

This document constitutes the base prospectus of Banco BPI, S.A. in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the “Prospectus”).



BANCO BPI, S.A.

(incorporated with limited liability in the Republic of Portugal)

EUR 7,000,000,000 Euro Medium Term Note Programme

(the “Programme”)

for the issue of Senior Notes, Dated Subordinated Notes, Undated Subordinated Notes and Undated Deeply Subordinated Notes

This Prospectus has been approved by the *Commission de surveillance du secteur financier* (the “CSSF”) of the Grand Duchy of Luxembourg in its capacity as competent authority (the “Competent Authority”) under the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*). The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange), and to be listed on the Official List of the Luxembourg Stock Exchange. Banco BPI, S.A. (the “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 Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the “Prospectus Directive”) into Luxembourg law.

The Notes will be issued in dematerialised book entry form (*forma escritural*) and can either be registered notes (*nominativas*) or bearer notes (*ao portador*) integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”), as operator of the Portuguese centralised securities system, Central de Valores Mobiliários (“CVM”). CVM currently has links in place with Euroclear Bank, S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“CBL”) through accounts held by Euroclear and CBL with Interbolsa Affiliate Members (as described below).

This Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as amended from time to time.

SEE “RISK FACTORS” ON PAGE 17 FOR A DISCUSSION OF MATERIAL RISK FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES. IN PARTICULAR INVESTORS SHOULD SEE “RISK FACTORS” ON PAGE 17, THE “TERMS AND CONDITIONS OF THE SENIOR AND SUBORDINATED NOTES” ON PAGE 94, THE “TERMS AND CONDITIONS OF THE UNDATED DEEPLY SUBORDINATED NOTES” ON PAGE 117 AND “TAXATION” ON PAGE 142 IN RESPECT OF PROCEDURES TO BE FOLLOWED TO RECEIVE PAYMENTS UNDER THE INTERBOLSA NOTES (AS DEFINED BELOW). NOTEHOLDERS ARE REQUIRED TO TAKE AFFIRMATIVE ACTION AS DESCRIBED HEREIN IN ORDER TO RECEIVE PAYMENTS ON THE INTERBOLSA NOTES FREE FROM PORTUGUESE WITHHOLDING TAX. NOTEHOLDERS MUST RELY ON THE PROCEDURES OF INTERBOLSA TO RECEIVE PAYMENTS UNDER THE INTERBOLSA NOTES.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and are, in the case of bearer Notes, subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in 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, unless an exemption from the registration requirements of the Securities Act is available (see “Subscription and Sale” below).

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009, as amended by Regulation 513/2011 of the European Parliament and of the Council of 11 March 2011 (the “CRA Regulation”) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7th June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Dealers

Banco BPI, S.A.

Banco Português de Investimento, S.A.

The date of this Prospectus is 13 March 2015. This Prospectus is valid for a period of 12 months from its date of approval. This Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of Banco BPI, S.A. (www.ir.bpi.pt)

TABLE OF CONTENTS

SUMMARY	3
RISK FACTORS	17
RESPONSIBILITY STATEMENT	54
NOTICE	55
GENERAL DESCRIPTION OF THE PROGRAMME	59
DESCRIPTION OF THE ISSUER	60
FORM OF THE NOTES, CLEARING AND PAYMENTS	74
FORM OF FINAL TERMS	76
TERMS AND CONDITIONS OF THE SENIOR AND THE SUBORDINATED NOTES	94
TERMS AND CONDITIONS OF THE UNDATED DEEPLY SUBORDINATED NOTES	117
TAXATION	142
SUBSCRIPTION AND SALE	151
DOCUMENTS INCORPORATED BY REFERENCE	159

SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not Applicable”.

This summary contains placeholders and expressions in square brackets in relation to the Programme and the Issue Specific Summary.

Section A – Introduction and Warnings		
A.1	Introduction:	<p>Warning that:</p> <ul style="list-style-type: none"> • this summary should be read as introduction to the Prospectus; • any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor; • where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and • civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent:	<p><i>[The Issuer consents to the use of this Prospectus in connection with an offer to the public of the Notes by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) (the “Authorised Offeror”) on the following basis:</i></p> <p><i>(a) the relevant offer to the public must occur during the period from and including [●] to but excluding [●](the “Offer Period”);</i></p> <p><i>(b) the relevant Authorised Offeror must satisfy the following conditions: [●]</i></p> <p>An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the “Terms and Conditions”). The Issuer, if applicable, will not be a party to any such arrangements with investors (other than Dealers) in connection with the offer or sale of the Notes and,</p>

	<p>accordingly, this Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer and a statement on the use of the Prospectus in accordance with the consent and with the relevant conditions shall be disclosed by that Authorised Offeror on its website at the relevant time. The Issuer or any of the other Authorised Offerors have no responsibility or liability for such information.]</p> <p><i>[Not Applicable. This offer to the public will be made only by Banco BPI, S.A. (Issuer and Dealer for these purposes) and therefore the Issuer does not consent to the use of the Prospectus by other entities in connection with this offer to the public of the Notes.]</i></p>
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Section B – Issuer		
B.1	Legal name of the Issuer: Commercial name of the Issuer:	Banco BPI, S.A. (hereinafter “Banco BPI”, “BPI”, the “Issuer” or the “Bank”) BPI
B.2	Domicile, legal form, legislation and country of incorporation of the Issuer:	BPI was incorporated as a public company with limited liability (Sociedade Anónima) in Oporto, Portugal and is organised under the laws of Portugal. BPI is domiciled in Oporto, Portugal.
B.4b	Trend information:	Not applicable. There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the relevant Issuer's prospects for its current financial year.
B.5	The Group	<p>Please refer to the following chart with a description of the group headed by Banco BPI, S.A. (“Group” or “BPI Group”):</p> <p>Source: Banco BPI's website</p> <p>(1) Capital allocation at 30 September 2014. In the Capital allocation calculation it</p>

		was excluded the fair value reserve (net of deferred tax) on financial assets available for sale. Business structure following the demerger of part of the business conducted by Banco Português de Investimento and subsequent merger into Banco BPI occurred in November 2014.
B.9	Profit Forecast:	Not applicable. The Issuer does not make profit forecasts.
B.10	Audit Report Qualifications:	Not applicable. The auditor's reports on the consolidated financial statements of Banco BPI for the year ended 31 December 2012, 31 December 2013 and for the six months period ended 30 June 2014 did not include any reserves.
B.12	Selected Key Financial Information:	

Consolidated Balance Sheets as of 31 December 2014, 2013 and 2012 (Resume)

(Amounts expressed in thousands of Euro)

	31 December 2014 - Unaudited Results (Amounts in M. €)	31 December 2013 - Audited Report	31 December 2012 - Audited Report
Total assets	42 633,2	42 699 750	44 564 581
Total Liabilities	40 085,6	40 393 420	42 503 937
Shareholders' equity attributable to the shareholders of BPI	2 129,3	1 921 888	1 707 982
Total Shareholders' Equity	2 547,6	2 306 330	2 060 644
Total Liabilities and Shareholders' Equity	42 633,2	42 699 750	44 564 581

Consolidated Statements of Income for periods ended 31 December 2014, 2013 and 2012 (Resume)

(Amounts expressed in thousands of Euro)

	31 December 2014 - Unaudited Results (Amounts in M. €)	31 December 2013 - Audited Report	31 December 2012 - Audited Report
Financial margin (narrow sense)	485,3	444 691	548 918
Financial margin	514,5	475 130	582 595
Net commission income	312,2	310 341	332 304
Net income on financial operations	24,9	261 529	401 373
Net operating income	(28,2)	(23 665)	(9 272)
Operating income from banking activity	857,7	1 048 091	1 330 012
Overhead costs	671,5	650 543	639 266
Net income before income tax	(33,9)	154 531	400 118
Consolidated net income of the BPI Group	(161,6)	66 839	249 135

There has been no material adverse change in the prospects of BPI and BPI Group since 30 June 2014.

Not applicable. There has been no significant change in the financial or trading position of BPI and BPI Group since 31 December 2014.

B.13	Recent Events:	Not applicable. There have been no recent events particular to the Issuer which are material to the evaluation of the Issuer's solvency since the publication of the Issuer's unaudited consolidated results for the year of 2014.
B.14	Dependence upon other entities within the Group:	BPI is the parent company of the BPI Group and its financial results are partially dependent upon the cash flows and dividends from its subsidiaries. Please refer to item B.5 above.
B.15	The Issuer's	BPI Group activity is divided into two main geographic areas (i) Domestic Activity

