal organisation, work continued to proceed during 2007 with the objective of achieving greater efficiency in its internal architecture, owing to its integration in the back office structures of Fidelidade Mundial since becoming a member of the CGD Group in 2005.

2007 was also characterised by customer fidelity and retention activities, in terms of market position and strategy, pursuant to which several measures, designed to reduce the rate of the cancellation of policies, together with the launch and sale of new products on the basis of a customer segmentation and satisfaction approach, were adopted. In addition to the traditional, comprehensive offer targeted at individual customers and companies, new financial products such as Dupla Garantia, Renda Certa Mais, Garantido 4.14 per cent. and end of year financial supplements were launched in 2007.

In 2007 Império Bonança once again defined its position on the basis of its "Look on the Bright Side", communication strategy designed to improve proximity with customers and alerting people to risk because risk is ever-present, while adopting an optimistic approach.

Measures designed to promote activity, essentially targeted at the traditional mediation channel were also taken during that year and particularly included:

- The development of a new product designed to counteract the trend towards losses on motor insurance;
- More competitive prices with greater customer segmentation and incentives to pay premiums by direct debit;
- Life insurance products, in the retirement products range, reformulation of the permanent retirement savings plan product offer and, at the end of 2007, the launch of a special retirement savings plan, reinforcing the brand's market position;
- In the case of capitalisation products CGD committed to the launch of a special traditional guaranteed income products series as an alternative to taking in structured savings instruments, as in prior years; and
- In the sphere of personal life risk insurance protection for the Assurefinance business, the launch of a new life insurance policy associated with CGD mortgage lending agreements.

CGD's premium sales were down 2.5 per cent. in 2007 over 2006 to €643 million, essentially owing to the 4.7 per cent. decrease in non-life insurance. Operations in Portugal were down 3.7 per cent. in 2007 over 2006 to €634.8 million in premiums.

During 2007, sales of life insurance were up 0.8 per cent. to €122 million, essentially deriving from the commercialisation of capitalisation products. Sales of non-life insurance premiums were down 4.7 per cent. to €512.9 million, with a reduction in most branches, except for health insurance which was up 9.3 per cent.

Claims costs were down in 2007 0.5 per cent. to €539 million. Non-life insurance processed €315 million in direct insurance indemnities (down 5.3 per cent.) with indemnities of €224 million having been paid out in life insurance, essentially relating to maturities and redemptions of capitalisation products. In the case of non-life

insurance, reference should be made to the 2007 decreases of 5 per cent. and 79.5 per cent. in claims by the motor and transport groups, respectively.

The value of assets representing technical provisions, increased to €2,181 million in 2007, exceeding liabilities by an amount of €224 million with a cover rate of 111.4 per cent. An analysis of the assets portfolio shows an increase in credit securities as opposed to deposits and cash in comparison with 2006.

Império Bonança's net income was up 7.9 per cent. in 2007 over the previous year to €31.3 million, including €532 thousand from its foreign operations.

## **Group Business Activities Abroad**

### *Branches and Banking Subsidiaries*

In 2007 CGD Group had a network of 10 bank branches – New York, London, France, Luxembourg, Zhuhai (People's Republic of China), Timor Lorosae, Grand Cayman, Monaco, Spain and Madeira Offshore Branch – and 7 subsidiaries – Banco Caixa Geral (Spain), Banco Comercial e de Investimentos (Mozambique), Banco Comercial do Atlântico (Cape Verde), Banco Interatlântico (Cape Verde), Banco Nacional Ultramarino (Macau), Mercantile Bank (South Africa) and Caixa Geral de Depósitos Macau Offshore Branch. CGD's branch office network operated with resident Portuguese communities, providing support to the operations of Portuguese companies abroad, as a retail, corporate and investment bank.

The said branch offices and subsidiaries recognised balances on their loans and advances to customers accounts of €11.4 billion (up 27.5 per cent. over 2006) and customer deposits of €9.3 billion (up 11.1 per cent.) as of 31 December 2007.

In terms of net assets (after intra-Group relationships), the branch office total, at the end of 2007, comprised €9.4 billion (up 9.3 per cent. over 2006) and banking subsidiaries €8 billion, i.e. 9 per cent. and 7.6 per cent. of the CGD Group total respectively.

### *Spain*

The Spanish economy performed well in 2007, with GDP growth of 3.8 per cent., in comparison to last year's 3.9 per cent. As in the previous three years, growth continued to be based on domestic demand, with high growth in consumption (3 per cent.) and a reduction in the inflation rate to 2.8 per cent. in 2007 (3.6 per cent. in 2006). In 2007 the unemployment rate also performed well falling from 8.5 per cent. to 8.3 per cent. at year end.

#### *Banco Caixa Geral (Spain)*

2007 confirmed the management measures taken under Banco Caixa Geral's strategic transformation programme. Special reference should be made to the relevant 21.4 per cent. growth in turnover, based on customer focus through growing segmentation, in addition to network specialisation and the harmonised development of new products (e.g. "Hipoteca Cero 33" which won the Euro de Oro Mejor Producto Financiero del Año 2007 prize).

The objective in 2007 continued to be to position Banco Caixa Geral as the benchmark operator in terms of the economic relationship between Portugal and Spain. Reference should be made to the Best Portuguese Company in Spain, award from the Spanish-Portuguese Chamber of Commerce and Industry.

In terms of support areas, performance on the development of technological improvements, together with the growing optimisation of the operational processes generated by functional evolutions in the bank's organisational structure were also fundamental in terms of this consolidation during 2007.

In terms of organic development in 2007, work continued to be performed on business network expansion with the opening of a further 20 branch offices, reflecting a growth of 10.6 per cent.

Banco Caixa Geral's consolidation and growing sustainability in the Spanish market was also enhanced during 2007 by the linkage with other CGD Group entities in Spain, such as CGD España (branch), Caixa BI and Fidelidade Mundial, whose activities made it possible to increase the number of new business opportunities and consequently provide CGD Group with added value.

In 2007 the bank's total assets were up 81.2 per cent. owing to the 248 per cent. increase in loans and advances to credit institutions and 39.1 per cent. increase in loans and advances to customers, particularly in the corporate segment (up €811.8 million) and residential mortgage lending (up €408.6 million), and foreign operations.

Net income of €10.8 million in 2007 against the 2006 figure of €584 thousand, reflected the impact of higher turnover and account consolidation.

#### *Cape Verde*

Economic growth in Cape Verde in 2007 was higher than expected, with a GDP of 6.4 per cent. against 6.1 per cent. in 2006. Inflation, at 4.5 per cent. was lower than in 2006.

There was an increase in foreign exchange reserves owing to the growth of exports in 2007, net of services and foreign direct investment which reached all-time highs in guaranteeing 4.1 import months at 31 December 2007.

#### *Banco Comercial do Atlântico*

BCA had the largest branch office network in 2007 with 27 branches. It was committed to strong, dynamic communication, in line with its customers' demands and expectations, having reinforced its commitment to customer segmentation and retaining their loyalty, helping to maintain its image as the largest and leading bank in Cape Verde, not only in terms of market share but also in terms of rigour and quality.

There was an increase of around 11.4 per cent. in the bank's local currency net assets during 2007, particularly including, in balance sheet terms, the 4.5 per cent. growth in the net credit portfolio, 79.6 per cent. growth in loans and advances to credit institutions and 10.7 per cent. growth in customer deposits offset by a slight decrease in the value of the securities portfolio for the same period.

Net income in 2007 was CVE 1,130 million against losses of CVE 90.7 million as at 31 December 2006. The surplus balance on the provisions for employees healthcare liabilities provision, set up in 2006, was cancelled and recognised in net income for 2007.

Reference should be made to the launch of the new Western Union, BCA-Conta Crescente, BCA Credi +, BCA Casa não Residentes and BCA Imobiliária products during 2007. BCA remained highly committed to electronic payments media to facilitate its customers' operations. BCA installed 6 ATMs in 2007, to a total of 36 ATM installations. Its internet banking service, which was the first virtual banking system in Cape Verde, had 8,106 customers as at 31 December 2007, having grown 28 per cent. over 2006. Reference should also be made to the bank's issue of a further 23.3 thousand cards, in 2007, against 19 thousand in 2006. 52 per cent. of the 44,000 cards produced by the system in 2007, were BCA.

#### *Banco Interatlântico*

2007 was one of the best years in Banco Interatlântico's history. The bank succeeded in achieving a level of excellence ranking it as one of the best banks in Cape Verde's banking system with balance sheet growth levels higher than the growth recorded in Cape Verde and the banking system average. This result was achieved notwithstanding the fact that the same 5 branch office network was retained, as the Santa Maria branch only opened on 21 December 2007.

BI's performance in 2007 over 2006 particularly included a 67 per cent. increase in the size of its credit portfolio, positively impacting net and non-interest income with increases of 35 per cent. and 56 per cent., respectively. Net operating income increased 41 per cent. and net income 52 per cent.

#### *Mozambique*

The Mozambique economy recorded an appreciable level of economic growth in 2007, with real GDP expanding by 7.5 per cent. in third quarter 2007 and by an annual average of around 7.5 per cent. over the last 5 years. Accumulated inflation was 10.3 per cent. against the preceding year's 9.4 per cent. Economic buoyancy was fuelled by the start-up of several major international investment projects and significant progress has been made in key economic sectors. Reference should also be made to the significant improvement in the trade balance during 2007 and maintenance of net international reserves levels of more than 4 import months since 2006.

The metical was relatively stable up to mid October 2007, having appreciated in value against the USD, € and ZAR during the rest of the year.

The growth rate of credit to the private sector was around 13.7 per cent. at the end of 2007, with a volume of deposits of more than 25 per cent.

### *BCI Fomento*

BCI had more than 90 thousand customers at the end of 2007, comprising an increase of 7 per cent. over 2006. Owing to the dynamism of its business approach BCI Fomento continues to be a leading company in Mozambique's banking market with a market share of 23.4 per cent. in total system assets, 28.7 per cent. in credit and 23.1 per cent. in resources, putting it in second place in terms of assets and credit and third place in volume of deposits.

BCI-Fomento's local currency net assets increased by around 33 per cent. during 2007, with a highly favourable 37 per cent. increase in deposits, 76 per cent. increase in securities investments and, to a lesser degree 8 per cent. increase in loans and advances to customers since 2006.

Net income was MZM 424.9 million in 2007 against MZM 512 million in 2006.

### *China-Macau*

Macau's economy recorded a high level of growth in 2007 with a 30.9 per cent. increase in GDP by the end of the third quarter, against a figure of around 17 per cent. in 2006. Inflation, at 5.7 per cent., was higher than last year.

The highly positive evolution of the tourism sector and increased private investment on the construction of new hotels, casinos, houses and office buildings, continued to be decisive factors in economic growth during 2007.

The mainland China and Hong Kong economies, as the principal markets of origin of tourists visiting Macau, also continued to record high growth rates in 2007. Economic growth in China was, at 11.4 per cent., the highest of 13 years prior to 2007. In Hong Kong, a territory in which the financial, tourism and logistics sectors are largely dependent on the evolution of the mainland China economy, growth was 6.2 per cent. for the year ended 31 December 2007.

### *BNU, SA (Macau)*

In an increasingly competitive market, the bank adjusted its strategy to the new circumstances of an economy undergoing profound structural change in 2007, as Macau developed as a conference, exhibition and entertainment centre for China and Asia.

During 2007 BNU's principal strategy policies were to achieve a sustained and diversified revenue stream in the form of a balanced contribution between commercial and retail banking and an increased proportion of commissions charged in net operating income terms in addition to the efficient allocation of human and financial resources.

In 2007 the principal objective in the retail banking area was to increase the number of products sold to each customer and provide even more attractive options in the credit card, consumer credit, housing and investment products areas.

During 2007 an important aspect of the defined strategy was the bank's involvement in financing tourism sector projects, notably hotel/casino complexes as the sector with the highest growth and profitability potential as well as in 2007 new small and medium sized enterprises operating in the services area.

Providing for the significant increase in its customer base, BNU opened a new branch in Cotai's Venetian-Macau complex in 2007, in which special reference should be made to the launch of internet banking for companies whose functionalities provide for the operational requirements of both small and large companies.

To provide for the marked increase in the volume of transactions, resulting from the growing number of tourists visiting Macau and the increase in the resident population, BNU committed in 2007 to making the necessary investments to update and increase the processing capacity of operational platforms, particularly its ATM networks, payment terminals and internet banking services.

Reference should be made to the strong growth of the volume of activity in various business areas, once again generating a highly expressive level of results in 2007.

Net assets were up 26.6 per cent. in 2007 to 30 billion patacas at 31 December 2007. A contributory factor was the loans and advances to individual customers portfolio, with growth of 68.5 per cent., mainly on account of the expansion of mortgage lending, together with a 40.8 per cent. increase in corporate credit.

During 2007, the customer deposits portfolio also recorded significant growth of 26 per cent., with the bank continuing to be a creditor in the Interbank market, notwithstanding the expansion of its lending.

Net income was up 50 per cent. in 2007 to €399.7 million patacas.

The solvency ratio, calculated under AMCM rules, was 17.6 per cent. as at 31 December 2007.

### **Investment Banking**

Caixa-Banco de Investimento (CaixaBI) – the Group’s investment banking platform, operating in conjunction with CGD’s commercial and financial structures, particularly its Major Enterprises and Financial Markets Divisions – consolidated its lead position as a benchmark operator during 2007 in various operating areas, particularly in project finance, financial advisory services and as the lead manager in primary share and bond market issues.

CaixaBI expanded its presence in Spain in 2007 through its Madrid branch, and intensified contacts in its customers’ operating locations. Customer and market proximity translated into an international business contribution of around 1/3 of the bank’s net operating income for 2007.

The highly regarded Euromoney magazine awarded the bank Best Investment Bank in Portugal status in 2007 on the basis of its high level of performance.

#### *Domestic Corporate*

Special reference should be made to two structured finance operations in which the bank was involved in 2007 in terms of organisation and joint lead management: acquisition of the credits on the part of the costs, not reflected in the tariffs defined by ERSE for 2006 and 2007, incurred on tariff convergence between the mainland and the Autonomous Region of the Azores from EDA – Electricidade dos Açores, for approximately €112.5 million, and an identical acquisition operation with EEM–Empresa de Electricidade da Madeira, for the amount of around €63 million.

There was a significant increase in the number of commercial paper issue programmes agencied by CaixaBI, 158 in 2007 against 84 in 2006. Particular reference should be made to the bank’s involvement in the SME segment with 61 new programmes for a global amount of €224.2 million.

CaixaBI acted on 979 issues totalling more than €19.5 billion under the said programmes in 2007 in comparison to the preceding year’s €10 million.

#### *Corporate International*

In 2007 the bank continued to perform cross-border operations as part of its internationalisation process in this business area, particularly in Brazil and Spain.

CaixaBI also consolidated its leading position in the financial advisory area in 2007, having come in one of the top positions in the mergers and acquisition ranking in Portugal, as measured by the number of operations.

#### *Project Finance*

2007 was an equally relevant year in project finance terms, with an increasingly well developed international base, particularly in the Spanish market where CaixaBI was the ninth MLA institution in terms of the project finance loans ranking on the Iberian Peninsula.

#### *Capital Market –Public Debt*

Under the terms of the Public Debt and Management Programme, the guidelines for minimising long term debt costs and non-exposure to excessive risks translated in 2007 into the launch of five new treasury bills series in parallel with a treasury bonds issue.