	Principal Activities:	including Domestic Commercial Banking, Investment Banking and Private Equity and Financial Investments; and (ii) International Commercial Banking. Domestic Commercial Banking business corresponds to banking activity carried out with companies, individuals and institutions in Portugal and includes the provision of overseas banking services to non-residents, namely to emigrant communities and the Madrid branch. Domestic Commercial Banking is organised into two major business areas: Individuals and Small Businesses Banking; and Corporate Banking, Institutional Banking and State Owned Enterprises division and Project Finance. International Commercial Banking Activity refers to business operations conducted by a 50.1 per cent. shareholding in Banco de Fomento Angola ("BFA"), and by a 30 per cent. shareholding in Banco Comercial e de Investimentos in Mozambique ("BCI").
B.16	Controlling Persons:	<p>According to the last information received from the securities clearing house (Central de Valores Mobiliários - CVM) relative to the shareholder positions recorded at 31 January 2015 at the CVM and the information disclosed to the market until 3 March 2015, the shareholders with more than 2% of Banco BPI share capital were La Caixa group (with an interest of 44.1 per cent.), Santoro (with an interest of 18.6 per cent.), Allianz group (with an interest of 8.4 per cent.) and HVF SGPS, S.A. (with an interest of 2.58 per cent.).</p> <p>To the extent known to the Issuer, no shareholder holds, directly or indirectly or controls directly or indirectly, more than 50 per cent. of its share capital. Furthermore, BPI's by-laws impose a voting cap of 20 per cent. of the voting rights.</p>
B.17	Ratings assigned to the Issuer or their Debt Securities:	<p>The Programme has been rated Ba3 in respect of Senior Notes with a maturity of more than one year, Not Prime in respect of Senior Notes with a maturity of one year or less and B2 in respect of Dated Subordinated Notes and B3 in respect of Undated Subordinated Notes by Moody's Investors Service España, S.A. ("Moody's") (Undated Deeply Subordinated Notes will be rated by Moody's on an issue by issue basis) and BB+ in respect of Senior Notes with a maturity of more than one year and B in respect of Senior Notes with a maturity of one year or less by Fitch Ratings España, S.A.U. ("Fitch") (Dated Subordinated Notes, Undated Subordinated Notes and Undated Deeply Subordinated Notes will be rated by Fitch on an issue by issue basis) and BB- in respect of Senior Notes with a maturity of more than one year, B in respect of Senior Notes with a maturity of one year or less, B- in respect of Dated Subordinated Notes by Standard and Poor's Credit Market Services Europe Limited ("Standard & Poor's") (Undated Subordinated Notes and Undated Deeply Subordinated Notes will be rated by Standard & Poor's on an issue by issue basis).</p> <p>Notes issued under the Programme (the "Notes") may be rated or unrated. The ratings of the Programme do not immediately apply to any series of Notes issued under the Programme. Ratings to each series of Notes are subject to the satisfactory review of the documentation for the series and the characteristics of each series under the Programme might result in a different rating and in accordance where a series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Notes to be issued under the Programme. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>A rating must be issued by a credit rating agency established in the European Community and registered under Regulation 1060/2009/EC of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended pursuant to Regulation 513/2011/EU of the European Parliament and the</p>

		<p>Council of 11 May 2011 (the “CRA Regulation”), unless the rating is provided by a credit rating agency that operated in the European Community before 7 June 2010 and which has submitted an application for registration in accordance with the CRA Regulation and such application for registration has not been refused. Each of Fitch Ratings Limited, Standard & Poor's and Moody's is established in the European Community and has been registered in accordance with the CRA Regulation. The full list of Credit Rating Agencies that are registered under the CRA Regulation can be found at European Securities and Markets Authority's website.</p> <p><i>[The Notes to be issued have been rated / The type of Notes to be issued under the Programme has the benefit of the following rating(s) [●] / The Notes to be issued will not be rated]</i></p> <p>The ratings of the Issuer at any time are available for consultation at http://bpi.bancobpi.pt/index.asp?riIdArea=AreaDivida&riId=DRatings. The long term/short term ratings currently assigned to Banco BPI are Ba3/Not Prime (Negative Outlook) by Moody's, BB+/B (Negative Outlook) by Fitch and BB-/B (Stable Outlook) by Standard & Poor's.</p>
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Section C – The Notes		
C.1	Type, Class of Securities and the Security Identification Number:	<p>Fixed Rate Notes: Notes may bear interests at a fixed rate (the “Fixed Rate Notes”).</p> <p>Floating Rate Notes: Notes may bear interests at a floating rate (the “Floating Rate Notes”).</p> <p>Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest (the “Zero Coupon Notes”).</p> <p>The Notes are <i>[Fixed Rate Notes/ Floating Rate Notes/ Zero Coupon Notes]</i>.</p> <p>Security Identification Number(s):</p> <p><i>[ISIN Code: []</i></p> <p><i>Common Code: []]</i></p>
C.2	Currency of the Securities Issue:	<i>[The Notes are denominated in [].]</i>
C.5	Restrictions on Free Transferability:	<p>The Issuer and the Dealers have agreed certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material. There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Portugal, France, Japan, and the European Economic Area.</p> <p>No Noteholder will be able to transfer the Notes, or any interest therein, except in accordance with Portuguese law and regulations. Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the <i>Comissão do Mercado de Valores Mobiliários</i> (“CMVM”) or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the Notes are held.</p>
C.8	The Rights Attaching to the Securities,	<p>Negative Pledge: The Notes which are Senior Notes will have the benefit of a negative pledge in respect of Indebtedness which is in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of</p>

<p>including Ranking and Limitations to those Rights:</p>	<p>doubt, preference shares or other equity securities) but excluding any Covered Bonds.</p> <p><i>Status of the Notes:</i></p> <p>Important: as a result of applicable laws or regulations, including any new EU Directive or Regulation, establishing a framework for the recovery and resolution of credit institutions, and any implementation thereof into Portugal, the Notes may be mandatorily written down or converted into more subordinated instruments, including ordinary shares of the Issuer.</p> <p><i>[Status of the Senior Notes:</i></p> <p><i>The Senior Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) pari passu with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, from time to time outstanding. /</i></p> <p><i>Status of the Subordinated Notes</i></p> <p><i>The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer, will rank pari passu without any preference among themselves and (save for certain obligations required to be preferred by law) at least pari passu with all other present and future subordinated debt and obligations of the Issuer. If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the rights of holders of Subordinated Notes against the Issuer to payment of principal and interest on the Subordinated Notes will be subordinated in right of payment to the claims of all senior creditors of the Issuer. /</i></p> <p><i>Status of the Undated Deeply Subordinated Notes</i></p> <p><i>The Undated Deeply Subordinated Notes are direct, unsecured and deeply subordinated obligations of the Issuer, and rank and will rank pari passu without any preference among themselves.</i></p> <p><i>If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the holders of Undated Deeply Subordinated Notes, will be entitled to the repayment of the then outstanding nominal amount of the Undated Deeply Subordinated Notes plus accrued interest, if any, on such nominal amount from and including the Issue Date (if such event occurs in the first Interest Period after the Issue Date) or the preceding Interest Payment Date on which interest was either paid or cancelled (if such event occurs after the first Interest Period), to the extent that there are available funds to this effect after payment to the higher ranking creditors of the Issuer as described below. The claims of the Noteholders of the Undated Deeply Subordinated Notes, in the event of a voluntary or involuntary liquidation, insolvency or similar proceeding, will be subordinated in right of payment to the claims of all senior creditors including subordinated debt of the Issuer, to which a higher ranking has been assigned, will rank in priority to the ordinary share capital of the Issuer and other instruments which are treated as common equity tier 1 of the Issuer in accordance with the requirements of article 28 of Regulation (EU) 575/2013 and pari passu with the credits arising from other instruments which are treated as additional tier 1 capital in accordance with the requirements of article 52 of Regulation (EU) 575/2013.</i></p> <p><i>If a Capital Ratio Event (meaning that the Issuer's common equity tier 1 capital ratio, as defined in the Own Funds Requirements Regulations, falls below 5.125 per cent. (or such other percentage specified in the applicable Final Terms)) is confirmed, the Issuer shall immediately notify the competent banking prudential supervisory authority of the occurrence of such Event and, within one month from the confirmation of the occurrence of the relevant Capital Ratio Event, after first</i></p>
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		<p>giving a <i>Loss Absorption Notice to Noteholders</i> (that is, a notice which specifies that a <i>Capital Ratio Event</i> has occurred, the <i>Write-Down Amount</i> and the date on which the <i>Write-Down</i> will take effect), <i>pro rata</i> with the other <i>Undated Deeply Subordinated Notes</i> and any other <i>Loss Absorbing Instruments</i> (with a similar loss absorption mechanism) irrevocably (without the need for the consent of <i>Noteholders</i>), reduce the then <i>Current Principal Amount</i> of each <i>Undated Deeply Subordinated Note</i> by the relevant <i>Write-Down Amount</i> (the amount by which the then <i>Current Principal Amount</i> of each outstanding <i>Note</i> is to be <i>Written Down</i> on such date).</p> <p>Events of Default:</p> <p>[There are no events of default under the <i>Undated Deeply Subordinated Notes</i>.]</p> <p>[In case of <i>Senior Notes</i>, any holder of a <i>Note</i> may, by written notice, declare any <i>Notes</i> held by the holder to be forthwith due and payable together with any accrued interest thereon (i) if the <i>Issuer</i> fails to make payment of any principal or interest due in respect of the <i>Notes</i> and such failure to pay continues, in the case of principal, for a period of seven days or, in the case of interest, for a period of 14 days; or (ii) if the <i>Issuer</i> defaults in the performance or observance of or compliance with any other obligation on its part in respect of the <i>Notes</i> and (except where such default is not capable of remedy, where no such notice shall be required) such default shall continue for a period of 30 days after written notice of such default shall have been given to the <i>Issuer</i> by a holder of the <i>Note</i>; or (iii) bankruptcy or insolvency proceedings are commenced by a court against the <i>Issuer</i> or the <i>Issuer</i> institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or (iv) any order shall be made by any competent court or resolution passed for the dissolution of the <i>Issuer</i>, except in certain specific cases; or (v) in case the repayment of any indebtedness for borrowed money owing by the <i>Issuer</i> is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the <i>Issuer</i> defaults in any payment of any indebtedness for borrowed money or in the honouring of any guarantee or indemnity in respect of any indebtedness.]</p> <p>[In case of <i>Subordinated Notes</i>, any holder of a <i>Note</i> may, by written notice, declare any <i>Notes</i> held by the holder to be forthwith due and payable together with any accrued interest thereon, if any order by any competent court is made or resolution passed for the winding up or dissolution of the <i>Issuer</i> (other than for the purpose of an amalgamation, merger or reconstruction approved by an <i>Extraordinary Resolution</i> of the <i>Noteholders</i>).]</p> <p>Governing Law: The <i>Notes</i> and any obligation arising from it will be governed by and construed in accordance with Portuguese law.</p>
C.9	<p>The Rights Attaching to the Securities (Continued), Including Information as to Interest, Maturity, Yield and the Representative of the Holders:</p>	<p>See C.8 for a description of the rights attaching to the <i>Notes</i>, ranking and limitations.</p> <p>Interest:</p> <p>Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the <i>Issuer</i> and the relevant <i>Dealer</i> and on redemption, and will be calculated on the basis of such day count fraction (the “<i>Day Count Fraction</i>”) as may be agreed between the <i>Issuer</i> and the relevant <i>Dealer</i>.</p> <p>Floating Rate Notes: <i>Notes</i> for which the interest rate is variable will be payable on such basis as may be agreed between the <i>Issuer</i> and the relevant <i>Dealer</i>. The margin of the <i>Notes</i>, if any, relating to such variable rate will be agreed between the <i>Issuer</i> and the relevant <i>Dealer</i> for each <i>Tranche</i> of <i>Floating Rate Notes</i>. The periods of interests for <i>Floating Rate Notes</i> will be of one, two, three, six or 12 months or such other period(s) as may be agreed between the <i>Issuer</i> and the relevant <i>Dealer</i>.</p>

	<p>Subordinated Notes: If so specified in the Final Terms of the Subordinated Notes, if the Issuer determines that it will not be able to comply with its obligations under the Subordinated Notes, the Issuer may elect to defer any interest payable on any Interest Payment Date as provided in Condition 4 (d) (Deferral of Payments).</p> <p><i>[Interest: The Notes bear interest from [] at a fixed rate of [] per cent. per annum payable in arrear on [].]</i></p> <p><i>[Interest: The Notes bear interest from [] at a rate equal to the sum of [] per cent. per annum and [period]/[currency][EURIBOR/LIBOR][with a minimum of [•]][with a maximum of [•]]determined in respect of each Interest Period on the day which is [[] [London business days] before] the first day of the Interest Period and payable in arrear on [].]</i></p> <p><i>[Interest is payable on [•] in each year, starting on [•].]</i></p> <p><i>[Deferral of Interest (only for Subordinated Notes): [Applicable][Not Applicable]</i></p> <p>Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the Issuer or the relevant Specified Currency, save that (i) in the case of Dated Subordinated Notes, the minimum maturity will be five years, (ii) in the case of Undated Subordinated Notes and Undated Deeply Subordinated Notes, there will be no final maturity date.</p> <p><i>[Maturity Date: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [] / the Notes have no stated maturity]</i></p> <p>Redemption: Except for the Undated Subordinated Notes and the Undated Deeply Subordinated Notes which will not have a stated maturity, the other Notes cannot be redeemed prior to their stated maturity (other than for taxation or regulatory reasons (subject, in the case of Subordinated Notes and Undated Deeply Subordinated Notes, to having obtained the prior consent of the competent banking prudential supervisory authority) or following an Event of Default) or will be redeemable at the option of the Issuer (subject, in the case of Subordinated Notes and Undated Deeply Subordinated Notes, to having obtained the prior consent of the competent banking prudential supervisory authority) and/or the Noteholders (except for Subordinated Notes and Undated Deeply Subordinated Notes) upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any)) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms agreed.</p> <p>Subordinated Notes and Undated Deeply Subordinated Notes may not be redeemed at the option of the holders of any such Notes and only by the Issuer with the prior consent of the competent banking prudential supervisory authority.</p> <p>Subordinated Notes and Undated Deeply Subordinated Notes may not be redeemed prior to five years from the Issue Date thereof, except in certain specific cases and after obtaining the consent of the competent banking prudential supervisory authority.</p> <p><i>[Final Redemption Amount: Unless previously redeemed, or purchased and cancelled, each Note, other than Undated Deeply Subordinated Notes will be redeemed at 100 per cent. of its nominal amount / Current Principal Amount¹]</i></p> <p>Optional Redemption:</p> <p><i>[Redemption at the Option of the Issuer: The Notes may be redeemed at the option of the Issuer [in whole]/[in whole or in part] on [] at [], plus accrued interest (if any) to such date, on the Issuer's giving not less than 15 nor more than 30 days'</i></p>
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¹ Applicable only to Undated Deeply Subordinated Notes.

		<p><i>notice to the Noteholders.]</i></p> <p><i>[Redemption at the Option of the Noteholders: The Issuer shall, at the option of the holder of any Note redeem such Note on [] at [] together with interest (if any) accrued to such date, on the Noteholders' giving not less than 15 nor more than 30 days' notice to the Issuer.]</i></p> <p><i>[Not Applicable]</i></p> <p>Tax Redemption: Except as described in "Optional Redemption" above, early redemption will only be permitted if the Issuer has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of the country of tax residence of the Issuer (after obtaining the consent of the competent banking prudential supervisory authority in the case of Subordinated and Undated Deeply Subordinated Notes).</p> <p>Yield: The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date.</p> <p><i>[Yield: Based upon the Issue Price of [], at the Issue Date the anticipated yield of the Notes is [] per cent. per annum.]</i></p> <p>Representative of the Noteholders: Holders of Notes may appoint a common representative.</p>
C.10	Derivative Components in interest payment:	<p>See C.9 above.</p> <p>Not applicable. Payments of interest on the Notes shall not involve any derivative component.</p>
C.11	Admission to trading of the Notes on a regulated market:	<p>Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.</p> <p><i>[Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.]</i></p> <p><i>[Application has been made for the Notes to be admitted to trading and/or quotation by [].]</i></p> <p><i>[Not applicable: The Issuer does not intend to make any application for the Notes to be admitted to trading and/or quotation by any competent authority, stock exchange and/or quotation system.]</i></p>
[C.21]	Market where the securities will be traded	<p><i>Notes to be issued may be admitted to trading on the Luxembourg Stock Exchange.]</i></p>

Section D – Risks		
D.2	Risks Specific to the Issuer:	Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

	<p><i>The Issuer's financial condition:</i> The Notes are obligations of the Issuer and accordingly if the Issuer's financial condition were to deteriorate the Noteholders may suffer direct and materially adverse consequences.</p> <p><i>Global Financial Volatility:</i> the current economic environment is a source of challenges for BPI and may adversely affect its business, financial conditions and results of operations.</p> <p><i>Euro-zone debt crises:</i> The instability that affected the euro-zone sovereign debt markets since 2010 has abated and peripheral markets risk premia (Portugal, Spain, Italy, Greece, and Ireland) have returned to levels similar to the ones experienced prior to the debt crises. In the event of negative developments in the financial markets, the Issuer's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected.</p> <p><i>Economic and Financial situation in Portugal:</i> The economic and financial situation in Portugal, specifically the developments that have been on the basis of the Economic and Financial Assistance Programme by the EU/IMF/ECB in the period 2011-2014, have affected negatively the Issuer's financial condition, business and results of operations and any further deterioration of the economic conditions may further severely affect the Issuer. Since a substantial part of its activities is performed in Portugal, the Issuer depends on the developments in the Portuguese economy, which in turn is affected by the developments of the economic and financial situation in the Eurozone.</p> <p><i>Risks relating to the Restructuring Plan:</i> At the end of 2014, Banco BPI has already fulfilled all the targets established in the Restructuring Plan. Accordingly, under the European Commission decision, the Restructuring Period is to be considered as having ended, something for which Banco BPI is waiting for a formal confirmation from the European Commission.</p> <p><i>Banking markets and competition:</i> Intense competition in all areas of BPI's operation can have an adverse effect on the Issuer's operating results.</p> <p><i>Banco BPI exposure to adverse political, governmental or economic developments related to its international expansion:</i> BPI continues to pursue its international strategy, with emphasis in Angola and Mozambique, which operations are exposed to the risk of adverse political, governmental or economic developments in such countries and could have a material adverse effect on BPI's financial condition.</p> <p><i>Financial Sector Regulation:</i> Banco BPI, S.A. operates in a highly regulated industry and its banking activities are subject to extensive regulation by, among others, the European Central Bank, the Bank of Portugal and the Portuguese Securities Commission (<i>Comissão do Mercado de Valores Mobiliários</i>). Such regulation concerns, amongst others, the requirements of liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.</p> <p><i>The fulfilment of both the current and future capital requirements as set out by the European authorities and by the Bank of Portugal could lead BPI Group to attract additional capital and/or to face adverse consequences:</i> On the date hereof, BPI Group has no further capital needs, according to the rules or capital requirements in place. However, if such rules or capital requirements are amended Banco BPI may have to implement adequate measures in order to comply with such requirements.</p> <p>Notwithstanding the above, the European Commission published under, among other, the dispositions of article 114 (7) of the CRR, the list of third countries with supervisory and regulatory arrangements equivalent to those of the European Union, and this list did not include the Republic of Angola. Under a narrow interpretation of the Capital Requirements Regulation ("CRR") rules concerning large exposures, the disappearance of the referred exemption implies that Banco BPI's indirect exposure to the Angolan State exceeds, from the 1st of January 2015 onwards, the limit to large</p>
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exposures in EUR 2,979 million and the exposure to Banco Nacional de Angola (“BNA”) exceeds the limit in EUR 184 million. The maximum total loss that, in any circumstance, Banco BPI could have relative to Banco de Fomento de Angola (“BFA”) corresponds to the book value of the 50.1 per cent. stake in BFA (EUR 375 million) and the lending exposure of Banco BPI to BFA (EUR 19 million as of 30 September 2014, resulting from the confirmation of documentary credits), which totalled EUR 394 million as of 30 September 2014. This figure is lower than the limit to large exposures established for Banco BPI on a consolidated basis, which corresponded to EUR 637 million as of 30 September 2014 (25 per cent. of consolidated own funds). Taking into account the above, Banco BPI requested the European Central Bank’s (“ECB”) approval to change the consolidation method of BFA, in order to start applying, for prudential purposes, and as admitted, according to BPI’s understanding, in article 19 (2) (c) of the CRR, the equity consolidation method. This method of consolidating BFA was consistent with Banco BPI’s understanding concerning the maximum potential loss with BFA. As part of this request, Banco BPI has also shown its availability to compromise not to increase the exposure to BFA other than the one resulting from retained earnings, unless receiving prior authorization from the ECB and the Bank of Portugal. The ECB has not favourably acknowledged the request described above and will establish in due time an adequate time limit so that Banco BPI may adopt the necessary measures to comply with the limit to large exposures referred above.