Total debt issues for 2007 were €91 billion.

Treasury bills were the principal funding instrument in the tradable debt domain during 2007 with €11.1 billion, followed by €9.7 billion in treasury bonds. By the end of 2007 IGCP had launched a new 10 year benchmark treasury bond (4.35 per cent. due October 2017), for the amount of €3 billion, with CaixaBI operating as co-lead manager in its capacity as a specialised treasury securities trader.

Non-tradable debt included the issue of €30.8 billion in CEDICs (“Special Public Debt Certificates”) in 2007.

Under the terms of debt cost reduction, the Debt Exchange Programme enabled the repurchase of several treasury bonds on the MTS Portugal platform in addition to the organisation of repos auctions in 2007.

#### *Capital Market – Private Debt*

CaixaBI consolidated its status as the Portuguese primary bonds market benchmark operator in 2007, having been involved in 26 issues, 11 of which with lead manager status.

Notwithstanding a certain retraction in growth, the capital market provided the bank with several opportunities that year, such as:

- Global coordinator and bookrunner for Parpública’s issue of convertible bonds on EDP - Energias de Portugal shares (7th privatisation stage) for the amount of €1,015 million.

- Global coordinator and bookrunner for the REN – Redes Energéticas Nacionais IPO for the amount of €348.7 million.

On the secondary market and after good first half market performance, the second half of 2007 witnessed a high level of volatility and falling prices in which the bank intermediated transactions for the amount of €14.6 billion, comprising a market share of 11 per cent. It was the 3rd biggest bank by trading according to CMVM data.

On Caixa Group’s online channel, 2007 was the best ever year for Caixadirecta Invest, whose number of active customers almost doubled. This increase, allied with market performance, generated a 141 per cent. in increase in the intermediation volume over 2006.

#### *CGD Own Issues*

In light of the unfavourable performance of most market segments, particularly in the second half of 2007 and with the aim of optimising costs, CGD’s financing policy for 2007 was generally targeted at the covered bonds area, with a second public issue of €2 billion and a maturity period of 5 years together with three private operations totalling €1,350 million.

During 2007 a total amount of €2,113 million was issued under the EMTN Programme on the private market, of which around €860 million was raised for other Group companies. The outstanding balance, comprising an increase of around €200 million over 2006, was €7.6 billion by the end of 2007.

Growing demand from investors, over the short term, and the objective of replacing money market resources, led to CGD’s maintenance during 2007 of its funds taking strategy comprising issues of Euro Commercial Paper (ECP) and, to a lesser extent USCP, having an outstanding balance of around €5 billion on the ECP at the end of 2007.

Financing, in the second half of 2007, included the issue of subordinated Lower Tier II debt placed in the retail segment – Subordinated Cash Bonds 2007/2017 – in two tranches for a global amount of €481.6 million.

#### *Lines of Credit*

CGD took out a €100 million line of credit with EIB-European Investment Bank in 2008 for companies with a moderate line of capital to support research, development and innovation, information and communication technologies, health and environmental sustainability.

#### *Private Equity*

CGD Group’s venture capital area invested a total amount of €144.9 million in 2007, of which €50.6 million was invested in new fund subsidiaries and €94.3 million in currently existing portfolio investments.

### **Recent Developments**

#### **Relationship With Portuguese Government**

CGD is exclusively owned by the Portuguese Government and is regulated by general and specific regulations applicable to credit institutions and legislation applicable to public limited companies. The public nature of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD has complete autonomy in administrative and financial matters.



CGD's corporate objects are the performance of banking operations pursuant to the terms defined in its articles of association and subject to the scope of the limitations defined in applicable legislation. CGD provides the Portuguese Government with banking services in competition with other banks. CGD is additionally able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese Government as shareholder are exercised by a representative appointed in a regulation issued by the Portuguese Minister of Finance.

### **Analysis of Consolidated Accounts for the year 2008**

CGD Group's consolidated net income, for 2008, was down 46.4 per cent. to €459 million against €856.3 million in 2007, notwithstanding the highly positive contribution made by the 13.1 per cent. increase in net operating income from banking and insurance operations. The decrease reflects the highly adverse effects of the financial markets crisis, which led to the depreciation of financial investments and securities portfolios in general and to the need to account for the respective losses. This was particularly the case for the €220 million and €262.2 million equity investments in Banco Comercial Português, S.A. ("BCP") and ZON Multimédia, Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), respectively.

Net interest income, including income from equity instruments, was up 8.3 per cent. to €2,201.4 million, divided into net interest income, with a 7.3 per cent. increase to €2,081.2 million and income from equity instruments (dividends), with a 29.4 per cent. increase to €120.3 million, all compared to 2007.

Net commissions were up 6 per cent. to €418.8 million compared to 2007. Special reference should be made to the increase of 14 per cent. in commissions on payment media, 12 per cent. on services and 8.5 per cent. on lending. This was offset by a 22 per cent. drop in commissions on asset management.

In 2008, income from financial operations totalled €246.6 million. The €162.2 million increase over 2007 was influenced by the negative impact of the revaluation of securities portfolios held for trading at market prices (mark-to-market) and consequent recognition of capital losses as actual losses, even if, to a large extent, unrealised and which were offset by the €156 million in capital gains resulting from CGD's disposal of its equity investments in REN-Redes Energéticas Nacionais SGPS, S.A. and ADP-Águas de Portugal SGPS, S.A., comprising 15 per cent. of the said companies' share capital.

There was a 6.2 per cent. reduction (€34.3 million) in 2008 over the preceding year's contribution of €515 million to the CGD Group's net operating income from the technical margin on insurance operations.

In 2008, the 1.3 per cent. reduction in the volume of earned premiums, net of reinsurance, to €2,213.7 million in comparison with the preceding year was offset by the favourable 3.4 per cent. reduction in claims costs, net of reinsurance to €1,805.6 million. Cautiousness in the management of portfolios enabled a reduction in the overall claims rate, the difference between premiums earned and claims received representing a 9 per cent. increase (of €33.8 million) over the preceding year's numbers to €408.1 million.

The decrease in this margin is explained by the 26.9 per cent. reduction of €83.7 million in income and gains on investments allocated to insurance contracts which were affected by losses of €58.8 million on the disposal and valuation of investments, which had contributed an amount of €40.6 million in the preceding year. The results are in line with the negative performance of financial markets.

As a result of the above, net operating income from banking and insurance operations was up 13.1 per cent. to €3,561.2 million for 2008.

Operating costs were up 5.9 per cent. (€103 million) to €1,838.7 million in 2008, owing to increases of 6.5 per cent. in costs with employees, 3.9 per cent. in other administrative expenses and 11.4 per cent. in depreciation and amortisation over the 2007 figures. Due note should, however, be taken of the fact that the increases in employee costs and other administrative expenses on banking operations, in Portugal, were 4.7 per cent. and 1.4 per cent., respectively, reflecting the implementation of a series of cost-cutting initiatives that have taken place in CGD. The most significant cost increases occurred in international operations and the insurance sector, the latter associated with the opening of HPP – Hospitais Privados de Portugal SGPS, S.A.'s two new hospitals, in 2008, and early retirements and indemnities paid on the termination of employment, under the terms of the new organisational structure currently being implemented.

For 2008, taking net operating income and operating costs into account, gross operating income was up 21.9 per cent. over 2007 to €1,722.5 million.

Provisions appropriations and impairment on other assets were up €551.3 million in 2008 over the preceding year to €643.5 million. The latter account heading included an amount of around €482 million on the equity investments in BCP and ZON, in addition to impairment of €122.1 million on other portfolio shares of Caixa Seguros e Saúde, SGPS, S.A. Credit impairment, net of reversals, raised by 79.4 per cent. to €447.6 million.

### Profit and Loss Account

	As at 31 December		Change	
	2007	2008	Amount	%
		(€ million)		
Interest and similar income.....	5,910.1	7,325.5	1,415.4	23.9%
Interest and similar costs.....	3,971.0	5,244.4	1,273.3	32.1%
Income from equity instruments.....	92.9	120.3	27.4	29.4%
<b>Net Interest income, including income from equity investments.....</b>	<b>2,032.0</b>	<b>2,201.4</b>	<b>169.4</b>	<b>8.3%</b>
Income from services and commissions.....	491.0	532.7	41.7	8.5%
Costs from services and commissions.....	96.0	113.9	17.9	18.6%
Income from financial operations .....	84.3	246.6	162.2	192.4%
Other net operating income.....	88.8	179.5	90.6	102.0%
<b>Non-interest income.....</b>	<b>568.1</b>	<b>844.8</b>	<b>276.7</b>	<b>48.7%</b>
Premiums net of reinsurance.....	2,242.8	2,213.7	(29.1)	(1.3%)
Investment income allocated to insurance contracts.....	310.8	227.1	(83.7)	(26.9%)
Claims costs (net of reinsurance).....	1,868.4	1,805.6	(62.8)	(3.4%)
Commissions and other associated income and costs.....	(135.9)	(120.3)	15.6	11.5%
<b>Technical margin on insurance operations....</b>	<b>549.2</b>	<b>515.0</b>	<b>(34.3)</b>	<b>(6.2%)</b>
<b>Net operating income from banking and insurance operations.....</b>	<b>3,149.3</b>	<b>3,561.2</b>	<b>411.9</b>	<b>13.1%</b>
Employee costs .....	942.2	1,003.8	61.6	6.5%
Other administrative costs.....	650.7	675.9	25.2	3.9%
Depreciation and amortisation	142.7	159.0	16.3	11.4%
<b>Operating costs and depreciation</b>	<b>1,735.7</b>	<b>1,838.7</b>	<b>103.0</b>	<b>5.9%</b>
<b>Gross operating income.....</b>	<b>1,413.6</b>	<b>1,722.5</b>	<b>308.9</b>	<b>21.9%</b>
Provisions net of cancellations.....	92.2	643.5	551.3	597.9%
Impairment on credit and other assets, net of reversals.....	249.4	447.6	198.2	79.4%
<b>Provisions and impairment.....</b>	<b>341.6</b>	<b>1,091.0</b>	<b>749.4</b>	<b>219.3%</b>
Income from associated companies.....	3.2	30.4	27.2	864.5%
<b>Tax</b>				
Current.....	315.2	322.9	7.7	2.4%
Deferred.....	(137.6)	(166.2)	(28.5)	20.7%
<b>Consolidated net income for the period</b>				
Of which:				
Minority shareholders' interests.....	41.3	46.1	4.8	11.7%
<b>Net Income attributable to CGD shareholder.....</b>	<b>856.3</b>	<b>459.0</b>	<b>(397.3)</b>	<b>(46.4%)</b>

### Efficiency Ratios

In 2008, there was a significant improvement in the CDG Group's cost-to-income ratio, which was brought down from 55.1 per cent. in 2007 to 51.2 per cent. in respect of the CDG Group's banking and insurance operations and from 52.5 per cent. to 46.1 per cent. in respect of banking operations.

	As at 31 December	
	2007	2008
	%	
Cost-to-income (banking).....	52.5%	46.1%
Cost-to-income (banking and insurance).....	55.1%	51.2%
Employee costs/Net operating income.....	29.9%	27.9%
Net operating income/Average net assets.....	3.19%	3.34%

In 2008, net return on shareholder's equity ("ROE") was 9.6 per cent. (12.6 per cent. before tax). Net return on assets ("ROA") was 0.47 per cent. (0.61 per cent. before tax).

### Profit Ratios

	As at 31 December	
	2007	2008
	%	
Gross return on shareholders' equity.....	20.5%	12.6%
Net return on shareholders' equity .....	17.1%	9.6%
Gross return on assets .....	1.09%	0.61%
Net return on assets .....	0.91%	0.47%

*Note: Considering average shareholders' equity and net assets values.*

### Balance Sheet

There was a 7.2 per cent. increase of €7.5 billion in CDG Group's net assets to €111.1 billion at the end of 2008, in comparison to the same date last year, largely as a result of the evolution verified in loans and advances to customers.

There was also a 12.9 per cent. increase (€8.8 billion) in loans and advances to customers (gross) to €77.4 billion over the same period, mainly fuelled by a 16.1 per cent. increase in corporate loans and 5.9 per cent. increase in mortgage lending.

**Consolidated Balance Sheet**

	As at 31 December		Change	
	2007	2008	Amount	%
	(€ million)			
<b>Assets</b>				
Cash and cash equivalents at central banks .....	1,926	1,898	(28)	(1.4%)
Loans and advances to credit institutions.....	5,742	6,170	427	7.4%
Loans and advances to customers.....	66,844	75,311	8,467	12.7%
Securities investments.....	22,990	21,339	(1,651)	(7.2%)
Investment properties.....	410	321	(89)	(21.7%)
Investment in subsidiaries and associated companies.....	317	87	(230)	(72.6%)
Intangible and tangible assets.....	1,388	1,438	49	3.6%
Current tax assets.....	30	41	11	38.2%
Deferred tax assets.....	683	1,067	384	56.2%
Technical provisions on outwards reinsurance... ..	234	240	6	2.5%
Other assets.....	2,989	3,148	159	5.3%
<b>Total assets.....</b>	<b>103,554</b>	<b>111,060</b>	<b>7,506</b>	<b>7.2%</b>
<b>Liabilities</b>				
Resources from central banks and other credit institutions.....	8,841	6,952	(1,889)	(21.4%)
Customer resources.....	54,039	60,128	6,089	11.3%
Financials liabilities.....	1,194	2,214	1,020	85.5%
Debt securities.....	16,231	19,929	3,698	22.8%
Provisions.....	937	742	(195)	(20.8%)
Technical provisions for insurance operations... ..	7,674	7,192	(482)	(6.3%)
Subordinated liabilities.....	2,667	3,145	477	17.9%
Other liabilities.....	6,430	5,274	(1,156)	(18.0%)
<b>Total liabilities.....</b>	<b>98,013</b>	<b>105,576</b>	<b>7,563</b>	<b>7.7%</b>
<b>Shareholders' equity.....</b>	<b>5,541</b>	<b>5,484</b>	<b>(57)</b>	<b>(1.0%)</b>
<b>Total liabilities and equity.....</b>	<b>103,554</b>	<b>111,060</b>	<b>7,506</b>	<b>7.2%</b>

In 2008, around 80 per cent. of the total loans and advances to customers result from CGD's operations in Portugal. Reference should be made, in the case of other CGD Group companies, to the 13.2 per cent. increase of €575 million since 2007 resulting from Banco Caixa Geral S.A.'s (Spain) activities and the 22.5 per cent. increase of €613 million since 2007 in respect of Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A..

Domestic mortgage lending (€3,739 million) was down 18.1 per cent. in 2008 over 2007, in line with the downturn in the property market.

## Loans and Advances to Customers<sup>(a)</sup>

	As at 31 December 2007	As at 31 December 2008	Change %
		(€ million)	
Corporate.....	27,957	35,655	27.5%
Central and local government.....	2,658	3,006	13.1%
Individual customers.....	37,958	38,771	2.1%
Mortgage lending <sup>(b)</sup> .....	32,780	35,361	7.9%
Other <sup>(b)</sup> .....	5,178	3,410	(34.1%)
<b>Total</b> .....	<b>68,573</b>	<b>77,432</b>	<b>12.9%</b>

(a) Before impairment.

(b) Includes securitised loans.