Requirements related to the liquidity ratios: The fulfilment by BPI of the Liquidity Coverage Ratio, which is expected to be implementing gradually starting from 2015 and of the Net Stable Funding Ratio, to be implemented in 2018 may lead to constitution of portfolios with high liquidity assets but low profitability and to an increase in the financial costs. These changes may have a negative impact on BPI’s results of operations.

Risk relating to the rules governing the formation of impairments and provisions: Any change in the applicable requirements could have a material adverse effect on the results of operations of BPI.

Compliance risk: BPI is subject to rules and regulations related to money laundering and terrorism financing. A possible violation or even a suspect of violation of these rules may have serious reputational, legal and financial consequences, which could have a material adverse effect on the BPI’s business, financial conditions or results of operations.

Creation of a deposit protection scheme applicable through EU: the creation of a deposit protection scheme applicable through EU may result in additional costs to BPI.

Recovery and Resolution of Credit Institutions: In accordance with Directive 2014/59/UE, of 15 May 2014 and EU Regulation 806/2014 of 15 July 2014, establishing a framework for the recovery and credit resolution and investment funds, the Notes to be issued under this Prospectus may be mandatory written down or converted into more subordinated instruments, for instance ordinary shares of the Issuer, if the Issuer is subject to resolution measures. Additionally, in accordance with the above mentioned Directive, financial institutions will be required to meet a minimum requirement for own funds and eligible liabilities (MREL) capable of being bailed in. The requirement will be equal to a percentage (to be set by the national resolution authority on an institution-by-institution basis from 1 January 2016 at the latest) of total of liabilities and own fund of the financial institution, which is not yet defined. In order to comply with this ratio, Banco BPI may be requested in the future to issue additional liabilities capable of being bailed in.

Changes to tax legislation and to other laws or regulation: BPI might be adversely affected by changes in the tax legislation and other laws or regulations applicable in

	<p>Portugal, EU, Angola and other countries in which it operates or may operate in the future.</p> <p><i>Risks relating to legislation on deferred tax assets:</i> Law No. 61/2014, of 26 August, sets an optional system that allows for the conversion to tax credits of the deferred tax assets (DTA), generated in tax periods beginning on or after 1 January 2015, or recorded in the accounts of taxpayers for the taxation period preceding that date, where (i) taxpayers record a net loss for the year in their annual accounts, after being approved by the governing bodies, under the terms of the relevant law; or (ii) taxpayers are liquidated on a voluntary basis, are declared insolvent by a court or, where applicable, the relevant authorisation is revoked by the competent supervisory authority. Regarding (i) above, the conversion of DTA to tax credits depends, however, on the creation of a special reserve in an amount equal to the DTA converted plus 10 per cent., as well as on the issue of conversion rights (which consist of securities giving the right to acquire shares from the share capital of the taxpayer) to the Portuguese State.</p> <p><i>Risks associated with the implementation of its risk management policies:</i> Although BPI has implemented risk management policies for each of the risks that it is exposed to, such policies may not be fully effective.</p> <p><i>Credit risk:</i> Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent to a wide range of BPI's business and may have a significantly adverse effect on its financial condition and results of operations.</p> <p><i>Market risk:</i> The performance of financial markets may decrease the value of BPI's investment and trading portfolios. 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 BPI's financial condition.</p> <p><i>Infrastructure Risk:</i> The Issuer faces the risk that computer or telecommunications systems could fail, despite efforts to maintain these systems in good working order.</p> <p><i>Operational risk:</i> Any failure to execute BPI's risk management and control policies successfully could materially adversely affect BPI's financial condition.</p> <p><i>Risks relating with market transactions on own portfolio:</i> BPI performs transactions in the market using its own portfolio and as a result of the periodical review it may be forced to recognise losses in the income statement in the future.</p> <p><i>Liquidity risk:</i> A lack of liquidity in the financial markets would increase funding costs and limit BPI's capacity to increase its credit portfolio and the total amount of its assets, which could have a material adverse effect on BPI's business, financial condition or results of operations.</p> <p><i>Counterparty risk:</i> The Issuer's business operations lead to contractual arrangements with customers, suppliers, financing partners, and trading counterparts which expose the Issuer to counterparty risks.</p> <p><i>Hedging Risk:</i> If any of the hedging instruments or strategies of BPI is ineffective, BPI could incur losses that might result in a material adverse effect on its business, financial condition or results of operations.</p> <p><i>Reputational Risk:</i> Non-compliance with applicable laws, regulations or codes could lead, besides the fines and/or substantial monetary damages, to a serious damage to reputation.</p> <p><i>Impact of regulatory changes:</i> The Issuer is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. Changes in supervision and regulation, in particular in Portugal, could materially affect the Issuer's business.</p> <p><i>Currency risk in International operations:</i> International operations are exposed to foreign exchange risk, which is reflected mainly in the expression of results and in the balance of the respective subsidiaries of the Group, for the purpose of consolidation.</p>
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		<p>BPI Group manages the currency risk to the extent and in the manner it deems appropriate at all times. However, it does not ensure full coverage of the currency risk associated with its International operations.</p> <p><i>Strategy risk:</i> Banco BPI is subject to risks of strategy. The possibility of Banco BPI making strategic decisions whose results may differ significantly from those intended exists.</p> <p><i>Risk of changes in the organization of partnerships:</i> There are some activities of the BPI Group which are partially related to partnerships in various activities with other companies that are not under the control of the BPI Group, in particular the activities of bancassurance. These activities depend in part on such partners, which the Group does not control.</p> <p><i>Risks relating to CaixaBank's general tender offer:</i> CaixaBank, S.A. released on 17 February 2015 the preliminary public announcement for the launch of a general tender offer ("Offer") for the acquisition of the shares representing the share capital of the Issuer.</p> <p>Regardless of the developments in the Offer process, the Issuer will proceed with its business plan without changes and with entire normality, including with the announced candidature for the acquisition of Novo Banco under the terms established by the Authorities.</p> <p><i>Other Risks:</i> BPI may be exposed to other risks or to an unexpected level of risk.</p>
D.3	<p>Risks Specific to the Notes:</p>	<p><i>Factors which are material for the purpose of assessing the market risks associated with Notes</i></p> <p><i>The Notes may not be a suitable investment for all investors:</i> Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances.</p> <p><i>Notes subject to optional redemption by the Issuer:</i> An optional redemption feature is likely to limit the market value of the Notes. Please refer to C.9 above.</p> <p><i>Fixed/Floating Rate Notes:</i> An issuer's ability to convert such Notes will affect the secondary market and the market value of such Notes.</p> <p><i>Notes issued at a substantial discount or premium:</i> The market value of Notes of this type tends to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.</p> <p><i>Senior Notes:</i> The Issuer is not prohibited from issuing, guaranteeing or otherwise incurring further notes or debt ranking <i>pari passu</i> with its obligations under the Notes. Please refer to C8 above.</p> <p><i>Subordinated Notes:</i> The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment under all senior creditors. Undated Subordinated Notes will not have a stated maturity. Please refer to C8 above.</p> <p><i>Deferral of Interest Payments under Subordinated Notes:</i> If the Issuer determines that it will not be able to comply with its obligations under the Subordinated Notes, it may defer any interest payable on any Subordinated Notes on any Interest Payment Date. Please refer to C9 above. Any deferral of interest will likely have an adverse effect on the market price of the relevant Subordinated Notes. In addition, as a result of the interest deferral provisions in any Subordinated Notes, the market price of such Subordinated Notes may be more volatile than the market prices of other debt securities that are not subject to such deferrals and may be more sensitive generally to any adverse changes in the Issuer's financial condition.</p> <p><i>Undated Deeply Subordinated Notes:</i> The Issuer's obligations under Undated Deeply Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment under all senior creditors. Undated Deeply Subordinated Notes will not have a stated maturity. Please refer to C8 above.</p> <p>There are also certain risks relating to the Notes generally, such as modification and</p>

		<p>waivers, EU Savings Directive and change of law.</p> <p>Investments in the Notes will be subject to Interbolsa procedures and Portuguese law with respect to the form and transfer of the Notes, payments on the Notes and Portuguese tax rules. Holders of the Notes must ensure that they comply with all procedures to ensure the correct tax treatment of the Notes.</p>
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E.2b	Reasons for the Offer and Use of Proceeds:	The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of their general financing requirements.
E.3	Terms and Conditions of the Offer:	<p>Notes may be issued at any price and on a fully paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. The Terms and Conditions of any offer to the public shall be published by the relevant Authorised Offeror on its website at the relevant time.</p> <p><i>[The Issue Price of the Notes is [] per cent. of their principal amount.]</i></p> <p><i>[The offer period is from ['] to ['] and will take place in [include market]].</i></p> <p><i>[The offer is addressed to [qualified / retail] investors].</i></p>
E.4	Interests Material to the Issue:	<p><i>[A description of any interest that is material to the issue/offer including conflicting interests.]</i></p> <p>The Issuer has appointed Banco BPI, S.A. and Banco Português de Investimento, S.A. and any other Dealer appointed from time to time (the “Dealers”) as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement made between the Issuer and the Dealers.</p> <p><i>[Syndicated Issue: The Issuer has appointed [], [] and [] (the “Managers”) as Managers of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Managers are set out in the Subscription Agreement made between the Issuer and the Managers] [Non-Syndicated Issue: The Issuer has appointed [] (the “Dealer”) as Dealer in respect of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Dealer are set out in the Programme Agreement made between, amongst others, the Issuer and the Dealer]</i></p>
E.7	Estimated Expenses:	Not applicable. No expenses will be chargeable by the Issuer to an investor in connection with any offer of Notes. Any expenses chargeable by an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the investor and such Authorised Offeror at the time of the relevant offer.

RISK FACTORS

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

In addition, factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does 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 and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The Issuer's financial condition

The Notes are obligations of the Issuer and accordingly if the Issuer's financial condition were to deteriorate the Noteholders may suffer direct and materially adverse consequences, including non-payment of principal and/or interests due under the Notes. An investment in the Notes involves a reliance on the creditworthiness of the Issuer. In addition, an investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Notes.

Global Financial Volatility

Banco BPI's performance is reliant on global financial markets conditions and economic activity. After the economic and financial credit crisis of 2007-08, global growth has recovered and financial markets stabilized on the back of proactive economic policies around the globe, with particular emphasis on central banks' policies in developed economies. Short term interest rates have been slashed to the minimum threshold, in some cases turned negative, and the major central banks supplied ample funding and liquidity to the world financial system, embarking on so-called non-conventional monetary policies. However, despite all the efforts, there is still lack of evidence that this effort will succeed, as global growth continues sluggish, unemployment rates and the output slack in developed economies are still higher than the historical average, and deflation fears have been mounting, especially in the euro-zone countries. The global picture is now characterised by slow growth, inflation close to zero or negative and progressive exhaustion of the usual economic policy tools, especially as far as monetary policy is concerned. Additionally, persistent high debt levels coincident in several economies, both at public and private sector level, are also restraining aggregate demand growth and hindering the capacity to implement expansionary fiscal policies. Hence, the capacity of authorities to act in case there is a negative and unexpected exogenous shock has progressively become more reduced in the developed economies. In this framework, interest rates declined to historical minimum in the reference markets across the whole spectrum of the yield curve and the appetite for riskier financial instruments has been increasing, as investors search for yield.

Given this scenario, there are growing evidences of divergent paths and performances across the major world economies, as the US and UK economies are leading the economic cycle and the respective monetary authorities are expected to change

their stance, which may occur until the end of 2015. In particular, the US Federal Reserve has ended recently its third round of quantitative easing and is willing to start normalising interest rates as soon as the growth and inflation conditions allow. Given the prolonged period of ultra-lax monetary policy and ultra-low interest rates there is some risk that volatility in financial markets increases once the central bank delivers. Indeed, past Fed-tightening cycles have been associated with volatility and losses in riskier markets, with possible negative impact on equity markets and a reappraisal of bond market valuations, including a disorderly increase in long term interest rates, as well as negative impacts on households' and firms' confidence indices. In an adverse scenario, this could have a negative impact on balance-sheet valuations and risk perceptions might change, with impact on the capacity of the Issuer to access international wholesale financial markets.

Euro-zone debt crises

The instability that affected the euro-zone sovereign debt markets since 2010 has abated and peripheral markets risk premia (namely Portugal, Spain, Italy, Greece, and Ireland) have returned to levels similar to the ones experienced prior to the debt crises. However, the election win of a far-left party in Greek general elections (Syriza), at the beginning of 2015, has reignited the spectrum of the euro crises and recalled the possibility that financial instability might return and affect the more vulnerable euro-zone members. Indeed, the new Greek government leaders are pledging for a cut in their debt levels and are promising several measures, with direct impact in Greek public spending (readmission of public servants, increase in wages, and stoppage of privatization processes, among other). Comparing to the 2010-2012 debt crises in Europe, the European institution framework looks now more robust and capable to withstand any adverse shock that may come from this process. Indeed, both Ireland and Portugal ended with success their external financing programs with the European Commission (the "EC"), the European Central Bank (the "ECB") and the International Monetary Fund (the "IMF") (the EC together with the ECB and the IMF, the "Troika") and are now issuing regularly on the sovereign debt market; fiscal consolidation continued in peripheral markets and several structural reforms have been enacted in the more vulnerable economies, including Spain and Italy; finally, the completion of the Asset Quality Review in the European banking system and the progress in the Banking Union, including the launch of the Single Supervisory Mechanism, also gave more resilience to the monetary union architecture. However, the negotiation process that should follow between the Greek authorities and international institutions, including the International Monetary Fund, might be complex and protracted, suggesting that some instability in the international financial markets might arise, with potential negative impact on risk premia across Europe. In a hypothetical scenario of huge financial instability, a more disruptive framework might return, and create difficulties in the access of peripheral markets institutions (including Portugal) to the international capital markets.

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

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

- Since the economic and financial crisis of 2007/08, whose consequences have been aggravated by the European sovereign debt crisis in 2010-2012, the business was affected namely through higher funding costs, both wholesale and retail, and by the depreciation of its share prices and asset values. In the case of further deteriorations on market conditions, Banco

BPI will be affected. Any worsening of the current economic climate could jeopardise Banco BPI strategy and adversely affect its profitability.

- The decline in interest rates in the developed reference markets, including the euro, with negative interest rates registered in the shorter maturities of the yield curve (negative Euribor rates in the shorter tenures, up to three months) constitutes also a challenge for Banco BPI. Indeed, the eventual impact of this situation in the retail market is still to be known, as eventually creditors might be remunerated for their financing operations while depositors might be charged for holding funds in banks. That would revert all the logic in the banking system, with potential instability and adverse consequences for the Issuer.
- Banco BPI is exposed to potential losses if certain financial institutions, or other counterparties to Banco BPI, become insolvent or are not able to meet their financial obligations to Banco BPI.
- Numerous banks worldwide have been and are being supported in part by various "rescue plans" and other types of support by their home country governments. Banco BPI is uncertain as to how much longer governmental support will be needed to keep these banks solvent and whether governments will have the means or the political will to continue this support. Any failure of government support to continue could result in more bank failures and heightened lack of confidence in the global banking system, thus increasing the challenges faced by Banco BPI and other financial institutions.

Uncertainty is likely to carry on into 2015: internally, economic growth might disappoint and fiscal consolidation measures may need to be strengthened given the governments' goal of ending 2015 with a fiscal deficit below 3 per cent. of GDP. A possible disruption episode in the Eurozone would have unpredictable consequences given the dependence of the national economy from abroad.

Economic and financial situation in Portugal

The economic and financial crisis in Portugal, specifically the developments that have been on the basis of the Economic and Financial Assistance Programme by the EU/IMF/ECB in the period 2011-2014, have affected negatively the Issuer's financial condition, business and results of operations and any further deterioration of the economic conditions may further affect the Issuer.

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

After steady economic growth during the years of 1995 – 2000, the Portuguese economy registered a small and unbalanced expansion in the first decade of the 21st century, mainly driven by domestic demand while several imbalances emerged, namely as far as the external situation and debt levels were concerned. As a consequence of the international financial crisis, the Portuguese economic framework deteriorated and by 2009 Portugal's gross domestic product ("GDP") contracted by 2.9 per cent.² The economy recovered in 2010 but the intensification of the euro sovereign debt crisis exposed the domestic vulnerability towards external financing and highlighted important imbalances that urged to be corrected in order to achieve a more sustainable growth path.

In April 2011, as a result of high levels of budget deficits and public debt, the Portuguese Government requested for international financial assistance from the *Troika*.

² Source: Instituto Nacional de Estatística ("INE").

On 5 May 2011, the Portuguese Government announced that it had entered into a Memorandum of Understanding with the Troika in relation to the Economic and Financial Assistance Programme (*Programa de Assistência Económica e Financeira*; the “PAEF” or the “Programme”). The PAEF was approved by the EC on 10 May 2011 and by the Ministers of Finance of the EU countries on 16 May 2011. In order to re-establish the confidence of international financial markets and to promote competitiveness and sustainable economic growth, the Programme was based on three pillars: fiscal consolidation, stability of the financial system and structural adjustment of the Portuguese economy. The total amount of financing for the 2011-2014 period was EUR 78 billion, of which EUR 52 billion corresponded to assistance through the European mechanisms (European Financial Stabilisation Mechanism and European Financial Stability Facility) and EUR 26 billion corresponded to assistance from the IMF, under an Extended Fund Facility. Of this total amount, EUR 12 billion was allocated to the Bank Solvency Support Facility. The Programme envisaged a set of measures and actions, namely of a structural nature, to be undertaken by the Portuguese authorities. The disbursements of the financial assistance tranches were conditional on the conclusion of the review missions carried out by experts of the European Commission, the International Monetary Fund and the European Central Bank. These missions reviewed the implementation of the measures included in the Programme. Up to the end of June 2014, twelve review missions of the Programme took place. Portugal received eleven disbursements, the first on the occasion of the approval of the Programme, with a total amount corresponding to approximately 97 per cent. of the agreed package. The Programme expired on 30 June 2014, without the disbursement of the last agreed tranche. Portugal is currently under post-programme surveillance, in line with the relevant European and IMF rules.

The Portuguese economy registered a contraction of circa 6.5 per cent. from end 2010 to 2013, during the period of external financial assistance. Domestic demand has been particularly affected, having dropped 14 per cent. in this period with particular emphasis to investment whose contraction was particularly abrupt, above 30 per cent.. Indeed, this is a particularly worrisome evolution as net fixed capital formation became negative in recent years, putting at stake future growth path and economic growth potential. Private consumption has also receded, about 10 per cent, reflecting the fall in disposable income and the deterioration seen in the labour market. Indeed, in the same period, unemployment reached historical highs, at 17.5 per cent. in the first quarter 2013. The economy returned to growth in the second half of 2013 whereas unemployment fell despite keeping historically high levels (the official scenario assumes an unemployment rate of 14 per cent. in 2015).

Most of the expectations point to a slight revival of economic growth in 2015 and beyond. Annual GDP is expected to accelerate slightly to 1.5 per cent., according to the 2015 Budget and to the Bank of Portugal forecasts (after 0.9 per cent. expected in 2014). However, activity has been expanding at a moderate pace, with private consumption as the main driver. Near term growth prospects have been weakening as investment and exports continue to be hindered by structural factors, related to lack of competitiveness and high debt level at the private sector. As such, external risks, essentially due to political factors (tensions between Russia and the West, war in Ukraine, political and economic situation in Europe and in the remaining peripheral markets) might eventually impact negatively the economic activity and put at stake some of the improvements already achieved, with unfavourable consequences for the Issuer.

Domestic demand should stabilize but there are several obstacles to a more positive evolution. In the recent past, the increase in the unemployment rate and in the fiscal burden have had a negative impact on the disposable income of Portuguese households. In the future, these trends are expected to gradually change as the economy returns to positive growth. However, unemployment rates should keep close to historical highs and wage policies will remain contained,

both at the private and public sector level, suggesting that the evolution of disposable income and private consumption will also remain feeble. Gross capital formation should register a gradual improvement in the near future, reflecting on the one hand the lowest pace of adjustment of the construction and public works, and on the other hand, a positive response towards a more favorable fiscal framework and the improvement (although slow) in demand prospects.