For 2008, asset quality, measured by the non-performing loans ratio, calculated in accordance with the regulations approved by the Bank of Portugal, was set at 2.33 per cent. and the total overdue credit ratio was 2.38 per cent. The ratio of credit overdue by more than 90 days was 2 per cent., against 1.8 per cent. in December 2007.

Accumulated impairment on loans and advances to customers (normal and overdue) at the end of December 2008 was €2,121.1 million. Cover on credit overdue for more than 90 days was 137.3 per cent. against the 2007 figure of 137.9 per cent.

### Asset Quality Ratios

	As at 31 December	
	2007	2008
	%	
Non-performing credit / total credit <sup>(a)</sup> .....	2.07%	2.33%
Overdue credit / total credit.....	2.08%	2.38%
Overdue Credit > 90 days / total credit.....	1.83%	2.00%
Non-performing loans cover.....	120.1%	117.5%
Overdue credit cover.....	121.4%	115.1%
Cover on credit overdue > 90 days.....	137.9%	137.3%

(a) Bank of Portugal method.

Securities investments, including the CGD Group insurance companies' investment operations, were down by 2.7 per cent. in December 2008 from December 2007 to €21.3 billion, as follows:

### Securities investments<sup>(a)</sup>

	As at 31 December		
	2007 <sup>(b)</sup>	2008	Change
	(€ million)		%
Banking.....	12,666	11,981	(5.4%)
Insurance.....	10,508	9,358	(10.9%)
<b>Total</b> .....	<b>23,173</b>	<b>21,339</b>	<b>(7.9%)</b>

(a) After impairment.

(b) Considering the amount of the transfer from the securities portfolio to credit in line with the year 2008 reclassification procedure.

Cash and cash equivalents and loans and advances to credit institutions were up 5.2 per cent. to €8.1 billion in 2008, with €7 billion in resources having been secured from the same entities (down 21.4 per cent. from December 2007).

Total resources taken by the CGD Group (excluding the Interbank money market) were up 7.8 per cent. in comparison to 2007 to €98.3 billion. These were split up between balance sheet resources of €88.1 billion (an increase of 12.2 per cent.) and off-balance sheet resources of €10.2 billion (a decrease of 19.9 per cent.).

Retail resources in the balance sheet, influenced by the 9.7 per cent. increase in customer deposits, were up 8.7 per cent. to €66.8 billion during 2008.

#### Resources taken by the CGD Group

	As at 31 December		Change %
	2007	2008	
	(€ million)		
<b>Balance sheet:</b> .....	<b>78,512</b>	<b>88,127</b>	<b>12.2%</b>
<b>Retail</b> .....	<b>61,466</b>	<b>66,828</b>	<b>8.7%</b>
Customer deposits.....	50,593	55,484	9.7%
Capitalisation insurance <sup>(a)</sup> .....	8,699	9,398	8.0%
Other customer resources.....	2,174	1,945	(10.6%)
<b>Institutional investors</b> .....	<b>17,046</b>	<b>21,300</b>	<b>25.0%</b>
EMTN.....	6,231	7,354	18.0%
ECP and USCP.....	4,544	6,078	33.7%
Nostrum Mortgage and Nostrum Consumer.....	879	696	(20.9%)
Covered bonds.....	5,391	5,922	9.8%
Bonds guaranteed by the Portuguese Republic.....	—	1,250	—
<b>Off-balance sheet:</b> .....	<b>12,715</b>	<b>10,183</b>	<b>(19.9%)</b>
Investment units in unit trust funds.....	7,488	4,962	(33.7%)
Caixagest.....	6,217	3,614	(41.9%)
Fundimo.....	1,271	1,348	6.0%
Pension fund.....	1,452	1,578	8.6%
Wealth management <sup>(b)</sup> .....	3,775	3,644	(3.5%)
<b>Total</b> .....	<b>91,227</b>	<b>98,310</b>	<b>7.8%</b>

(a) Including fixed-rate insurance and unit-linked products.

(b) Does not include the CGD Group insurance companies portfolio.

A more aggressive deposit taking approach in 2008 has been successful regarding term deposits and savings accounts with an increase of 19.4 per cent. to 67.8 per cent. of the total, in comparison to 62.3 per cent. in 2007. This is an indicator that customers are returning to this type of more traditional investment.

In 2008, there was a 25 per cent. increase of €4.3 billion in the balance in resources taken from institutional investors in the form of own issues. Reference should be made to the €1.25 billion bond issue guaranteed by the Portuguese Republic, in addition to the contribution made by the issue of securities under the commercial paper programme, with a 33.7 per cent. increase of €1.5 billion. There was a 9.8 per cent. increase of €0.5 billion in the issue of covered bonds during the year to €5.9 billion, essentially by means of private issues.

CGD raised a total amount of €3,106 billion in funds under the Programme during 2008, of which €1,356 billion was raised by means of private issues. Reference should be made to the €100 million issue in Lower Tier II subordinated debt. The remaining €1.75 billion corresponded to a public Floating Rate Notes issue on the senior market with a maturity of 2 years, concluded in April.

CGD was the first entrant into the market for debt issues guaranteed by the Portuguese Republic, in December 2008, with a €1.25 billion bond issue. This fixed-rate issue with a maturity of 3 years won widespread market acceptance, taking into account the placement price, equivalent to the mid-swaps rate plus 85 bp and the expressive demand from investors, causing the initially offered amount of €1 billion to be increased by 25 per cent.

CGD was highly active in the Euro Commercial Paper (“ECP”) market during 2008, benefiting from investors’ preference to place their trust in Caixa. The outstanding balance on the ECP programme, which was increased to €10 billion at the beginning of 2008, was more than €6.5 billion, in mid year. This intensive use of the ECP programme was accompanied by significant savings in comparison to market benchmarks, enabling CGD to achieve significant cost reduction in terms of short term finance.

There was a 19.9 per cent. annual reduction of €2.5 billion in “off-balance-sheet” resources in 2008, deriving from the 41.9 per cent. fall in the value of unit trust funds managed by Caixagest – Técnicas de Gestão de Fundos, S.A., which were also affected by the financial crisis. Property and pension funds, however, posted increases of 6 per cent. and 8.6 per cent., respectively, over 2007.

In 2008, there was a 1 per cent. decrease of €57 million in the CGD Group’s shareholders’ equity since December 2007, to €5.5 billion.

There was also a significant reduction (of €1,254 million) since December 2007 in the fair value reserves account heading, owing to the international financial crisis which was responsible for potential capital losses on several financial assets affecting shareholders’ equity.

Reference should also be made to the share capital increases of €150 million at year end 2007 and €400 million in August 2008, designed to achieve adequate solvency ratios for the CGD Group’s development in view of the constraints deriving from the current financial crisis.

#### Shareholders’ equity

	<b>As at 31 December 2007</b>	<b>As at 31 December 2008</b>
	(€ million)	
Share capital .....	3,100	3,500
Fair value reserves .....	381	(873)
Other reserves.....	813	1,464
Retained earnings.....	-309	-222
Minority shareholders’ interests.....	700	1,157
Net income for period.....	856	459
<b>Total</b> .....	<b>5,541</b>	<b>5,484</b>

#### Solvency Ratio

The December 2008 consolidated solvency ratio, determined under the Basel II regulations, was 10.7 per cent. The Core Tier I and Tier I ratios changed positively, at 6.8 per cent. and 7 per cent., respectively. These ratios include retained earnings.

There was a growth of around €5,845.9 million in weighted assets risk in 2008 compared to 2007. €4,521 million of this amount is associated with the introduction of operational risk (calculated by the basic indicator method). CGD uses the standardised approach for its credit risk.

The improvement in capital ratios is essentially based on the €400 million capital increases and the self-sufficiency in terms of cash generation, which absorbed the impairments on available for sale assets and the reinforcement of minority shareholders’ interests.

Negative contributions particularly included the depreciation of the available for sale assets portfolio, payment of dividends and the effect of operational risk on assets at risk.

#### Board of Directors, General Meeting, Supervisory Board and Statutory Auditor of CGD

##### General

Pursuant to Decree-law no. 287/93 of 20 August 1993, the Issuer must at all times be held by the Portuguese State. The Issuer may, on a contractual basis, undertake special functions considered to be of national interest. There are three corporate bodies within the Issuer: the Board of Directors (“*Conselho de Administração*”), the General Meeting (“*Assembleia Geral*”) and the Supervisory Board (“*Conselho Fiscal*”). The General Meeting is conducted under the direction of a General Meeting Board (“*Mesa da Assembleia*”).

*Geral*”). The members of the Board of Directors, Supervisory Board and the General Meeting Board are elected by the General Meeting. Since the Portuguese State holds the entire share capital of the Issuer, all such members are selected by the Portuguese Government. The Board of Directors is composed of nine members, a President, one or two Vice-Presidents and five to seven Executive Directors, who are elected for a three year period. The term of office of the current members of the Board of Directors will cease on 31 December 2010. The Board of Directors is responsible for the management, administration and representation of the Issuer. The Portuguese State is represented by the Ministry of Finance in the General Meeting. The Supervisory Board assists in the preparation of the Issuer’s own and consolidated accounts. The Issuer has also a Statutory Auditor (“*Revisor Oficial de Contas*”) responsible for certifying the same accounts (“*revisão oficial de contas*”), which is also elected by the General Meeting.

*Board of Directors*

The following are the members of the Board of Directors of CGD, the business address of which is the Issuer’s head office:

<b>Name</b>	<b>Title</b>	<b>Position in other corporations, if any</b>
Fernando Manuel Barbosa Faria de Oliveira.....	Chairman	Member of the General Council and Supervisory Board of EDP – Energias de Portugal, SA. and Chairman of Parcaixa, SGPS, SA.
Francisco Manuel Marques Bandeira..	Vice-Chairman	Vice Chairman of the Board of Directors of Banco Caixa Geral, SA, Member of the Board of Directors of ADP Águas de Portugal, SGPS, SA, Member of the Board of Directors of Grupo Pestana Pousadas – Investimento Turístico, SA, Member of the Board of Directors of Grupo Visabeira, SGPS, SA, Member of the Board of Directors of Portugal Telecom, SGPS, SA, Chairman of the Wages Commission of Banco Caixa Geral, SA and Member of the Wages Commission of REN – Redes Energéticas Nacionais, SGPS, SA.
Jorge Humberto Correia Tomé.....	Member	Chairman of the Board of Directors of Caixa – Banco de Investimentos, SA, Chairman of the Board of Directors of CREDIP – Instituição Financeira de Crédito, SA, Chairman of the Board of Directors of GERBANCA, SGPS, SA, Chairman of the Board of Directors TREM – Aluguer de Material Circulante, ACE, Chairman of the Board of Directors TREM II – Aluguer de Material Circulante, ACE, Member of the Board of Directors of Banco Comercial e de Investimento and Member of the Board of Directors of Portugal Telecom, SGPS, S.A., Member of the commission for monitoring and strategy of Fomentinvest, SGPS, S.A.
José Fernando Maia de Araújo e Silva	Member	Chairman of the Board of Directors of Caixa Leasing and Factoring – IFIC, SA, Chairman of the Board of Directors of Caixa Seguros SGPS, SA, Chairman of the Board of Directors of Imocaixa – Gestão Imobiliária, SA, Chairman of the Board of Directors of Locarent – Comp. Portuguesa Aluguer de Viaturas, SA, Chairman of the Board of Directors of Sogrupos IV – Gestão de Imóveis, ACE and member of the



<b>Name</b>	<b>Title</b>	<b>Position in other corporations, if any</b>
Norberto Emílio Sequeira da Rosa.....	Member	Board of Directors of EDP Renováveis, S.A. Chairman of the Board of Directors of Caixa – Participações, SGPS, SA, Chairman of the Board of Directors of CAIXATEC – Tecnologias de Comunicação, SA, Chairman of the Board of Directors of Sogrup – Sistemas de Informação, ACE, Member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, SA and Member of the Board of Directors (Non executive) of ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA.
Pedro Manuel de Oliveira Cardoso.....	Member	Chairman of the Board of Directors of Caixa – Gestão de Activos, SGPS, SA and Chairman of the Board of Directors of Sogrup – Serviços Administrativos, ACE.
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador.....	Member	Chairman of the Board of Directors of Banco Caixa Geral, S.A., Chairman of the Board of Directors of Banco Nacional Ultramarino, SA, Chairman of the Board of Directors of Parbanca, SGPS, SA (Zona Franca da Madeira), Chairman of the Wages Commission of Banco Caixa Geral, SA, Member of the Wages Commission of SIBS – Sociedade Interbancária de Serviços, SA and Member of the Wages Commission of UNICRE – Instituição Financeira de Crédito, SA.

No potential conflicts exist between any duties to the Issuer of the persons on the board of directors, as listed above, and their private interests or other duties in respect of their management roles.

The Issuer complies with the corporate governance regime in Portugal.

#### *General Meeting*

The following are the members of the General Meeting Board of CGD, the business address of which is the Issuer's head office:

<b>Name</b>	<b>Title</b>
Manuel Carlos Lopes Porto.....	Chairman
Daniel Proença de Carvalho.....	Vice-Chairman
José Lourenço Soares.....	Secretary

It is the Issuer's understanding that the members of the General Meeting Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code.

#### *Supervisory Board*

The following are the members of the Supervisory Board of CGD, the business address of which is the Issuer's head office:

<b>Name</b>	<b>Title</b>
Eduardo Manuel Hintze da Paz Ferreira.....	Chairman
José Emílio Garrido Coutinho Castel-Branco.....	Member
Maria Rosa Tobias Sá.....	Member
José Clemente Gomes.....	Substitute member
Ana Maria Ratel Barroso Reis Boto.....	Substitute member

It is the Issuer's understanding that the members of the Supervisory Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code. Furthermore, it is the Issuer's understanding that the Chairman, Eduardo Manuel Hintze de Paz Ferreira, complies with the suitability, knowledge and independency requirements set forth in the same Code.

*Statutory Auditor*

The Statutory Auditor, elected by the General Meeting for the period of 2007 to 2009, is Oliveira Rego & Associados, SROC (represented by Manuel de Oliveira Rego), member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 218, with registered office at Av<sup>a</sup> Praia da Vitória, no. 73—2<sup>o</sup> Esq. 1050-183 Lisboa, its substitute being Álvaro, Falcão & Associados, SROC, member of the Portuguese Institute of Statutory Auditors, registered with the CMVM with registration number 222, with registered office at Rua Antero de Quental, no. 639, 4200-068 Porto. Before such appointment the same entities had been appointed as Sole Auditor (“*Fiscal Único*”) and its substitute for the period of 2004 to 2007.

## DESCRIPTION OF CAIXA GERAL DE DEPÓSITOS FINANCE

### General

Caixa Geral de Depósitos Finance (“CGDF”) was registered with registration number 91802 under the Companies Law (1998 Revision) of the Cayman Islands as a company limited by shares. CGDF was founded in 1999 with an issued share capital of U.S.\$1,000, fully subscribed for and paid up by CGD. CGDF has been incorporated for an indefinite period. The authorised share capital of the CGDF is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1 each. 1,000 ordinary shares have been issued and fully-paid. CGDF’s head office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands (tel: +345 949 8066). CGDF is a wholly-owned subsidiary of CGD.

### Capitalisation

The following table sets forth the unaudited capitalisation of CGDF as at 31 December, 2008:

	U.S.\$
<b>Shareholders' Funds:</b>	
Share capital fully paid.....	1,000
Total Liabilities.....	1,561,308,335 <sup>(1)</sup>

*(1) USD equivalent of EUR 1,122 million, using the exchange rate as of 31 December 2008, EUR/USD = 1.3917*

There has been no material change in the capitalisation of CGDF since 31 December 2008.