Portugal has successfully restored market access, issuing close to EUR 17 billion in debt in 2014 through syndications and auctions and excluding debt exchanges. The several issues have met strong demand by foreign investors and an increasing part has been taken by institutional investors, reflecting the renewed optimism amongst international investors as far as the sovereign risk is concerned. After the successful placement of two issues of 10 and 30 year bonds at the beginning of 2015 (EUR 5.5 billion) and considering the cash buffer of EUR 10 billion, Portugal has now fulfilled most of the gross financing needs for 2015.

Despite the improvement seen in financing conditions, there is the risk of a reversal absent further reforms in a scenario of high debt burden. Indeed, public debt levels stand close to 130 per cent. of GDP by the end of 2014, one of the highest public debt levels within EU peers. Higher growth and additional fiscal consolidation efforts will be key to assure that public debt path assumes a sustainable downward trend. And so far the consolidation efforts have been declining, especially in 2015 when according to the Official Budget the primary structural deficit is expected to remain unchanged (signalling a neutral stance of the fiscal policy). These risks have been recently highlighted by the fact that major international rating agencies choose not to change the sovereign rating that is still considered sub-investment grade, emphasizing fiscal and financial risks.

Even though public financing needs for 2015 are almost met, and despite the successful return to full market access, coupled with the launch of a program of quantitative easing in the Euro-zone, with positive expected consequences for the Portuguese debt market, there are still risks related to the state high gross borrowing requirements in the next couple of years. Indeed, in 2016-17, the amount of Treasury Bonds that will reach maturity ascends to circa EUR 10 billion, which despite lower than in the years prior to the crises, is still high in relative terms. Failure to achieve higher growth standards or to proceed with fiscal consolidation and reach a sustained downward path of the public debt may affect the conditions of the Portuguese economy, thereby threatening its recovery. Any further deterioration of global economic conditions, including negative changes in the credit risk of other countries in the EU, the solvency of Portuguese or international banks or changes in the Eurozone, may lead to additional concerns relating to Portugal's economy. Furthermore, in case global risk perceptions worsens substantially, the structural imbalances that persist – visible on high debt levels both at public and private sector level and very negative net foreign assets position, the worst among developed countries (circa -110 per cent. of GDP) – may highlight the still high vulnerability of the Portuguese economy and be reflected on the international capital and financial markets. Thus, the mentioned uncertainties had and may continue to have a significant impact in the Issuer's financial condition, business and results of operations.

Regarding the banking system, as of September 2014 the regulatory regime in force established that credit institutions and investment firms should preserve a common equity (CET) tier 1 capital ratio not below 7 per cent.. According to the Bank of Portugal, as of September 2014, the ratio between Tier 1 capital and total assets stood at 7.6 per cent., increasing 0.3 per cent. vis-à-vis the previous quarter. The CET 1 ratio reached 12.6 per cent. for the Portuguese banking system (excluding Novo Banco), up from 10.6 per cent. registered in the second quarter of 2014. Regarding the Asset Quality Review and Stress Test results' conducted by the ECB in 2014, the full assessment of the Portuguese

banking system focused on the three largest banks, and the evaluation of Novo Banco was postponed to 2015. In the baseline scenario, the three banks had capital ratios above the minimum required. Within the adverse scenario Millennium Bcp presented a lower ratio of capital than the required level but the bank is among those institutions that at the date of release of the results had already increased its capital. The banking system is adjusting but is still operating in a difficult environment. Balance-sheet challenges persist largely on account of the heavily indebted corporate sector. Furthermore, weak credit fundamentals in combination with extremely low interest rates on mortgage portfolios and declining lending volumes continue to condition the performance of the sector, which continues to struggle with low profitability. Financial stability was maintained despite the challenge posed by the resolution of Banco Espírito Santo (BES) in August 2014. However, the restructuring and sale of Novo Banco – the bridge bank created on the resolution process of BES to which critical functions and viable operations of BES were transferred – could generate spillovers to the remaining banks via the allocation of potential losses to the Resolution Fund if the eventual sale proceeds of Novo Banco are insufficient to fully reimburse the loans granted to the Resolution Fund. This should worsen the situation in the sector, with uncertain consequences, depending on the amounts involved.

Since the beginning of 2011, Portugal suffered several rating downgrades. Fitch Ratings Limited ("*Fitch*") downgraded Portugal to BB+ in November 2011 (affirmed with positive outlook on 10 October 2014, with the outlook changed from negative to positive on 11 April 2014), Standard & Poor's Credit Market Services Europe Limited ("*S&P*") to BB in January 2012 (affirmed with stable outlook on 7 November 2014, with the outlook changed from negative to stable on 9 May 2014) and Moody's Investors Service Ltd ("*Moody's*") to Ba3 in February 2012. In 2014, Moody's upgraded the rating to Ba2 on 9 May and to Ba1 on 25 July and assigned a stable outlook on this date. Although the change on the outlook of sovereign rating, the outlook on Banco BPI ratings is negative for Moody's (affirmed on 29 July 2014), is stable for S&P (revised from positive on 23 December 2014) and is negative for Fitch (affirmed on 4 July 2014).

The rating agencies S&P and Moody's change of the outlook from negative to stable, or positive in the case of Fitch, reflect the debt maturity profile improvement over the past three years, the shift of the current account into surplus from large pre-crisis deficits and the execution of reforms, namely labour reforms measures that were implemented by the government since 2011. The agencies also consider that positive investment trends, reflected in spending growth on equipment and machinery, will support Portugal's growth prospects in the next few years in key sectors such as tourism and manufacturing. The outlook is also justified by the government liquidity position, the regained access to the public debt markets and the sizeable cash buffers, that includes the EUR 2.5 billion for potential additional fiscal costs linked to banks' recapitalization. The positive outlook from Fitch reflects the rebalancing of the Portuguese economy namely the small surplus of the current account in 2013 from a low two digit deficit in 2008, the decline of the household debt, the decline of the general government deficit and the improvement of the labor market and of the financing conditions.

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

Risks relating to the Restructuring Plan

Following the receipt by Banco BPI, in 2012, of a State Aid in the amount of € 1.5 billion, and according to the provisions in paragraph 6 of article 2 of Ministerial Order ("*Portaria*") no. 117-A/2012, of 17 May 2012, which regulated certain aspects of the Bank Recapitalisation Law, a restructuring plan has been submitted by Banco BPI to the

Portuguese State and the European Commission (Directorate-General for Competition). On the basis of this plan, the European Commission issued a decision (C (2013) 4802 from 24 July 2013) that considered the aid received by Banco BPI to be compatible with internal market. The plan included in such decision provided for a set of commitments, namely a set of restructuring as well as behavioural measures. The main restructuring measures involved attaining three quantitative targets related to the domestic Core Activities to be met until 31 December 2015: (1) balance sheet size of no more than € 30 030 million; (2) total number of branches in mainland Portugal not higher than 684; and (3) decrease to 6.000 of the number of employees.

The European Commission decision stated that, except where provided that they cease to apply at an earlier or later date (as is the case of the ban on acquisitions, which is valid for 3 years), the commitments were to be observed until the end of the restructuring period. The decision establishes that the restructuring period would end on 31 December 2015 provided the quantitative targets above mentioned are met or (if that date occurs prior to 31 December 2015) on the date where (i) those quantitative targets are met and (ii) the State Aid is fully reimbursed.

At the end of 2014, Banco BPI had already fulfilled all the above-mentioned targets and had fully reimbursed the State Aid. Accordingly, according to the European Commission decision, the restructuring period is to be considered as having ended, something for which Banco BPI is waiting for a formal confirmation from the European Commission. As of the date of approval of the Base Prospectus, Banco BPI did not receive the referred formal confirmation.

Banking Markets and Competition

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

Banco BPI faces intense competition in all of its areas of operation (including, among others, banking, investment banking, specialised credit and asset management). The competitors of Banco BPI in the Portuguese market are Portuguese commercial banks, savings and investment banks and foreign banks that entered the Portuguese market. Mergers and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share. Currently, the Portuguese financial system is quite concentrated. In 2013, the five largest banks (including the former BES) controlled 80 per cent. of total assets, and the two largest, almost 44 per cent.. The principal competitors of Banco BPI in the banking sector (ranking in terms of assets as of 31 December 2013) are Caixa Geral de Depósitos, the Millennium BCP group, Banco Espírito Santo group and the Santander/Totta group. Excluding BES (which was resolved in August 2014), the concentration degree in terms of assets of the four largest banks fell to 76 per cent., with the two largest accounting for 54 per cent. of total assets.

Although Banco BPI believes that it is in a strong position to continue to compete in the Portuguese market, there is no assurance that it will be able to compete effectively in some or all segments in which it operates, or that it will be able to maintain or increase the level of its results of operations.

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

Following the decision to apply a resolution measure to Banco Espírito Santo, S.A. (“BES”), most of its business was transferred to a transition bank, called “Novo Banco”, created especially for that purpose. Capitalization of “Novo Banco” was ensured by the Resolution Fund, created by Decree-Law 31-A / 2012 of 10 February 2012. As provided for in the aforementioned Decree-Law, the Resolution Fund is resourced from payment of contributions due by the institutions participating in the Resolution Fund and contribution from the banking sector. In addition, the aforementioned Decree-Law provides that if such resources are insufficient for fulfilment of its obligations other financing means can be used, such as: (i) special contributions from credit institutions; and (ii) loans granted. In the specific case of the resolution measure relating to BES, the Resolution Fund provided EUR 4.9 billion to pay up the share capital of “Novo Banco”. Of this amount, EUR 300 million corresponded to the Resolution Fund’s own financial resources, resulting from the contributions already paid by the participating institutions and from contributions of the banking sector, EUR 3.9 billion corresponded to a loan granted by the Portuguese State to the Resolution Fund which will subsequently be repaid and remunerated by the Resolution Fund and EUR 700 million corresponds to a banking syndicated loan made to the Resolution Fund, with the contribution of each credit institution depending on various factors, including their size. As of 31 December 2014, the Issuer’s share of this loan was EUR 116 million.