### Business

The primary purpose of CGDF is to finance the operations of the Group through the issue of Notes pursuant to the Programme.

### Directors

The Directors of CGDF are as follows:

Name	Title	Position in other corporations, if any
Filomena Raquel da Rocha Rodrigues Pereira de Oliveira.....	Director	Senior General Manager, CGD, S.A. Financial Markets Division
José António da Silva Brito.....	Director	General Manager, CGD, S.A. Financial Markets Division
Maria da Graça Campos Dias Vieira Pires.....	Director	Deputy General Manager, CGD, S.A. Financial Markets Division
José Barata Ramos.....	Director	Deputy Manager, CGD, S.A. Financial Markets Division
Maria Eduarda Simões Lopes Branco Vicente.	Director	Assistant General Manager, CGD, S.A. Financial Markets Division
Fátima Piedade Antunes Rodrigues Valverde...	Director	Assistant General Manager, CGD, S.A. Financial Markets Division
Fernando Gonçalves Santos.....	Director	Senior General Manager, CGD, S.A. Operational Support Division
Manuel Julião Rosado Frade.....	Director	General Manager, CGD, S.A. Operational Support Division
Rui António Martins Fonseca.....	Director	Assistant General Manager, CGD, S.A. Operational Support Division

The business address of the Directors is: DMF-Direcção de Mercados Financeiros, Av João XXI, nr. 63, 1st Floor, 1000-300 Lisbon, Portugal.

No potential conflicts exist between any duties to CGDF of the persons on the board of directors, as listed above, and their private interests or other duties in respect of their management roles.

CGDF complies with the corporate governance regime in the Cayman Islands.

### General

As of 31 December 2007 CGDF had not made any investments since the date of the last published statements and there were no plans for future investments.

As at the end of 2007 CGDF's objects and purposes were unrestricted and included, without limitation, to carry on the business of an investment company and to act as promoters and entrepreneurs and to carry on business as financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and to undertake and carry on and execute all kinds of investments, financial, commercial, mercantile, trading and other operations. The objects and purposes are set out in full in paragraph 3 of the Memorandum of Association of CGDF.

### Selected Financial Information of CGDF

The tables below set out key figures that summarise the financial condition of CGDF at the end of 2007.

*Summary Income Statement for the two years ended 31 December 2007 and 2008*

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2007</b>	<b>2008</b>
	(€ thousands)	
Interest and similar income.....	338,093	1,309,349
Interest and similar costs.....	(338,058)	(1,309,271)
Net interest income.....	35,1	78
Costs of services and commissions.....	—	—
Result from financial operations.....	(0.05)	(88)
Net operating income.....	35	(10)
Other administrative costs.....	(21)	(30)
Income before tax.....	14	(40)
Income tax.....	—	—
Net profit/(loss) for the year.....	<u>14</u>	<u>(40)</u>

Summary Balance Sheet for the two years ended 31 December 2007 and 2008

	<b>As at 31st December</b>	
	<b>2007</b>	<b>2008</b>
	(€ thousands)	
<b>Assets</b>		
Cash balances at other credit institutions.....	238	219
Loans and advances to credit institutions.....	372,557	370,784
Financial assets at fair value through profit or loss.....	192,997	277,694
Hedging derivatives.....	6,591	12,671
Other assets.....	463,426	460,503
<b>Total assets.....</b>	<b>1,035,809</b>	<b>1,121,871</b>
<b>Liabilities</b>		
Debt securities.....	21,829	30,318
Subordinated liabilities.....	815,823	811,972
Financial assets at fair value through profit or loss.....	192,997	279,339
Hedging derivatives.....	2,164	—
Other liabilities.....	2,735	20
Subscribed share capital.....	0.94	0.94
Retained earnings.....	246	260
Net profit (loss) for the year.....	14	(40)
<b>Total liabilities and shareholder's equity.....</b>	<b>1,035,809</b>	<b>1,121,871</b>

## DESCRIPTION OF CAIXA GERAL DE DEPÓSITOS, S.A., MADEIRA BRANCH (SUCURSAL FINANCEIRA EXTERIOR)

### General

CGD's operations in Madeira ("CGDM") commenced with the opening of a branch in 1990.

CGDM is registered in the Conservatory of the Commercial Registry of Zona Franca da Madeira under number 00193/91.04.22.

CGDM is a branch of CGD.

### Business

Developed in close connection with CGD's worldwide network, the branch's main activities include deposit and investment accounts for Portuguese nationals living abroad and services for corporates, namely non-resident companies and subsidiaries of Portuguese corporates abroad.

CGDM's total net assets were €2,922 million as at 31 December 2008.

The financial statements of CGDM for 2006, 2007 and 2008 were prepared in accordance with the adjusted accounting standards ("Normas de Contabilidade Ajustadas") that correspond to the application of IFRS as adopted by European Union with the adjustments required by the Bank of Portugal regulations.

The following table provides a summary of financial information for CGDM as at and for the years ended 31 December 2006 and 2007:

#### As at 31 December

	2006	2007	2008
	(Unaudited) (€ thousands)		
Total assets (net).....	3,955,511	3,801,599	2,912,319
Loans and advances to credit institutions before provisions.	2,602,165	1,799,241	1,215,070
Loans and advances to customers before provisions.....	593,671	1,167,178	986,935
Available for sale financial assets.....	702,372	783,777	659,857
Amounts owed to credit institutions.....	2,574,023	2,555,612	1,184,332
Customer deposits.....	1,235,311	1,081,983	1,264,240
Shareholders' equity.....	64,090	51,896	28,297
Net income for the year.....	8,075	8,516	17,018
Debt securities.....	25,955	423,474	81,672

### General

The directors of CGDM are the same as those listed for CGD above.

No potential conflicts exist between any duties to CGD of the persons on the board of directors, as listed above on page [116-117], and their private interests or other duties in respect of their management roles.

## DESCRIPTION OF CAIXA GERAL DE DEPÓSITOS, FRANCE BRANCH

### General

CGD's operations in Paris commenced with the opening of a branch in 1974. In 2001 the Group completed its restructuring process for its French operations pursuant to which Banque Franco Portugaise was merged into Caixa Geral de Depósitos and its assets absorbed by the France branch of CGD ("CGDFB"). The two institutions were officially merged on 26 October 2003. CGDFB's address is 38 Rue de Provence, 75009 Paris, France.

### Business

CGDFB is mainly focused on the domestic Portuguese and French customer market, as well as on fostering the development of cross-border transactions between French and Portuguese companies.

Historically, it has played an important role in giving Portuguese corporates access to the euromarket and in raising foreign exchange funding for medium-sized companies engaged in trade related activities.

CGDFB's total net assets were €17,337 million as at 31 December 2008.

The financial statements of CGDFB for 2006, 2007 and 2008 were prepared in accordance with the adjusted accounting standards ("Normas de Contabilidade Ajustadas") that correspond to the application of IFRS as adopted by European Union with the adjustments required by the Bank of Portugal regulations.

The table below provides a summary of financial information for CGDFB as at and for the years ended 31 December 2006 and 2007:

	<b>As at 31 December</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
	(Unaudited) (€ thousands)		
Total assets (net).....	15,733,373	15,896,072	17,293,739
Loans and advances to credit institutions before provisions.	11,400,569	11,305,889	12,237,798
Loans and advances to customers before provisions .....	3,273,597	3,479,152	4,038,562
Financial assets at fair value through profit or loss .....	855,450	622,240	469,198
Available for sale financial assets .....	377	300,797	287,158
Amounts owed to credit institutions.....	6,803,133	5,140,090	6,751,897
Customer deposits.....	1,357,945	1,450,456	1,871,901
Debt securities including subordinated liabilities	6,849,742	7,963,795	7,577,828
Shareholders equity.....	41,437	38,785	19,807
Net income for the year.....	6,130	6,235	(2,923)

### General

The directors of CGDFB are the same as those listed for CGD above.

No potential conflicts exist between any duties to CGD of the persons on the board of directors, as listed above on page [116-117], and their private interests or other duties in respect of their management roles.

## THE PORTUGUESE BANKING SYSTEM

The Portuguese financial system has undergone a steady process of deregulation and liberalisation since 1983 which has resulted in important structural and operational changes. The most significant measures include the opening of the banking system to private entities and the privatisation process (initiated in 1989), the opening of the banking system to foreign competition, the gradual lifting of restrictions on capital movement and the implementation of legislation which brings Portuguese banking regulations into line with EC legislative practice.

Regulations governing financial institutions have undergone a series of amendments since 1991 to reflect the changes to the financial system. In particular, the “Banking Law” of December 1992 (Decree-Law 298/92 of 31 December as amended) introduced a comprehensive regulatory framework to bring Portugal into line with EC directives.

This included the abolition of the distinction between investment and commercial banks, the creation of the distinction between credit institutions (*instituições de crédito*) and financial companies (*sociedades financeiras*), the establishment of prudential and supervisory rules, a new regulation for foreign banks operating in Portugal and Portuguese banks operating abroad including the adoption of the EU passport and the creation of a deposit guarantee fund to protect depositors.

The most extensive amendment to the Banking Law, dated 26 September 2002, introduced a number of new financial entities – *sociedades de garantia mútua; instituições de moeda eletrónica; sociedades gestoras de fundos de titularização de créditos; instituições financeiras de crédito* – as well as a set of new rules on several matters including relevant participations.

These changes to the banking environment have increased competition in the Portuguese banking market and have led to an expansion of domestic branch networks, an increase in the number of banks and the development of other financial institutions (such as investment funds and leasing companies), along with a broader range of products on offer. In addition, the possibilities for bank expansion, both in terms of geography and business activity, have increased.

The privatisation process and the increasingly competitive environment have given rise to a number of acquisitions among Portuguese banks and the establishment of Portuguese financial groups, more cross-selling initiatives, an increased focus on the expanding market for personal loans, mortgages and credit cards in Portugal, more frequent advertising campaigns, competitive pricing strategies and cost control programmes.

Between 1994 and 1996, there was a series of take-overs which transformed the Portuguese banking sector, which previously fell under the control of five financial groups representing more than 80 per cent. of the total sector assets: the CGD Group (100 per cent. owned by the Portuguese Government), Banco Comercial Português/Atlântico Group, Mundial Confiança Group (also known as the Champalimaud Group), Espírito Santo Group and Banco Português de Investimentos.

After a period during where these takeovers were being integrated, and once the difficulties connected with the introduction of the single currency were overcome, the consolidation wave has renewed. Already in 2000 the number of significantly sized Portuguese groups was reduced to four, with the extinction of the Mundial Confiança Group and the consequent reinforcement of the participation agreement between the BCP/BPA Group (which, after the merger with Banco Mello, purchased Banco Pinto & Sotto Mayor (“BPSM”)) and the Santander Group (which purchased Banco Totta & Açores and Crédito Predial Português).

The CGD Group had a crucial intervention in the acquisition process and the subsequent sale of the several institutions belonging to the Mundial Confiança Group, as well as ensuring that Mundial Confiança Insurance Company was kept in the CGD Group and Banco Totta & Sotto Mayor de Investimento (a small investment bank, which belonged to the MC Group), now named Caixa Banco de Investimento.

Within the conveyance agreement for the sale of BPSM, CGD and BCP have also established bases for co-operation between the two institutions which will promote the activity of the two groups in the foreign markets, regardless of actual competition between them in the domestic market.

This new wave of mergers and take-overs has changed the relationship between the financial groups operating in the country. In most business indicators, the market share of the four main Portuguese groups, together with Santander, is now over 80 per cent. and the market share of the two leading groups (BCP and CGD) is over 50 per cent. Therefore, Portugal has a very high level of banking concentration, well above the European average.



For example, in Spain and France the five main banks represent 40 per cent. of the market, while Germany's five main banks account for just 17 per cent. Until very recently, only Finland and Holland had higher concentration levels than Portugal.

Parallel to this wave of consolidation, a new universal banking model philosophy is being introduced by several groups in the banking business.

These groups have in fact been extending their business to areas with growth potential and/or those sectors which still benefit from significant margins, and they now operate in most financial areas such as insurance, asset management, leasing and factoring.

There have also been continued efforts made by the Portuguese banks to improve their competitiveness through permanent technological and organisational innovation, ensuring a quick use of new technologies and their widespread use in banking transactions. Accordingly, investment has been intensified in the areas of telephone banking, automated teller machines ("ATM"), the treatment of information and home banking and there has been a move towards global partnerships with telecommunication companies, primarily in order to take advantage of the growth potential of electronic trade on the Internet.

Several Portuguese groups are already operating through electronic channels in the different areas of this business and they are already benefiting from on-cost reductions in their operations.

In fact, the relative importance of operational costs on banking income has registered a decreasing trend over the last years.

There is a gradual growth of the geographic coverage by the expansion of the branch network. The number of branches in Portugal was around 7,300 at the end of December 2008. It should nevertheless be noted that this growth has not been followed by a corresponding increase in number of employees, which has in fact decreased, reflecting the growing investment in operational rationalisation.

There has been a remarkable expansion of the ATM and direct debit payment terminals network and Portugal is above the European average in the number of ATMs per million citizens and number of per capita transactions in ATMs and POSs.

### **Banking Regulation in Portugal**

The Bank of Portugal has extensive supervisory and regulatory powers in relation to all credit and deposit-taking institutions in Portugal. Portuguese banks are subject to capital adequacy ratios conforming with EU Directives regarding the establishment of common standards for the measurement of capital, risk-weighted assets and commitments. However, there are some minor differences between EU requirements and the Bank of Portugal's approach, the latter imposing more onerous requirements in respect of the accounting treatment of overdue loan loss and pension fund provisions.

There are specific regulations regarding the need for regular audits by the Bank of Portugal, a specified accounting plan, limits on large exposures, minimum levels of provisions for loan losses and investments and mandatory contribution to the deposit guarantee fund. Compliance is monitored through periodic inspections and regular reviews of financial statements and returns.

CGD is regulated solely by applicable banking laws and the Bank of Portugal. It must comply with the regulations issued by the Bank of Portugal and the general regime governing credit institutions and financial companies under the Banking Law as amended. The principal rules with which the CGD Group and all Portuguese banks must comply include the following:

#### **(a) Solvency ratio**

CGD's own funds must correspond to at least 8 per cent. of its total risk-weighted assets and off balance sheet contingent liabilities and its Tier 1 capital must not be less than 4 per cent. of this amount. As at 31 December 2007, the CGD Group's own funds corresponded to 10.1 per cent. of its total risk-weighted assets and off balance sheet contingent liabilities and its Tier 1 capital represented 6.7 per cent. of such amount.

It should be noted that, as far as the required minimum level of own funds is concerned, the Bank of Portugal has generally determined that, no later than the end of September 2009, credit institutions shall have a minimum Tier 1 capital level of 8 per cent. Additionally and further to Law 63-A/2008, of 24 November – referring to the reinforcement of financial stability of credit institutions, namely to

capitalisation measures through public investment – the Portuguese Government may, by ministerial order, define the level of own funds of credit institutions in such a context.

**(b) *Limitations on credit risk concentration***

Exposure is classified as a large exposure where the liabilities of a counterparty (or such counterparty's group) represent 10 per cent. or more of CGD's own funds. As a general rule, the total exposure to a counterparty (or such counterparty's group) should not exceed 40 per cent. and 25 per cent. respectively of CGD and the CGD Group's own funds (starting from 2008, this percentage is 25 per cent. for both cases) and the global value of large exposures cannot be greater than twelve and eight times respectively, the amount of such own funds. As at 31 December 2007, the limits referred to were not exceeded.

**(c) *Limitations on credit risk concentrations in relation to own funds***

The direct and indirect substantial shareholding stakes held by CGD in the share capital of entities other than credit institutions, financial companies, financial institutions, management companies of pension funds and insurance companies should not exceed 15 per cent. (individually) and 60 per cent. (in aggregate) of CGD's own funds. A shareholding stake will be considered substantial whenever it enables its holder to exercise a significant influence in the management of the relevant company to which such shareholding stake respects. Such significant influence is presumed to exist in cases where the shareholding stake represents at least 5 per cent. of the relevant company's share capital or voting rights. The shareholding stakes which are held for the account of any third parties or which are temporarily held in the context of an underwriting transaction will not be considered for the above purposes. As at 31 December 2007, the CGD Group did not hold any significant direct or indirect substantial shareholding stake which exceeded such limit.

**(d) *Limitations on substantial shareholdings in relation to the share capital of certain companies***

The direct and indirect substantial shareholding stakes to be held for three years or more by CGD in companies other than financial and insurance companies (as well as certain financial and insurance related companies) may not exceed 25 per cent. of the voting rights corresponding to such companies' share capital. As at 31 December 2007, the CGD Group did not hold any significant direct or indirect substantial shareholding stake which exceeded such limit.

**(e) *Fixed assets***

The global value of fixed assets (net of depreciation and provisions) excluding the elements deducted to calculate CGD's own funds cannot exceed the value of those funds. As at 31 December 2007, the global value of CGD's net fixed assets did not exceed their own funds. The CGD Group did not exceed such limit.

**(f) *Limitations on share portfolio and other equities not classified as fixed assets***

The total value of shares or other equities of any entity not classified as fixed assets cannot exceed 40 per cent. of the own funds of CGD.

## TAXATION

### Portugal

#### General

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

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

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

#### *Notes issued by CGDF are subject to the following specific tax considerations*

Payments to be made by CGDF of interest or principal on Notes issued by it to an individual or legal person non-resident in Portuguese territory for tax purposes, are not deemed to be obtained in Portuguese territory and therefore should not be subject to Portuguese withholding tax.

#### *Notes issued by CGDFB are subject to the following specific tax considerations*

Payments to be made by CGDFB of interest and principal on Notes issued by it to an individual or legal person non-resident in Portuguese territory for tax purposes, are not subject to Portuguese withholding tax whenever those payments correspond to costs or charges concerning the activities of that branch. If that is not the case, pursuant to Orders (*Despachos*) no. 935/2006 – XVII, of 31 July and no. 1132/2006 – XVII, of 12 September, both of the Secretary of State for Fiscal Affairs (*Secretário de Estado dos Assuntos Fiscais*), the Portuguese tax authorities consider that interest derived from notes, issued by Portuguese resident entities, acting through their branches located outside Portuguese territory which proceeds are transferred to the head office or other branches, shall be deemed to be obtained in Portuguese territory and therefore payment of such interest to entities with no residence, head office, effective management or permanent establishment in Portugal is subject to withholding tax at the general rate of 20 per cent. (which may be reduced up to 15 per cent. according to applicable double taxation treaties, if any, entered into by the Portuguese Republic and other countries, subject to certain formalities being met, and even eliminated if certain exemptions are applicable).

#### *Notes issued by CGDM are subject to the following specific tax considerations*

The Madeira Free Trade Zone “MFTZ” is a Free Trade Zone, established as part of the taxation system in the Portuguese Republic. Investment income paid by CGDM, located in the MFTZ, benefits from a tax exemption provided that CGDM is financing its balance sheet liabilities and the Noteholders and Couponholders, as beneficiaries of the investment income, are individuals or corporate entities resident, or with registered offices, outside the Portuguese Republic (with the exception of MFTZ or the Free Trade Zone of the Island of Santa Maria) and without permanent establishments located in the Portuguese Republic (with the exception of MFTZ or the Free Trade Zone of the Island of Santa Maria). This exemption is not applicable when the beneficiaries of the income are credit or financial institutions or financial branches located in MFTZ or the Free Trade Zone of the Island of Santa Maria, which carry out their activity with residents in the Portuguese Republic’s mainland or with permanent establishments of non resident entities therein.

Therefore, under current Portuguese law, investment income on the Notes paid by CGDM is exempt from taxation and consequently from withholding tax where the beneficiaries of the income are:

- (i) individuals or entities operating within the Madeira Free Trade Zone which are not credit institutions or financial companies or financial branches which carry out operations in the scope of their activities with residents in mainland Portuguese Republic or with permanent establishments of non-resident entities in mainland Portuguese Republic; or
- (ii) individuals not resident for tax purposes in the Portuguese Republic pursuant to section 16 of the Personal Income Tax Code (*Código do Imposto sobre o Rendimento de Pessoas Singulares*) or incorporated entities with registered offices outside the Portuguese Republic and without

permanent establishments located in the Portuguese Republic (but including permanent establishments located in MFTZ, or in the Free Trade Zone of the Island of Santa Maria), or other incorporated entities whose registered office or effective management is not located in the Portuguese Republic.

*N.B. Permanent establishments in the Portuguese Republic of incorporated entities with registered offices outside the Portuguese Republic excepting permanent establishments located in MFTZ or in the Free Trade Zone of the Island of Santa Maria other than financial branches located herein which carry out their activity with residents in the Portuguese Republic's mainland or with permanent establishments of non resident entities therein and companies and other incorporated entities with a registered office or effective management located in the Portuguese Republic, are not entitled to benefit from tax exemption contained in section 33.6 of the Tax Benefits Statute (approved by Decree-Law 215/89, of 1989 (Estatuto dos Benefícios Fiscais)). Under Portuguese law, a permanent establishment is defined as a fixed installation through which an activity (other than an activity of a preparatory or auxiliary character) of a commercial, industrial or agricultural nature is carried on. A permanent establishment is also deemed to exist when a person other than an independent agent acts within the territory of Portugal on behalf of a foreign enterprise and has, and habitually exercises, the authority to negotiate and conclude contracts related to the activities of the enterprise. In this situation a permanent establishment is not deemed to exist if a company operates in Portugal through a commission agent, or any other type of independent agent, provided that such persons are acting in the ordinary course of their business and bear the risk of the activity.*

The aforementioned tax exemption, and the consequent withholding tax exemption, will apply to the referred category of Noteholders and/or Couponholders, as the case may be, so long as they are able to provide to the Issuer (i) the Residency Information (as defined below); and (ii) a statement of non-Portuguese beneficial ownership substantially as set out below (the “**Statement of non-Portuguese Beneficial Ownership**”) prior to the relevant date for payment of any interest or to the redemption date or to the transfer of Notes.

“**Residency Information**” means appropriate evidence that the relevant Noteholder and/or Couponholder, as the case may be, is not resident in the Portuguese Republic and does not have any registered or deemed permanent establishment in the Portuguese Republic in accordance with the following provisions as set forth in article 33.14 of the Tax Benefit Statute, as amended from time to time, applicable to the residency certification of payees of interest that are exempt from Portuguese withholding taxation:

- (i) if a Noteholder or Couponholder, as the case may be, is a central bank, public institution, international body, credit institution, financial company, securities or property investment fund, pension fund, insurance company with its head office in any OECD country or in a country with which the Portuguese Republic 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 Noteholder and Couponholder and their head office; or (C) a declaration of tax residence issued by the Noteholder and/or Couponholder themselves, duly signed and authenticated, if a central bank, public law entity taking part of the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant Noteholder and/or Couponholder) or an international body; or (D) proof of non-residence, pursuant to the terms of paragraph (iii) below, so long as the Noteholder and/or Couponholder provides a form of confirmation referred to in said paragraph (iii);
- (ii) if a Noteholder or Couponholder, as the case may be, is a working emigrant he or she must prove his or her status by means of documents settled in the ministerial order issued by the Ministry of Finance that regulates the emigrant-saving system. According to the ministerial order no. 909/2003 of 29 August 2003, the proof of “working emigrant” must comply with the following requirements: (i) the status of emigrant must be checked, before the corresponding banking institution, by means of duly updated documents which evidence the performance of a remunerated activity and attest the permanent tax residence abroad; (ii) if the documents referred on (i) above cannot be presented, a certification issued by the Portuguese diplomatic or consular authority that the beneficiary performs a remunerated activity in that country and has therein its tax residence for more than 6 months, permanently or for interpolated periods, will be required;

(iii) the status of emigrant may be certified by the General Directorate of Consular Affairs and Portuguese Communities, whenever there is no consular authority in the country where the emigrant has his or her residence or comes from; (iv) in order to provide proof of the status of emigrant by pensioners and retired individuals, documents referring to the payments of the pensions or other similar income shall be presented. In case of insufficient proof or doubtful information, the banking institution must refuse the emigrant status. The banking institution must keep the documents originally presented or a certified copy performed by two employees of the said institution whenever the beneficiary needs to keep those originals;

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

There are specific rules relating to the originality and validity of the document, notably that the Noteholder and/or Couponholder must provide an original or a certified copy of the residency certificate or document and, as a rule, (i) if such document does not refer to a specific residency year and has not expired, it must have been issued within the three year period prior to the relevant payment date or the relevant Maturity Date; or (ii) such document must have been issued in the year of the relevant payment date or the relevant Maturity Date and refer to the residency status in that year or in the previous one.

“**Tax Identification**” means a document provided by the relevant tax authority which evidences the status of the Noteholder and/or Couponholder, as the case may be, as a tax payer in the applicable jurisdiction, which may be a copy of a pre-existing tax identification or other document or similar effect.

Schedule 1 to this Prospectus corresponds to the wording and contents of the form of Statement of non-Portuguese Beneficial Ownership, as contained in Circular No. 6/2003.

Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 20 per cent, or if applicable, in reduced withholding tax rates of up to 15 per cent, pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with.

*Notes issued by CGD are subject to the following specific tax considerations:*

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

### **General Tax Regime Applicable to Debt Securities**

Investment income on the Notes paid to Noteholders or Couponholders, who is the effective beneficiary thereof (the “Beneficiary”) considered resident for tax purposes in Portuguese territory is subject to withholding tax at a rate of 20 per cent., except where the beneficiary is either a financial institution or an exempt entity as specified by current Portuguese tax law (e.g. Pension funds, retirement and/or education savings funds, share savings funds, venture capital funds but only, under the present tax law, in case such funds are established and operate in accordance with Portuguese law). Regarding Beneficiaries that are corporate entities, withholding tax is treated as a payment in advance and therefore beneficiaries are entitled to claim appropriate credit against any charge to tax which arises on the income from their holding of the Notes. Regarding Beneficiaries that are individuals resident in the Portuguese territory, withholding tax shall, as a general rule, be considered a definitive tax payment; however, a Portuguese resident individual, unless if deriving such income in the capacity of an entrepreneur with organised accounts (in which case he or she must always aggregate the relevant income), may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, the said income will be subject to personal income tax according to the relevant tax

brackets, up to 42 per cent. and the domestic withholding tax will constitute a payment on account of such final personal income tax liability. In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese withholding tax.

Investment income on the Notes paid to Beneficiaries considered as non-residents in the Portuguese Republic is also subject to withholding tax at a definitive rate of 20 per cent. Relief may be available to reduce the marginal rate up to 15 per cent. in accordance with any applicable double taxation treaty, subject to compliance with all relevant conditions imposed by the taxing authorities in the Portuguese Republic and the jurisdiction of the beneficiary.

### **Special Debt Securities Tax Regime**

Investment income on the Notes paid to Noteholders or Couponholders, who is the effective beneficiary thereof (the “Beneficiary”) considered resident for tax purposes in Portuguese territory is subject to withholding tax at a rate of 20 per cent., except where the beneficiary is either a financial institution or an exempt entity as specified by current Portuguese tax law (e.g. Pension funds, retirement and/or education savings funds, share savings funds, venture capital funds but only, under the present tax law, in case such funds are established and operate in accordance with Portuguese law). Regarding Beneficiaries that are corporate entities, withholding tax is treated as a payment in advance and therefore beneficiaries are entitled to claim appropriate credit against any charge to tax which arises on the income from their holding of the Notes. Regarding Beneficiaries that are individuals resident in the Portuguese territory, withholding tax shall, as a general rule, be considered a definitive tax payment; however, a Portuguese resident individual, unless if deriving such income in the capacity of an entrepreneur with organised accounts (in which case he or she must always aggregate the relevant income), may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, the said income will be subject to personal income tax according to the relevant tax brackets, up to 42 per cent. and the domestic withholding tax will constitute a payment on account of such final personal income tax liability. In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese withholding tax.

Pursuant to Decree-Law No. 193/2005, of 7 November 2005 (hereinafter the “Decree-Law 193/2005”), as amended from time to time, which is in full force and effect as from 1 January 2006, investment income paid to Noteholders or Couponholders regarding the Notes, as well as capital gains deriving from a sale or other disposition of such Notes, will be exempt from Portuguese income tax, and consequently, withholding tax, provided that: (i) the Noteholders and Couponholders have no residence, head office, effective management or permanent establishment in Portuguese territory to which the income is attributable; (ii) they are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the blacklist approved by Ordinance issued by the Portuguese Minister of Finance and Public Administration (currently *Portaria do Ministro das Finanças e da Administração Pública* No. 150/2004, of 13 February 2004), with the exception of central banks and agencies bearing governmental nature of those blacklisted jurisdictions; and also (iii) they are non-resident entities who are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities.

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

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

#### **(a) Internationally cleared Notes**

If the Notes are registered in an account at an international clearing system (either with Euroclear or Clearstream) and the management entity of such international clearing system undertakes not to provide registration services in respect of the Notes to (i) a resident for tax purposes in Portuguese territory which do not

benefit from either an exemption or waiver of Portuguese withholding tax, and to (ii) non-resident entities for tax purposes which do not benefit from the above mentioned income tax exemptions, the proof of the requirements to benefit from the exemption is performed as follows:

- (i) through the presentation of a certificate, on a yearly basis, with the name of each beneficial owner, address, tax payer number (if available), the security identification, the quantity of Notes held and also the reference to the legislation supporting the exemption or the waiver to withholding tax. Part A of Schedule 2 to this Prospectus corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Order (*Despacho*) no 4980/2006 (second series), published in the Portuguese official diary, second series, no 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently *Portaria do Ministro das Finanças e da Administração Pública*); or
- (ii) alternatively, through a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date, of each beneficial owner's identification, with address, tax payer number (if available), security identification, quantity held, and the reference to the legislation supporting either the tax exemption or the exemption of the withholding tax. Part B of Schedule 2 to this Prospectus corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Regulatory Notice (*Aviso*) no 3714/2006 (second series), published in the official diary, second series, no 59, of 23 March 2006 issued by the Portuguese *Secretary of State of Tax Affairs* (currently *Secretário de Estado dos Assuntos Fiscais*):

The documents referred to in (i) or (ii) shall be provided by the participants to the direct registering entity through the international clearing system managing entity and must take into account the total accounts under their management regarding each of the beneficial owners that are tax exempt or benefit from a waiver of Portuguese withholding tax. The international clearing system managing entity informs the direct registering entity of the income paid to each participant for each security payment.