According to the legal framework in force, after the sale of Novo Banco's equity to a stable privately-owned shareholder structure, the proceeds from that sale will be primarily allocated to repaying the Resolution Fund for all the amounts provided for the establishment and development of Novo Banco's business, including a remuneration corresponding to the financing costs borne by the Resolution Fund, plus a share to cover the administrative and operational costs of such support.

The amount received by the Resolution Fund from the sale of Novo Banco's equity will necessarily be used to repay the loans obtained. It has been stipulated by contract that the Resolution Fund may only repay other liabilities after the State loan has been fully repaid and remunerated.

In the event that the proceeds from the sale of Novo Banco exceed the sum of the amounts provided by the Resolution Fund, the respective surplus will revert to BES, or to its insolvent estate, if in the meantime BES's authorisation has been revoked.

In the event that the proceeds from the sale of Novo Banco's equity are insufficient to repay the loans, the Resolution Fund will use its own receipts to finance the possible shortage. As previously mentioned, these receipts are obtained from annual regular contributions to the Resolution Fund (including the contribution over the banking sector) and any special contributions. The definition of the financing structure of a possible shortage (in terms of type of contribution, its distribution in time, and any recourse to temporary loans) will critically depend on the amount of such hypothetical shortage. In any case, it is expected that the financing will be structured in such a manner as not to jeopardise the solvency of any bank and to preserve financial stability.

The Board of Directors of Banco BPI, having regard the publication of the notice and the terms of reference of the procedures related to the sale of Novo Banco, S.A., which foreseen as its first phase the “Expressions of Interest Phase”, deliberated that Banco BPI presents itself to this first phase, delivering the corresponding Expression of Interest.

On the 16 February 2015 the Bank of Portugal published a press release regarding the second phase of the Novo Banco S.A. sale process, as follows: “Following the interest shown by 17 entities as at 31 December 2014 (5.00pm) in

participating in the Novo Banco S.A. sale process, Banco de Portugal assessed each entity's compliance with the Prequalification Criteria, finding that those criteria were met by 15 of the entities. As a result, each prequalified entity was invited to sign a non-disclosure agreement. Banco de Portugal then invited those entities that signed the non-disclosure agreement to present by 20 March non-binding offers for Novo Banco. The invitation was accompanied by the tender specifications establishing the procedure to follow in the non-binding offer phase ("Phase II") and an "Information Memorandum" with detail on Novo Banco".

Banco BPI exposure to adverse political, governmental or economic developments related to its international expansion

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

As of 31 December 2014, as per Banco BPI's earnings release with its unaudited consolidated results, Banco BPI international operations, which refer primarily to the activity conducted in Angola via Banco de Fomento de Angola ("BFA") and, on a smaller scale, by Banco Comercial e de Investimentos, S.A. ("BCI") in Mozambique, generated a net income of EUR 126.1 million, which corresponds to a 32.5 per cent. improvement on the preceding year. The return on consolidated average shareholders' equity ("ROE") from International activity, to which 17.2 per cent. of the BPI Group's average capital was allocated, was situated at 32.7 per cent.. As of 31 December 2014, Banco BPI recorded a consolidated net loss of EUR 161.6 million.

Financial sector regulation

Banco BPI operates in a highly regulated industry and its banking activities are subject to extensive regulation by, among others, the European Central Bank, the Bank of Portugal, the European Banking Authority ("EBA"), the European Securities and Markets Authority ("ESMA"), the European Insurance and Occupational Pensions Authority ("EIOPA") and the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*), as well as the National Bank of Angola (*Banco Nacional de Angola*) and other supervisory authorities, from the EU and the countries in which Banco BPI conducts its activities. Such regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

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

As a consequence of the persistence of the financial crisis and the subsequent government intervention, regulation in the financial services sector has increased substantially and is expected to continue to do so, which may include the imposition of higher capital requirements, demanding duties of information and restrictions on certain types of activity or transaction. Also, new regulations may restrict or limit the type or volume of transactions in which Banco BPI participates, or that the fees or commissions that Banco BPI charges on certain loans or other products must be changed,

and consequently any of these events may have a material adverse effect on Banco BPI's business, financial condition and the results of its operations.

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

As of 31 December 2014, as per Banco BPI's earnings release with its unaudited consolidated results, Banco BPI had a Common Equity Tier I ratio of 10.2 per cent., calculated according with the CRD IV/CRR rules applicable in 2014. The Common Equity Tier I ratio calculated according to the fully-implemented CRD IV/CRR rules (without benefiting from the phasing in provided for in those rules) stood at 8.6 per cent. as of 31 December 2014, as per Banco BPI's earnings release with its unaudited consolidated results.

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

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

The own funds required to meet those objectives are calculated taking into account the financial statements of Banco BPI, pursuant to the applicable law or regulations in force.

Basel III Recommendations were enacted as European Union law through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investments firms ("CRD IV") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms ("CRR"). CRR is directly applicable to the European States since 1 January 2014 and includes provisions regarding, for instance, own funds requirements, minimum capital ratios, liquidity ratios.

Regarding capital ratios, the banks were obliged to a minimum compliance with a gradually increase until 1 January 2019 (Core Tier 1 of 4.5 per cent., Tier 1 of 6 per cent. and a total ratio of 8 per cent. in 2019).

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

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

macroprudential systemic risk: between 1 and 3 per cent. or between 3 and 5 per cent., depending on the economical conjecture.

These buffers, apart from the macroprudential systemic risk, are predicted to apply gradually from 2016, although the Member States may anticipate this.

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

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

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

On 23 October 2013, the ECB announced the details *vis-à-vis* a complete assessment that began in November 2013 and lasted 12 months. The reference ratio value for such assessment was 8 per cent. Common Equity Tier 1, according to the CRD IV definitions taking into account transitional arrangements. Banco BPI was subject to the EU-wide comprehensive assessment conducted by the European Central Bank in cooperation with the national competent authorities. 130 banks were subject to this exercise. The comprehensive assessment was performed, in conjunction with the Bank of Portugal, by the ECB prior to assuming full responsibility for supervision under the Single Supervisory Mechanism in November 2014. The comprehensive assessment comprised two main pillars: an asset quality review (AQR) and a stress test. Banco BPI presented the following main results in the comprehensive assessment:

- CET1 Ratio at year end 2013 of 15.28 per cent.;
- Aggregated adjustments due to the outcome of the AQR of -0.12 per cent.;
- AQR adjusted CET1 Ratio of 15.16 per cent.;
- Aggregate adjustments due to the outcome of the baseline scenario of the joint EBA ECB Stress Test to lowest capital level over the 3-year period of -0.24 per cent.;
- Adjusted CET1 Ratio after Baseline Scenario of 14.91 per cent.;
- Aggregate adjustments due to the outcome of the adverse scenario of the joint EBA ECB Stress Test to lowest capital level over the 3-year period of -3.56 per cent.;
- Adjusted CET1 Ratio after Adverse Scenario of 11.6 per cent..

The thresholds for CET1 ratio were of 8 per cent in the AQR review, 8 per cent. in the baseline scenario and 5.5 per cent. in the adverse scenario. Further details on the results of the AQR and stress test under the baseline and adverse scenarios as well as information on credit exposures and exposures to central and local governments are available for consultation at: <http://web3.cmvm.pt/sdi2004/emitentes/docs/FR52579.pdf>.

As of 31 December 2014, the Common Equity Tier 1 (CET1) ratio calculated according to CRD IV / CRR rules amounted to:

- CET1 phasing in (rules for 2014): 12.2 per cent.;
- CET1 fully implemented: 9.6 per cent.;

The above figures are proforma ratios considering the adhesion to the special scheme applicable to deferred tax assets approved in the Shareholders' General Meeting of 17 October 2014.

On the date hereof, BPI Group has no further capital needs, according to the aforementioned rules. However, if such rules or capital requirements are amended, Banco BPI may have to implement adequate measures in order to comply with such requirements. These measures may include one or more capital increases, or other transaction aimed at increasing its own funds.

The European Commission published under, among other, the dispositions of article 114 (7) of the CRR, the list of third countries with supervisory and regulatory arrangements equivalent to those of the European Union. This list included only 17 countries or territories and did not include the Republic of Angola.

As a consequence, from 1 January 2015 onwards, the indirect exposure in kwanzas of Banco BPI (i) to the Angolan State, in the form of Angolan public debt securities held by BFA and loans granted to the Angolan State³ also by BFA and (ii) to Banco Nacional de Angola (BNA)⁴, in the form of minimum legal reserves, other deposits and repos, stopped being considered, for the purpose of the calculation of Banco BPI's capital ratios, at the risk weights foreseen in the Angolan regulation for that type of exposure, and started being considered at the risk weights foreseen in the CRR.

This means that Banco BPI's indirect exposure in kwanzas to the Angolan State and BNA will no longer carry, in the calculation of capital ratios, a 0 per cent. or 20 per cent. weighting, depending on the exposure, and will start being weighted at 100 per cent..

As of 30 September 2014, Banco BPI's exposure in kwanzas (AKZ) and dollars (USD) to the Angolan State and BNA was the following:

Million euros	Exposure to the State			Exposure to BNA		
	AKZ	USD	Total	AKZ	USD	Total
Minimum legal reserves				476	402	878
Other deposits with BNA				61	34	95
Repos with BNA				324		324
TBonds / TBills	2 470	396	2 866			
Loans	434	317	750			
Total	2 904	712	3 616	860	437	1 297
Risk weight	20% loans 0% securities	100%		0%	100%	
RWA	87	712	799	0	437	437

³ Angolan public debt securities held by BFA and loans granted to the Angolan State by BFA.