(b) Domestic cleared Notes

Each Noteholder or Couponholder must provide to the direct registering entity the respective proof of non-residence in Portuguese territory substantially in the terms set forth below.

- (i) if a Noteholder or Couponholder, as the case may be, is a central bank, public institution, international body, credit institution, financial company, pension fund, insurance company with its head office in any OECD country or in a country with which the Portuguese Republic has entered into a double taxation treaty, 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 Noteholder and Couponholder and their head office; or (C) a declaration of tax residence issued by the Noteholder and/or Couponholder themselves, duly signed and authenticated, if a central bank, public law entity taking part of the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant Noteholder and/or Couponholder) or an international body; or (D) proof of non-residence, pursuant to the terms of paragraph (iii) below, so long as the Noteholder and/or Couponholder provides a form of confirmation referred to in paragraph (iii);
- (ii) if a Noteholder or Couponholder, as the case may be, is an investment fund or other collective investment scheme which is domiciled in any OECD Member State 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, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iii) below, so long as the Noteholder and/or Couponholder provides a form of confirmation referred to in paragraph (iii);
- (iii) In any other case, information provided in accordance with the following rules: confirmation must be made by the relevant Noteholder and/or Couponholder, as the case may be, by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, (B) a

document issued by the relevant Portuguese Consulate certifying residence abroad, or (C) a document specifically issued by an official entity taking part in the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country;

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

No Portuguese withholding tax exemption shall be granted under Decree-Law 193/2005 if the requirements set forth therein are not complied with and, consequently, the general Portuguese tax provisions shall apply as described above. This will be the case whenever the Notes are not integrated in *Central de Valores Mobiliários* (which is managed by Interbolsa) or in any other centralized depository system for securities recognized under the Portuguese Securities Code and complementary legislation.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Notes within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (*Despacho*) n. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration and may be available at [www.dgci.min-financas.pt](http://www.dgci.min-financas.pt).

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

## **Cayman Islands**

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as a tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

- 1 Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.
- 2 No stamp duty is payable in respect of the issue of the Notes. The Notes themselves, in bearer form, will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor in Council of the Cayman Islands in substantially the following form:

In accordance with the provision of Section 6 of The Tax Concession Law (1995 Revision), the Governor in Council undertakes with CGDF:

- 1 that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to CGDF or its operations; and
- 2 in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - 2.1 on or in respect of the shares, debentures or other obligations of CGDF; or



- 2.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1995 Revision).

These concessions shall be for a period of twenty years from the 24th day of August 1999.

### **France**

Payments in respect of Notes issued by CGDFB will benefit from the exemption from the withholding tax set out under Article 125 A III of the French General Tax Code, as provided for by Article 131 *quater* of the French General Tax Code to the extent that such Notes are issued (or are deemed to be issued) outside France (as specified in the relevant Final Terms).

Notes, whether denominated in Euro or in any other currency, and which constitute *obligations* or *titres de créances négociables*, or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France, in accordance with the Circular 5 I-11-98 of the *Direction générale des impôts* dated 30 September 1998 and the ruling 2007/59 of the *Direction générale des impôts* dated 8 January 2008.

### **United Kingdom**

*The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Any Noteholders who are in doubt as to their personal tax position should consult their professional advisers.*

### **Interest**

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual, or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual, may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on the redemption of such Notes HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2009.

### **EU Directive on the Taxation of Savings Income**

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Belgium, Luxembourg and Austria may instead impose a withholding system for a transitional period unless during such period they elect otherwise.

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

### **The United States**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF

CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

*The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the relevant Issuer, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms*

*As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes*

*The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.*

*The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as the income tax treaty between the United States and Portugal (the “Treaty”) all as currently in effect and all subject to change at any time, possibly with retroactive effect.*

*Bearer Notes (including Exchangeable Bearer Notes while in bearer form) are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.*

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

#### **Characterisation of the Notes**

The determination whether an obligation represents a debt or equity interest is based on all the relevant facts and circumstances, and courts at times have held that obligations purporting to be debt constituted equity for U.S. federal income tax purposes. There are no regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities with terms substantially the same as the Notes. The Issuers intend to take the position that the Senior Notes and the Dated Subordinated Notes (together,

the “Dated Notes”) are debt of the relevant Issuer for U.S. federal income tax purposes. There is a risk that the Dated Subordinated Notes could be treated as equity for U.S. federal income tax purposes. For U.S. federal income tax purposes, a strong likelihood exists that the Undated Subordinated Notes will be treated as equity, and accordingly the Issuer will treat the Undated Subordinated Notes as equity. The balance of the discussion herein assumes that, for U.S. federal income tax purposes, the Senior Notes and the Dated Subordinated Notes will be treated as debt, and the Subordinated Notes will be treated as equity interests in the relevant Issuer. Prospective purchasers should consult their tax advisers concerning the U.S. federal income tax characterisation of the Notes.

## **Dated Notes**

### **Payments of Interest**

#### ***General***

Interest on a Dated Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount – General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by an Issuer on the Dated Notes and OID, if any, accrued with respect to the Dated Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Dated Notes.

#### ***Effect of Portuguese Withholding Taxes***

As discussed in “Taxation – Portugal”, payments of interest made to Portuguese non-resident holders in respect of Notes issued by CGDFB may, in some circumstances, be subject to a 20 per cent. Portuguese withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 10 per cent. In those circumstances, CGDFB is liable for the payment of additional amounts to U.S. Holders (see “Terms and Conditions of the Notes – Taxation–Additional Amounts”) so that U.S. Holders receive the same amounts they would have received had no Portuguese withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Portuguese taxes withheld by CGDFB with respect to a Note, and as then having paid over the withheld taxes to the Portuguese taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from CGDFB with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Portuguese income taxes withheld by CGDFB. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets”, and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest and OID (as defined below) generally will constitute Foreign Source Income in the “passive income” basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Portuguese taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises.

Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Portuguese income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Portuguese income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the Portuguese taxes in the year those taxes are actually withheld by the Issuer.

In addition, as discussed above under “Taxation – Portugal”, under current law payments of interest made to Portuguese non-residents in respect of the Notes issued by CGD and CGDM are not subject to Portuguese withholding tax, provided that acceptable proof of non-residency has been timely provided by the holder. A U.S. Holder who is entitled to an exemption from these Portuguese withholding taxes, but who fails to provide the

necessary proof of non-residency, will generally not be entitled to a foreign tax credit against its U.S. federal income taxes for any Portuguese withholding taxes. Prospective purchasers should consult their tax advisers concerning the foreign applicability of the tax credit and source of income rules to income attributable to the Notes.

## **Original Issue Discount**

### ***General***

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Dated Notes issued with original issue discount (“OID”). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event an Issuer issues contingent payment debt instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

A Dated Note, other than a Dated Note with a term of one year or less (a “Short-Term Note”) will be treated as issued with OID (a “Discount Note”) if the excess of the Dated Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Dated Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “instalment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Dated Note will be the first price at which a substantial amount of Dated Notes included in the issue of which the Dated Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Dated Note is the total of all payments provided by the Dated Note that are not payments of “qualified stated interest.” A qualified stated interest payment is generally any one of a series of stated interest payments on a Dated Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Dated Note. Solely for purposes of determining whether a Dated Note has OID, the relevant Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Dated Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Dated Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includable in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Dated Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Dated Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Dated Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Dated Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Dated Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Dated Note that were not qualified stated interest payments.

### ***Acquisition Premium***

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Dated Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “acquisition premium”) and that does not make the election described below under “Election to Treat All Interest as Original Issue Discount”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Dated Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

### ***Market Discount***

A Dated Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a “Market Discount Note”) if the Dated Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s “revised issue price”, exceeds the amount for which the U.S. Holder purchased the Dated Note by at least 0.25 per cent. of the Dated Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Dated Note’s maturity (or in the case of a Note that is an instalment obligation, the Note’s weighted average maturity). If this excess is not sufficient to cause the Dated Note to be a Market Discount Note, then such excess constitutes “*de minimis* market discount.” For this purpose, the “revised issue price” of a Dated Note generally equals its issue price, increased by the amount of any OID that has accrued on the Dated Note and decreased by the amount of any payments previously made on the Dated Note that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Dated Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Dated Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Dated Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the “IRS”). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Dated Note includable in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Dated Note with respect to which it is made and is irrevocable.

### ***Election to Treat All Interest as Original Issue Discount***

A U.S. Holder may elect to include in gross income all interest that accrues on a Dated Note using the constant-yield method described above under “Original Issue Discount – General,” with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under “Dated Notes Purchased at a Premium”) or acquisition premium. This election will generally apply only to the Dated Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Dated Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under “Market Discount” to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

### ***Variable Interest Rate Notes***

Dated Notes that provide for interest at variable rates (“Variable Interest Rate Notes”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt

instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Dated Note.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the relevant Issuer (or a related party) or that is unique to the circumstances of that Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the relevant Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is then converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Dated Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

### ***Short-Term Notes***

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

### ***Fungible Issue***

An Issuer may, without the consent of the Holders of outstanding Dated Notes, issue additional Dated Notes with identical terms. These additional Dated Notes, even if they are treated for non-tax purposes as part of the same series as the original Dated Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Dated Notes may be considered to have been issued with OID even if the original Dated Notes had no OID, or the additional Dated Notes may have a greater amount of OID than the original Dated Notes. These differences may affect the market value of the original Dated Notes if the additional Dated Notes are not otherwise distinguishable from the original Dated Notes.

### **Dated Notes Purchased at a Premium**

A U.S. Holder that purchases a Dated Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as “amortisable bond premium,” in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Dated Note will be reduced by the amount of amortisable bond premium allocable (based on the Dated Note’s yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Original Issue Discount – Election to Treat All Interest as Original Issue Discount”.

### **Purchase, Sale and Retirement of Dated Notes**

A U.S. Holder’s tax basis in a Dated Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Dated Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Dated Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Dated Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Dated Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Dated Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Except to the extent described above under “Original Issue Discount – Market Discount” or “Original Issue Discount – Short Term Notes” or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Dated Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the Dated Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Dated Note generally will be U.S. source.

### **Foreign Currency Dated Notes**

#### ***Interest***

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the



accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Dated Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***OID***

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***Market Discount***

Market Discount on a Dated Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Dated Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

### ***Bond Premium***

Bond premium (including acquisition premium) on a Dated Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Dated Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Dated Note matures.

### ***Sale or Retirement***

As discussed above under "Purchase, Sale and Retirement of Dated Notes", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Dated Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Dated Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Dated Note. The U.S. dollar cost of a Dated Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Dated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Dated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis

U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Dated Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

### ***Disposition of Foreign Currency***

Foreign currency received as interest on a Dated Note or on the sale or retirement of a Dated Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

## **Undated Subordinated Notes**

### **Payments of Interest**

#### ***General***

Subject to the Passive Foreign Investment Corporation ("PFIC") rules discussed below, for U.S. federal income tax purposes, payments of interest on Undated Subordinated Notes (before reduction for any Portuguese withholding tax with respect thereto, in the case of Undated Subordinated Notes issued by CGD), will generally be taxable to a U.S. Holder as foreign source dividend income to the extent of the relevant Issuer's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and will not be eligible for the dividends received deduction allowed to corporations. Payments in excess of current and accumulated earnings and profits will be treated as a return of capital to the extent of the U.S. Holder's basis in the Undated Subordinated Notes and thereafter as capital gain. Since the Issuers do not maintain calculations of earnings and profits in accordance with U.S. federal income tax accounting principles, U.S. Holders should assume that any payment of interest with respect to an Undated Subordinated Note will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of payments of interest on the Undated Subordinated Notes.

For taxable years that begin before 2011, amounts paid by CGD that are treated as dividends for U.S. federal income tax purposes will be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to capital gains, provided CGD qualifies for the benefits of the Treaty. A U.S. Holder will be eligible for this reduced rate only if it has held the Undated Subordinated Notes for a certain period of time. A U.S. Holder will not be able to claim the reduced rate for any year in which CGD is treated as a PFIC. See "Passive Foreign Investment Company Considerations" below. U.S. Holders will also not be eligible for this reduced rate in respect of payments on Undated Subordinated Notes issued by CGDF.

### ***Foreign Currency Denominated Interest***

Interest on Undated Subordinated Notes paid in a foreign currency will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the interest is received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars at that time. If interest received in a foreign currency is converted into U.S. dollars on the day it is received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the interest.

### ***Effect of Portuguese Withholding Taxes***

As discussed in "Taxation – Portugal", payments of interest made to Portuguese non-resident holders in respect of Notes issued by CGDFB may, in some circumstances, be subject to a 20 per cent. Portuguese withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 10 per cent. In those circumstances, CGDFB is liable for the payment of additional amounts to U.S. Holders (see "Terms and Conditions of the Notes – Taxation–Additional Amounts") so that U.S. Holders receive the same amounts they would have received had no Portuguese withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount

of Portuguese taxes withheld by CGDFB with respect to a Note, and as then having paid over the withheld taxes to the Portuguese taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from CGDFB with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Portuguese income taxes withheld by CGDFB. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets”, and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest and OID (as defined below) generally will constitute Foreign Source Income in the “passive income” basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Portuguese taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises.

Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Portuguese income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Portuguese income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the Portuguese taxes in the year those taxes are actually withheld by the Issuer.

In addition, as discussed above under “Taxation – Portugal”, under current law payments of interest on Undated Subordinated Notes issued by CGD and CGDM to foreign investors are not subject to Portuguese withholding tax, provided that acceptable proof of non-residency has been timely provided by the holder. A U.S. Holder who is entitled to an exemption from these Portuguese withholding taxes, but who fails to provide the necessary proof of non-residency will generally not be entitled to a foreign tax credit against its U.S. federal income taxes for any Portuguese withholding taxes. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

### **Sale or other Disposition**

A U.S. Holder’s tax basis in an Undated Subordinated Note will generally be its U.S. dollar cost. The U.S. dollar cost of an Undated Subordinated Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Undated Subordinated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Subject to the PFIC rules discussed below, upon a sale or other disposition of the Undated Subordinated Notes, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the Undated Subordinated Notes. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the Undated Subordinated Notes exceeds one year. However, regardless of a U.S. Holder’s actual holding period, any loss realised on a sale or disposition of an Undated Subordinated Note issued by CGD may be long-term capital loss to the extent the U.S. Holder receives a payment that is treated as a dividend for U.S. federal income tax purposes, and qualifies for the reduced rate described above under “The Undated Subordinated Notes-Payments of Interest – General”, and that exceeds 5 or 10 per cent. (depending on the terms of the Undated Subordinated Note) of the U.S. Holder’s basis in the Undated Subordinated Note. Any gain or loss will generally be U.S. source.

The amount realised on a sale or other disposition of Undated Subordinated Notes for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Undated Subordinated Notes traded on an established securities market that are sold by a cash basis U.S. Holder (or an

accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

### **Disposition of Foreign Currency**

Foreign currency received on the sale or other disposition of an Undated Subordinated Note will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### **Passive Foreign Investment Company Considerations**

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “lookthrough rules,” either (i) at least 75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Although interest income is generally passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. CGD does not expect to be treated as a PFIC so long as it satisfies these requirements. However, there is a significant likelihood that CGDF will be treated as a PFIC.

If an Issuer is a PFIC in any year during which a U.S. Holder owns Undated Subordinated Notes of that Issuer, and the U.S. Holder has not made a mark to market or qualified electing fund election (each as described below), the U.S. Holder will generally be subject to special rules (regardless of whether the Issuer continues to be a PFIC) with respect to (i) any “excess distribution” (generally, any interest payments received by the U.S. Holder on the Undated Subordinated Notes in a taxable year that are greater than 125 per cent. of the average annual interest payments received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the Undated Subordinated Notes) and (ii) any gain realised on the sale or other disposition of the Undated Subordinated Notes. Under these rules (a) the excess distribution or gain will be allocated rateably over the U.S. Holder’s holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Issuer is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If an Issuer is a PFIC, a U.S. Holder of Undated Subordinated Notes will generally be subject to similar rules with respect to distributions to the Issuer by, and dispositions by the Issuer of the stock of, any direct or indirect subsidiaries of the Issuer that are also PFICs. Additionally, if CGD were treated as a PFIC, amounts treated as dividends paid by CGD would not be eligible for the special reduced rate of tax described above under “Undated Subordinated Notes – Payments of Interest – General”.

U.S. Holders can avoid the interest charge by making a mark to market election with respect to the Undated Subordinated Notes, provided that the Undated Subordinated Notes are “marketable”. Undated Subordinated Notes will be marketable if they are regularly traded on certain U.S. stock exchanges, or on a foreign stock exchange if (i) the foreign exchange is regulated or supervised by a governmental authority of the country in which the exchange is located; (ii) the foreign exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open, fair and orderly, market, and to protect investors; (iii) the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and (iv) the rules of the exchange ensure active trading of listed stocks. The Luxembourg Stock Exchange is not expected to satisfy these requirements. For purposes of these rules, the Undated Subordinated Notes will be considered regularly traded during any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

A U.S. Holder that makes a mark to market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Undated Subordinated Notes at the close of the taxable year over the U.S. Holder’s adjusted basis in the Undated Subordinated Notes. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder’s adjusted basis in the Undated

Subordinated Notes over the fair market value of the Undated Subordinated Notes at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the Undated Subordinated Notes will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Undated Subordinated Notes will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS unless the Undated Subordinated Notes cease to be marketable. If an Issuer is a PFIC for any year in which the U.S. Holder owns the Undated Subordinated Notes but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a “qualified electing fund” (“QEF”) election to be taxed currently on its share of the PFIC’s undistributed income. The Issuers do not, however, expect to provide to U.S. Holders the information regarding this income that would be necessary in order for a U.S. Holder to make a QEF election with respect to its Undated Subordinated Notes.

If an Issuer is a PFIC, each U.S. Holder of Undated Subordinated Notes issued by that Issuer will be required to make an annual return on IRS Form 8621, reporting payments of interest received and gains realised with respect to each PFIC in which it holds a direct or indirect interest. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

### **Backup Withholding and Information Reporting**

Payments of principal, interest, and accrued OID on, and the proceeds of sale or other disposition (including exchange) of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### **Reportable Transactions**

A U.S. taxpayer that participates in a “reportable transaction” is required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a “reportable transaction” for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Pursuant to U.S. tax legislation enacted in 2004, a penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

### **Luxembourg**

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

### *Withholding tax*

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchases or exchange of the Notes.

### *Luxembourg non-resident individuals*

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union (“EU”), a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or for the tax certificate procedure. The same regime applies to payments of interest and other similar income made to certain “residual entities” within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not UCITS recognised in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC).

The withholding tax rate is 20 per cent. increasing to 35 per cent. as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

### *Luxembourg resident individuals*

A 10 per cent. withholding tax (the “10 per cent. Luxembourg Withholding Tax”) has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg resident individuals or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC or for the exchange of information regime).

Pursuant to the Luxembourg law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax (the “10 per cent. Tax”) on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive.

The 10 per cent. Luxembourg Withholding Tax or the 10 per cent. Tax represents the final tax liability on interest received for the Luxembourg resident individuals receiving the interest payment in the course of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 10 per cent. Luxembourg Withholding Tax levied will be credited against their final income tax liability.

## CLEARING AND SETTLEMENT

### Book Entry Notes

CGD will make applications to Interbolsa, Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Book Entry Notes. Book Entry Notes will only be issued in dematerialised form and therefore no certificates will be deposited in custody on behalf of the clearing systems.

For a summary description of rules applicable to Book Entry Notes see section “Book Entry Notes Held Through Interbolsa”.

### Bearer Notes

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Bearer Series of Notes. In respect of Bearer Notes in CGN form, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depository for Clearstream, Luxembourg and Euroclear. In respect of Bearer Notes in NGN form, the Global Note in bearer form without coupons will be delivered to a common safekeeper for Euroclear and Clearstream, Luxembourg. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

### Registered Notes

The relevant Issuer and the Guarantor (in the case of issues by CGDF) will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Unrestricted Global Certificate. Each Unrestricted Global Certificate will have an ISIN and a Common Code.

The Issuer and Citibank, N.A. will make application to DTC for acceptance in its book-entry settlement system of the Restricted Notes represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under “Transfer Restrictions”. In certain circumstances, as described below in “Transfers of Registered Notes”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the “Custodian”) and DTC will electronically record the principal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Series may hold their interests in a Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC’s nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms, and, in the case of Restricted Notes, in amounts of

U.S.\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

### **Individual Definitive Registered Notes**

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless in the case of Restricted Notes, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate, or ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Notes, Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so, or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient individual Definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Registered Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Definitive Registered Notes; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Definitive Registered Notes issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

### **Transfers of Registered Notes**

Transfers of interests in Global Registered Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in “Subscription and Sale”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through a Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of



Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Registered Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Registered Certificates will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions”.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through, or maintain a custodial relationship with, a DTC direct participant, either directly or indirectly.

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

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual Definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

**Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

## SUBSCRIPTION AND SALE

### **Summary of Dealer Agreement**

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 2 April 2009 (the “Dealer Agreement”), as amended and supplemented from time to time, between the Issuers, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each of the Issuers has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by each Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### **Selling Restrictions**

#### ***United States***

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part (the “Distribution Compliance Period”), as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, 144A is prohibited.

Each issuance of index-, commodity- or currency-linked Notes may be subject to such additional U.S. selling restrictions as the relevant Dealer(s) may agree with the relevant Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

#### ***Public Offer Selling Restrictions Under the Prospectus Directive***

Except as otherwise provided herein in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this 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 Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) 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 Notes to the public” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### **Cayman Islands**

Any offering made by a foreign company (as defined in the Companies Law) in connection with the subscription for Notes in the Cayman Islands or the sale of Notes in the Cayman Islands must comply with any prohibition imposed by the Companies Law and/or the Registrar of Companies in the Cayman Islands.

No invitation, whether direct or indirect, may be made to the public in the Cayman Islands to subscribe for Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

### **Portugal**

In relation to the Notes, each Dealer has represented and agreed with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, regarding any offer or sale of Notes by it in Portugal or to individuals resident in Portugal or having a permanent establishment located in the Portuguese territory, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (*Código dos Valores Mobiliários*), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive, 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 Notes 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) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Notes only (*oferta particular*); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Prospectus or any other offering material relating to the Notes to the public in Portugal. Furthermore, (a) if the Notes are subject to a private placement addressed exclusively to qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (*investidores qualificados*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (b) private placements addressed by companies open to public investment (*sociedades abertas*) or by companies issuing securities listed on a market shall be notified to the CMVM for statistics purposes.

### ***Republic of France***

- (a) In relation to the Notes issued by CGDFB, CGDF, CGDM or CGD, each of the Dealers and each of the Issuers has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France, and (ii) offers and sales of Notes in France will be made only to qualified investors as defined and in accordance with Articles L. 411-1, L. 411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier* (the “Code”).
- (b) In addition and in each case, each of the Dealers and each of the Issuers has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France, the Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

### ***The Netherlands***

Each Dealer has represented and agreed that the Notes issued by CGDM, CGDFB or CGD (or any interest therein) may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Prospectus nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to professional market parties (“PMPs”) within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (which includes, *inter alia*, qualified investors as defined in the Prospectus Directive such as banks, insurance companies, securities firms, collective investment undertakings and pension funds), provided that these parties acquire the relevant Notes for their own account or that of another PMP. This restriction does not apply in respect of Notes having a denomination of at least EUR 50,000 (or equivalent).

### ***General***

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed 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 Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms and neither the Issuers, the Guarantor (in the case of Notes issued by CGDF) nor any other Dealer shall have responsibility therefor.

## TRANSFER RESTRICTIONS

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a “qualified institutional buyer” within the meaning of Rule 144A, (b) acquiring such Restricted Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.
- (2) The Restricted Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) Such Restricted Notes, unless the relevant Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (4) It understands that the relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

**Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

Additional transfer restrictions may be set forth in the applicable Final Terms with respect to a particular Tranche of a Registered Series.

## FORM OF FINAL TERMS

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

Final Terms dated [●]

**[Caixa Geral de Depósitos Finance]**  
**[Caixa Geral de Depósitos, S.A., acting through its Madeira branch**  
**(Sucursal Financeira Exterior)]**  
**[Caixa Geral de Depósitos, S.A., acting through its France branch]**  
**[Caixa Geral de Depósitos, S.A.]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Caixa Geral de Depósitos, S.A., acting through its France branch]  
under the €15,000,000,000 Euro Medium Term Note Programme

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (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 the Notes. Accordingly any person making or intending to make an offer of the Notes 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) in those Public Offer Jurisdictions mentioned in Paragraph 37 of Part A below, provided such person is one of the persons mentioned in Paragraph 37 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]\*

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (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 the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]\*

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] [and the supplement to the Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplement to the Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date]



[and the supplement to the Prospectus dated ● ]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) and must be read in conjunction with the Prospectus dated [current date] [and the supplement to the Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplement to the Prospectus dated ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplements to the Prospectus dated ● and ●]. [The Prospectuses [and the supplements to the Prospectus] are available for viewing at [[website]] [and] during normal business hours at [address] and copies may be obtained from [address].]

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

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

- |   |  |   |
|---|--|---|
| 1 | (i) Issuer:  | [●]   |
|   | (ii) [Guarantor  | [●]]  |
| 2 | (i) Series Number:   | [●]   |
|   | (ii) [Tranche Number:  | [●]   |
|   | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)] |   |
| 3 | Specified Currency or Currencies:  | [●] <i>[must be Euro if the Notes are Book Entry Notes]</i>   |
| 4 | Aggregate Nominal Amount:  |   |
|   | (i) Series:  | [●]   |
|   | (ii) [Tranche:   | [●]]  |
| 5 | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| 6 | (i) Specified Denominations:   | [●] <sup>(1)</sup><br><i>(Book Entry Notes will only be tradable in Specified Denomination.)</i>  |
|   | (ii) Calculation Amount:   | [●]   |
| 7 | (i) Issue Date:  | [●]   |
|   | (ii) [Interest Commencement Date (if different from the Issue Date):   | [●]]  |
| 8 | Maturity Date:   | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i>                 |

(1) Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

- 9 Interest Basis: [[●] per cent. Fixed Rate]  
[[*specify reference rate*] [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (*specify*)]  
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (*specify*)]  
[(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Put]  
[Call]  
[(further particulars specified below)]
- 13 (i) Status of the Notes: [Senior/Dated Subordinated/Undated Subordinated]  
(ii) [Status of the Guarantee: [Senior/Dated Subordinated/Undated Subordinated]]  
(iii) [Date [Board] approval for issuance of Notes [and Guarantee] obtained:<sup>(2)</sup> [●] [and [●], respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]*
- 14 Method of distribution: [Syndicated/Non-syndicated]

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

- 15 Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate [(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year  
[adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount [(s)]: [●] per Calculation Amount
- (iv) Broken Amount: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

<sup>(2)</sup> *In the case of Notes issued by CGDF, a guarantee will be provided by CDGFB, the giving of which will be authorised by the Board.*

- (v) Day Count Fraction (Condition 5(k)<sup>(4)</sup>): [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Determination Date(s) (Condition 5(k)<sup>(4)</sup>): [*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<sup>(3)</sup>
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- 16 **Floating Rate Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s): [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) First Interest Payment Date: [•]
- (iv) Interest Period Date(s): [•]  
 (Not applicable unless different from Interest Payment Date)  
 [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/*other (give details)*]
- (v) Business Day Convention:
- (vi) Business Centre(s) (Condition 5(k)<sup>(4)</sup>): [•]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*other (give details)*]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [•]
- (ix) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Reference Rate: [•]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
- (x) ISDA Determination (Condition 5(b) (iii) (A)<sup>(5)</sup>):
- **Floating Rate Option:** [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Definitions: [2000/2006]
- (xi) Margin(s): [ +/- ] [•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum

(3) Only to be completed for an issue where Day Count Fraction is Actual/Actual-ICMA

(4) In the case of Publicly Offered Book Entry Notes, Condition 4(i).

(5) In the case of Publicly Offered Book Entry Notes, Condition 4(b)(iii)(A).

- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction (Condition 5(k)<sup>(4)</sup>): [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 17 **Zero Coupon Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Amortisation Yield (Condition 6(b)<sup>(6)</sup>): [●] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [●]
- 18 **Index Linked Interest Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Index/Formula/other variable: [*Give or annex details*]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable: [●]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest Period(s): [●]
- (vii) Specified Interest Payment Dates: [●]
- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (ix) Additional Business Centre(s) (Condition 5(k)<sup>(4)</sup>): [●]
- (x) Minimum Rate of Interest: [●] per cent. per annum
- (xi) Maximum Rate of Interest [●] per cent. per annum
- (xii) Day Count Fraction (Condition 5(k)<sup>(4)</sup>): [●]
- 19 **Dual Currency Note Provisions** [Applicable/Not Applicable]<sup>(7)</sup> (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [*Give details*]

(6) In the case of Publicly Offered Book Entry Notes, Condition 5(b).

(7) Book Entry Notes cannot be issued as Dual Currency Notes.

- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

- 20 **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 Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●] per Calculation Amount
    - (b) Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [●]
- 21 **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 Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) Notice period: [●]
- 22 **Final Redemption Amount of each Note** [●] per Calculation Amount
- In cases where the Final Redemption Amount is Index Linked or other variable-linked: [If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the Requirements of Annex XII to the Prospectus variable-linked: Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus which shall constitute a supplementary prospectus pursuant to Prospectus Rule 3-4 and Section 87G of the FSMA.]
- (i) Index/Formula/variable: *[give or annex details]*
  - (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [●]
  - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]

- (iv) Determination Date(s):
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount:  per Calculation Amount
- (viii) Maximum Final Redemption Amount:  per Calculation Amount

### 23 **Early Redemption Amount**

- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)<sup>(8)</sup>) or an event of default (Condition 10<sup>(9)</sup>) or other earlier redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

## **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |    |   |  |
|----|---|--|
| 24 | Form of Notes:  | <p><b>Bearer Notes:</b><br/>         [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on <input type="checkbox"/> days' notice<sup>(10)</sup>] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p><b>Publicly Offered Book Entry Note/Non Publicly Offered Book Entry Note</b></p> |
| 25 | Cash Bond Note ( <i>obrigações de caixa</i> ):  | [Yes] [No]   |
| 26 | New Global Note:  | [Yes] [No]   |
| 27 | Financial Centre(s) (Condition 7(h) <sup>(11)</sup> ) or other special provisions relating to payment dates:      | [Not Applicable/Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraph 15(ii), 16(v) and 18(ix) relate]  |
| 28 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. If yes, give details]   |

<sup>(8)</sup> In the case of Publicly Offered Book Entry Notes, Condition 5(c).

<sup>(9)</sup> In the case of Publicly Offered Book Entry Notes, Condition 9.

<sup>(10)</sup> If a Global Note is exchangeable for Definitive Notes at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

<sup>(11)</sup> In the case of Publicly Offered Book Entry Notes, Condition 6(e).

- 29 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
- 30 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- 31 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] apply]
- 32 Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] apply]
- 33 Other final terms: [Not Applicable/give details]  
*[When adding 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 Prospectus under Article 16 of the Prospectus Directive.]*

## DISTRIBUTION

- 34 (i) If syndicated, names [and addresses]\* of Managers [and underwriting commitments]\*: [Not Applicable/give names[, addresses and underwriting commitments]]\*  
*[Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.]\**
- (ii) [Date of [Subscription] Agreement [●]]\*
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give names]
- 35 If non-syndicated, name [and address]\* of Dealer: [Not Applicable/give name [and address] \*]
- 36 [Total commission and concession: [●] per cent. of the Aggregate Nominal Amount]\*
- 37 U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 38 [Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify, if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] (“Public Offer Jurisdictions”) during the period from [specify date] until [specify date] (“Offer Period”). See further Paragraph 11 of Part B below.]]\*
- 39 Additional selling restrictions: [Not Applicable/give names]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions]\* [and] [admission to trading on the Luxembourg Stock Exchange's regulated market of the Notes described herein pursuant to the €15,000,000,000 Euro Medium Term Note Programme of Caixa Geral de Depósitos Finance, Caixa Geral de Depósitos, S.A., acting through its Madeira branch (Sucursal Financeira Exterior), Caixa Geral de Depósitos, S.A. acting through its France branch and Caixa Geral de Depósitos, S.A.]

## RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Final Terms [(*Relevant third party information*) has been extracted from (*specify source*)] which, when read together with the Prospectus referred to above, contains all information that is material in the context of the issue of the Notes. 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:

By:.....  
Duly authorised

[Signed on behalf of the Guarantor:

By:.....  
Duly authorised<sup>(5)</sup>

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(5) Square bracketed provisions only appear on Notes issued by CGDFB.



## PART B – OTHER INFORMATION

### 1 Listing and Admission to Trading

- [(i) Listing and Admission to trading:]<sup>†</sup> [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market with effect from [●].] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Euronext Lisbon with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- [(ii) Estimate of total expense related to admission to trading:] [●]<sup>†</sup>

### 2 Ratings

- Ratings: The Notes to be issued have been rated:
- [S & P: [●]]
- [Moody’s: [●]]
- [Fitch]: [●]]
- [[Other]: [●]]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]\**
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3 [Notification]

*The Commission de surveillance du secteur financier [has been requested to provide/has provided the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]*

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

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

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

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

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

[(i) Reasons for the offer

[•]

*(See “Use of Proceeds” wording in 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:

[•]

*[Include breakdown of expenses.]\**

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

**6 [Fixed Rate Notes only – YIELD**  
Indication of yield:

[•]

*[Calculated as [include details of method of calculation in summary form] on the Issue Date.]\**

*[As set out above, the]\* [The]† yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

**7 [Floating Rate Notes only – Historic Interest Rates**

*[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]\**

**8 [Index Linked or other variable-linked Notes only – Performance of Index/Formula/other Variable], Explanation of effect on value of Investment and Associated Risks]\* and Other Information concerning the Underlying**

*[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear [and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]\*. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

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

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [will not provide any post-issuance information, except if required by any applicable laws and regulations].

**9 [Dual Currency Notes only – Performance of Rate[s] of Exchange and Explanation of effect on Value of Investment**

*[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

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

**10 Operational Information**

ISIN: [•]

Common Code: [•]

Any clearing system(s) other than Interbolsa [Not Applicable/*give name(s) and number(s) [and address(es)]*]  
Sociedade Gestora de Sistemas de Liquidação  
de Sistemas Centralizados de Valores  
Mobiliários S.A., Euroclear Bank S.A./N.V. and  
Clearstream Banking, *société anonyme* and the  
relevant identification number(s):

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

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

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

*[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]*  
*[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

**11 [Terms and Conditions of the Offer**

Offer Price: [Issue Price][*Specify*]

Conditions to which the offer is subject: [Not Applicable/*give details*]

Description of the application process: [Not Applicable/*give details*]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i> ]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/ <i>give details</i> ]
Manner and date in which results of the offer are to be made public:	[Not Applicable/ <i>give details</i> ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of unexercised subscription rights:	[Not Applicable/ <i>give details</i> ]
Categories of potential investors to which the securities are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/ <i>give details</i> ]
Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i> ]
Amount of any expenses and taxes specifically charged to the subscriber/purchaser:	[Not Applicable/ <i>give details</i> ]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i> ]*

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\* *Shall apply to Notes with a denomination of below €50,000 or its equivalent in other currencies.*

† *Shall apply to Notes with a denomination of €50,000 or above or its equivalent in other currencies.*

## GENERAL INFORMATION

- 1 Each of the Issuers and the Guarantor has obtained all necessary consents, approvals and authorisations in Portugal, Madeira, the Cayman Islands and France, respectively, in connection with the establishment of the Programme and the Guarantee to be given by CGDFB. The establishment of the Programme was authorised by a resolution of the Board of Directors of CGD passed on 15 September 1999 and by a resolution of the Board of Directors of CGDF passed on 15 September 1999. The update of the Programme and the increase in the Programme amount from €10,000,000,000 to €15,000,000,000 were authorised by a resolution of the Board of Directors of CGD passed on 28 January 2009 and by a resolution of the Board of Directors of CGDF passed on 31 March 2009. The issue of non-syndicated Tranches of Notes have been authorised under a general Funding Plan for the year by the Board of Directors of CGD passed on 28 January and by a resolution of CGDF passed on 31 March 2009. The issue of each syndicated Tranche of Notes is subject to a prior resolution by the Board of Directors of CGD and the provision of a legal opinion from CGD's external legal advisers in Portugal. In relation to each Tranche of Notes issued by CGDF the issue of the corresponding guarantee by CGDFB is subject to a prior resolution by the Board of Directors of CGD.
- 2 Except as disclosed in this Prospectus, there has been no significant change in the financial or trading position of any Issuer or of the Guarantor or of the Group since 30 September 2008 and no material adverse change in the prospects of any Issuer or of the Group or of the Guarantor since 31 December 2007.
- 3 None of the Issuers nor the Guarantor nor any of its/their subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuers or the Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects, in the context of the issue of the Notes, on the financial position or profitability of the Group.
- 4 Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- 5 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems and through Interbolsa for Book Entry Notes. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. In addition, the relevant Issuer will make an application with respect to each Series of Notes sold pursuant to Rule 144A for such Notes to be accepted for trading in book entry form by DTC. Acceptance of each Series and the relevant CUSIP number applicable to a Series will be confirmed in the Final Terms relating thereto.
- 6 For so long as Notes are outstanding, the following documents will be obtainable in Luxembourg, free of charge, during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of Dexia Banque Internationale à Luxembourg:
  - 6.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) as amended;
  - 6.2 the Dealer Agreement as amended;
  - 6.3 the Memorandum and Articles of Association of each Issuer;
  - 6.4 the Instrument (which constitutes the Non Publicly Offered Book Entry Notes);
  - 6.5 the published annual report and audited accounts of CGD for the two financial years ended 31 December 2006 and 2007 and the audited consolidated annual accounts of CGD for the two financial years ended 31 December 2006 and 2007;
  - 6.6 the unaudited financial statements of CGD and CGDF for the financial year ended 31 December 2008;
  - 6.7 the audited accounts of CGDF for the two financial years ended 31 December 2006 and 2007;
  - 6.8 a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus;
  - 6.9 each set of Final Terms for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange; and

6.10 all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

In addition, this Prospectus and the Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

7 Copies of the latest and future annual report, annual accounts, including non-consolidated accounts and consolidated accounts of CGD and the latest and future semi-annual interim non-consolidated and consolidated accounts of CGD and the latest and future annual non-consolidated accounts of CGDF may be obtained, and copies of the Trust Deed as amended (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding. CGDFB and CGDM do not prepare any publicly available unaudited or audited financial statements. All relevant financial information concerning CGDM and CGDFB is included in the consolidated accounts of CGD.

8 Deloitte & Associados, SROC S.A. (which is a member of the Portuguese Institute of Statutory Auditors – *Ordem dos Revisores Oficiais de Contas*) has audited the accounts of CGD for the years ended 31 December 2006 and 2007.

The auditors' report on the financial statements of CGD for the year ended 31 December 2007 contained an unqualified opinion.

A summary of the auditors' report on the consolidated financial statements for the year ended 31 December 2006 is as follows:

Emphasis paragraph describing the impact of the consolidation.

Deloitte & Associados, SROC S.A. (which is a member of the Portuguese Institute of Statutory Auditors – *Ordem dos Revisores Oficiais de Contas*) has audited the accounts of CGDF for the years ended 31 December 2006 and 2007.

The auditor's report on the financial statements of CGDF for the year ended 31 December 2007 contained an unqualified opinion.

The auditor's report on the financial statements of CGDF for the year ended 31 December 2006 included an emphasis paragraph referring that in 2006 CGDF adopted, for the first time the International Financial Reporting Standards adopted by the European Union (IFRS) in preparing its financial statements.

For a better understanding of the above issues the reading of the complete versions of the opinions, together with the respective financial statements, is recommended.

9 The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A (d)(4).

10 The Issuers are companies or banking institutions organised under the laws of the Cayman Islands and Portugal, respectively. None of the Directors of the Issuers are residents of the United States. All or a substantial portion of the assets of the Issuers and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuers or the directors of the Issuers or to enforce against any of them in the United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

## SCHEDULE 1

### Form of Certification for Exemption from Portuguese Withholding Tax (for Notes issued by CGDM)

#### STATEMENT OF NON-PORTUGUESE BENEFICIAL OWNERSHIP

The undersigned beneficiary:

Name: [●]

Address: [●]

Tax identification number: [●]

holding via the following financial intermediary:

Name of the financial intermediary: [●]

Account number:

the following securities: [●]

Common/ISIN code: [●]

Security name: [●]

Payment date: [●]

Nominal amount: [●]

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

Article 33 of the Tax Benefits Statute (Estatuto dos Benefícios Fiscais) – Zona Franca da Madeira e Zona Franca da ilha de Santa Maria.

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in section b), n° 2 and section b), n° 7, both of article 119 of CIRS

Authorised signatory:

Name: [●]

Title: [●]

Signature: [●]

## SCHEDULE 2

### PART A

**Form of Certification for Exemption from Portuguese Withholding Tax  
(for Notes issued by CGD and cleared through international clearing systems)**

**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME  
FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME  
APPROVED BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)**

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

.....  
(name and complete address of the international clearing system managing entity).

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

1. We are:

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....

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

(A) We are the Beneficial Owner of the following Securities:

<u>Security ISIN or Common Code</u>	<u>Security description</u>	<u>Nominal position</u>
-------------------------------------	-----------------------------	-------------------------

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

- Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November.....
- Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax.....

(B) We are intermediaries of the following Securities:

<u>Security ISIN or Common Code</u>	<u>Security description</u>	<u>Nominal position</u>
-------------------------------------	-----------------------------	-------------------------

which are held on behalf of:

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....



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

3. We hereby undertake to provide the ..... (name of the international clearing system managing entity) with a document proving the exemption of personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund or insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.
4. We hereby undertake to notify the ..... (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.
5. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise ..... (name of the international clearing system managing entity) and its Depository to collect and forward this certificate or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.
6. This certificate is valid for a period of twelve months as from the date of signature.

PLACE:

DATE:

Authorised Signatory

Name

*Title/Position*

Authorised Signatory

Name

*Title/Position*

## APPENDIX

### STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

- Name: .....
- Address: .....
- Tax ID number: .....

Holding via the following financial intermediary:

- Name of the financial intermediary: .....
- Account number: .....

The following securities:

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

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date \_\_\_/\_\_\_/\_\_\_\_; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

- Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November
- Art. 90 of *CIRC* (Corporate Income Tax Code) – Exemption from withholding tax
- Art. 9 of *CIRC* – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of *CIRC* – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no. .... , published in the *Diário da República*
- Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- Art. 21 of EBF – Retirement Savings Funds (FPR)
- Art. 23 of EBF – Venture Capital Investment Funds
- Art. 26 of EBF – Stock Savings Funds (FPA)
- Other legislation (indicate which)

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in the Article 17 of the Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November.

Authorized signatory:

Name

*Function*

*Signature*

**SCHEDULE 2**

**PART B**

**Form of Statement for Exemption from Portuguese Withholding Tax  
(for Notes issued by CGD and cleared through international clearing systems)**

**STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM  
DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED  
BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)**

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

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

1. We are:

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....

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

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

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

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

PLACE:

DATE:

Authorised Signatory

Name

*Title/Position*

Authorised Signatory

Name

*Title/Position*

## APPENDIX

### LIST OF BENEFICIAL OWNERS

For:

Interest due \_\_\_/\_\_\_/\_\_\_

Security code (ISIN or Common Code): \_\_\_\_\_

Security description: \_\_\_\_\_

Securities Clearance Account Number: \_\_\_\_\_

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

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

\_\_\_\_\_

(\*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

<u>Code</u>	<u>Legal basis of the exemption</u>
1.....	Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November
2.....	Art. 90 of CIRC (Corporate Income Tax Code) -Exemption from withholding tax
3.....	Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
4.....	Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
5.....	Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
6.....	Art. 21 of EBF – Retirement Savings Funds (FPR)
7.....	Art. 23 of EBF – Venture Capital Investment Funds
8.....	Art. 26 of EBF – Stock Savings Funds (FPA)
9.....	Other legislation

\_\_\_\_\_

(\*\*) The fulfilment of this column is mandatory when the code “9” is indicated in the previous column.

## REGISTERED OFFICES OF THE ISSUERS

### **Caixa Geral de Depósitos Finance**

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104

### **Caixa Geral de Depósitos, S.A.,**

acting through its Madeira branch  
(Sucursal Financeira Exterior)  
Av. Arriaga, 17-19  
3rd Floor  
9000 Funchal

### **Caixa Geral de Depósitos, S.A.,**

acting through its France branch  
38 Rue de Provence  
75009 Paris

### **Caixa Geral de Depósitos, S.A.**

Av. João XXI  
No. 63  
1000-300 Lisbon

## DEALERS

### **Bayerische Hypo- und Vereinsbank AG**

Arabellastrasse 12  
81925 Munich

### **Bayerische Landesbank**

Briener Strasse 18  
D-80333 Munich

### **BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA

### **Caixa Geral de Depósitos, S.A.**

Av. João XXI  
No. 63  
1000-300 Lisbon

### **Caja de Ahorros y Monte de Piedad de Madrid**

Plaza de Celenque No.2  
28013 Madrid

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB

### **Dresdner Bank Aktiengesellschaft**

Jürgen-Ponto-Platz 1  
60301 Frankfurt am Main

### **Merrill Lynch International**

Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

### **Mitsubishi UFJ Securities International plc**

6 Broadgate  
London EC2M 2AA

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA

### **Natixis**

30 avenue Mendès France  
75013 Paris

### **Nomura International plc**

Nomura House  
1 St. Martin's-le-Grand  
London EC1A 4NP

### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR

### **UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP

## TRUSTEE

### **Citicorp Trustee Company Limited**

Agency & Trust  
14th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**ISSUING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT,  
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