⁴ Minimum legal reserves, other deposits and repos at BFA.

As evidenced in the table above, total Risk Weighted Assets (RWA) attributable to Banco BPI's indirect exposure to the Angolan State and to BNA amounted to EUR 799 million and EUR 437 million, respectively. With the introduction of the new risk weightings from 1 January 2015 onwards, the RWA attributable to the Angolan State will increase to EUR 3,616 million and the RWA attributable to BNA will increase to EUR 1,297 million, which corresponds to a total increase of EUR 3.7 billion in RWA relative to the previous situation.

As a consequence of what has been mentioned previously, under article 400 (1) of CRR, Banco BPI's indirect exposure in kwanzas to the Angolan State and BNA (the latter with the exception of the minimum legal reserves) is no longer exempt from the limit to large exposures foreseen in article 395 of CRR.

Under a narrow interpretation of the CRR rules concerning large exposures, the disappearance of the referred exemption implies that Banco BPI's indirect exposure to the Angolan State exceeds, from the 1 of January 2015 onwards, the limit to large exposures in EUR 2,979 million and the exposure to BNA exceeds the limit in EUR 184 million.

The maximum total loss that, in any circumstance, Banco BPI could have relative to BFA corresponds to the book value of the 50.1 per cent. stake in BFA (EUR 375 million) and the lending exposure of Banco BPI to BFA (EUR 19 million as of 30 September, 2014, resulting from the confirmation of documentary credits), which totalled EUR 394 million as of 30 September, 2014. This figure is lower than the limit to large exposures established for Banco BPI on a consolidated basis, which corresponded to EUR 637 million as of 30 September 2014 (25 per cent. of consolidated own funds). This understanding of Banco BPI is based essentially on the following:

- (i) The limit to large exposures aims at safeguarding concentration risk, limiting the amount of the loss resulting from the failure of a counterparty and respective impact on the solvency of institutions;
- (ii) As referred above, Banco BPI's exposure to the Angolan State and BNA is an indirect exposure through the 50.1 per cent. stake held in BFA. For that reason, in a scenario of losses in the Angolan sovereign debt or in the exposure to BNA, those losses would be reflected in BFA, a company with legal and patrimonial autonomy vis-à-vis Banco BPI. As BFA is a limited liability company, the liability of its shareholders for the bank's debts is limited to the capital they subscribed for;
- (iii) In this context, whatever the size of any loss with the Angolan sovereign debt and the exposure to BNA, and inherent consequences for BFA, the maximum loss Banco BPI would have to support is the book value of its exposure to BFA which totalled EUR 394 million.

Based on 31 December 2014 figures, as per Banco BPI's earnings release with its unaudited Consolidated Results, this change in the consolidation method would have the following consequences:

- (i) The book value of the 50.1 per cent. stake in BFA would be fully deducted from Banco BPI's Common Equity Tier 1 (CET1);
- (ii) Banco BPI's fully implemented CET1 ratio would decrease from 9.6 per cent. (proforma ratio including DTAs) to 8.6 per cent.;
- (iii) Banco BPI's phasing-in CET1 ratio would decrease from 12.2 per cent. (proforma including DTAs) to 10.2 per cent.;

(iv) Banco BPI would comply, from 1 January 2015 onwards, with the limit to large exposures.

Considering the adherence to the special scheme applicable to DTA and the change in risk weightings for the indirect exposure to the Angolan State and to the National Bank of Angola (BNA), the Common Equity Tier 1 (CET1) ratios proforma at 31 December 2014 would be:

- CET1 phasing in (rules for 2014): 10.2 per cent. (i.e., 2.0 p.p. below the ratio with current weightings);
- CET1 fully implemented: 8.6 per cent. (i.e., 1.0 p.p. below the ratio with current weightings).

Own funds and own funds requirements		Amounts in M.€							
	CRD IV / CRR Phasing in (rules for 2014)				CRD IV / CRR Fully implemented				
	31 Dec. 13	31 Dec. 14	31 Dec.14 proforma after DTA	31 Dec.14 proforma after DTA and change in the risk weightings to Angolan exposure	31 Dec. 13	31 Dec. 14	31 Dec.14 proforma after DTA	31 Dec.14 proforma after DTA and change in the risk weightings to Angolan exposure	
Common Equity Tier 1 capital	3 375,0	2 428,3	2 491,2	2 532,8	2 373,9	1 703,0	1 949,5	2 122,3	
Risk weighted assets	21 616,0	20 612,0	20 385,3	24 824,0	21 125,7	20 231,4	20 208,4	24 687,8	
Common Equity Tier 1 ratio	15,6%	11,8%	12,2%	10,2%	11,2%	8,4%	9,6%	8,6%	

Taking into account the above exposed, Banco BPI requested the ECB's approval to change the consolidation method of BFA, in order to start applying, for prudential purposes, and as admitted, according to BPI's understanding, in article 19 (2) (c) of the CRR, the equity consolidation method. This method of consolidating BFA was consistent with Banco BPI's understanding concerning the maximum potential loss with BFA.

As part of this request, Banco BPI has also shown its availability to compromise not to increase the exposure to BFA other than the one resulting from retained earnings, unless receiving prior authorization from the ECB and the Bank of Portugal.

The ECB has not favourably acknowledged the request described above and will establish in due time an adequate time limit so that Banco BPI may adopt the necessary measures to comply with the limit to large exposures referred above.

Requirements related to the liquidity ratios

Basel III recommendations endorse the implementation of liquidity coverage ratios of short and medium/long term liabilities, known as Liquidity Coverage Ratio and the Net Stable Funding Ratio. The Liquidity Coverage Ratio, which is expected to be implemented gradually starting from 2015, addresses the sufficiency of the high quality liquidity assets to meet short-term liquidity needs under a severe stress scenario. The Net Stable Funding Ratio, to be implemented in 2018, will seek to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over one year period.

In 2015, for the purpose of the Liquidity Coverage Ratio financial institutions should maintain portfolio of high quality liquid assets corresponding to 60 per cent. of its total net cash outflows in the following 30 days.

The performance of the financial assets is in general inversely correlated with its liquidity. The fulfilment of those ratios by Banco BPI may lead to the constitution of portfolios with high liquidity assets but low profitability. Additionally, it

may lead to an increase in the financing costs, since the ratios favors the long-term financing over the short-term. These changes may have a negative impact on Banco BPI's results.

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

The Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Any change in the applicable requirements could have a material adverse effect on the results of operations of Banco BPI. For instance, it is under discussion the introduction of the concept of “*expected losses*” pursuant to IFRS 9, which could lead to a negative impact on Banco BPI's results.

Compliance Risks

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

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

The harmonisation of the deposit guarantee systems throughout the EU will represent significant changes to the mechanisms of the deposit guarantee systems currently in force.

The consequences of the implementation of such system are still unclear.

The new framework for the recovery and resolution of credit institutions may have an adverse effect on Banco BPI's activity

Decree-Law no. 31-A/2012, of 10 February, introduced the legal framework for the adoption of resolution measures into the General Regime for Credit Institutions and Financial Companies (RGICSF, enacted by Decree-Law 298/92, dated 31 December). Such resolution framework has been further amended by Decree Law no. 114-A/2014, of 1 August and Decree Law no. 114-B/2014, of 4 August which have partially transposed Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions (the “EU Crisis Management Directive” or “BRRD”). The reorganisation regime previously in force governing credit institutions was extensively reviewed and was indeed replaced by a new approach by the Bank of Portugal as regards the intervention on credit institutions and investment firms in financial distress. The measures set out in the new regime aim at recovering or preparing the orderly winding-up of credit institutions and certain financial companies in situations of financial distress. The new toolbox includes three stages of intervention by the Bank of Portugal: preparatory and preventive measures,

prior supervision intervention, and instruments and powers of resolution. The implementation of these measures and the exercise of these powers will directly affect the rights of shareholders and creditors.

Credit institutions will be required to produce suitable recovery plans to resolve problems with liquidity, solvency, or overall exposure to risk, and to keep such plans up-to-date. To complement the resolution plans, the Bank of Portugal has been given preventive powers, including the powers to limit or modify exposure to risk, require additional information, and to set restrictions or prohibitions on certain activities and changes to group structures.

Within the scope of preventive interventions, the Bank of Portugal has been given powers to prohibit the distribution of dividends to shareholders, to replace managers or directors, and to require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution. These actions may have a direct effect on shareholders and the BPI Group's expected returns and additional indirect impacts through changes to such institutions' business activities.

Further, resolution measures may be applied when a credit institution or an investment firm covered by the resolution regime does not meet, or is at serious risk of not meeting, the requirements for the maintenance of its licence, and when the implementation of such measures is considered imperative for the pursuance of at least one of the following objectives:

- Ensure the continuity of essential financial services;
- Prevent systemic risk;
- Safeguard public funds and taxpayers' interests;
- Safeguard depositors' confidence.

For the purposes of applying resolution measures, an institution is considered to be at serious risk of not meeting the requirements for the maintenance of its license when one of the following situations occurs, or when sufficient reasons exist to suggest that they may occur in the short run:

- The institution has losses that may exhaust its capital stock;
- The institution's assets have become lower than its liabilities;
- The institution is unable to meet its obligations.

The resolution measures include, specifically:

- The total or partial sale of the assets and liabilities of the distressed financial institution to one or more financial institutions authorised to operate in the market;
- The creation of a bridge bank and the transfer of all or part of the assets and liabilities of the institution in financial distress to that bank.

The creation of a bridge bank of all or part of the activity of the intervened institution and, in such case, the newly incorporated bridge bank for such purpose, shall be funded through the Resolution Fund, in accordance with articles 145-H(6) and 153-C of RGICSF.

The Resolution Fund is a public-law legal person designed to provide financial support to the application of the resolution measures ordered by Bank of Portugal. It is fully funded by the financial sector through initial and periodical contributions from member institutions, including the Issuer, whose amount shall be fixed on an annual basis, as set out in Decree Law no. 24/2013, of 19 February, and the revenue arising from the contribution over the banking sector. The financial assistance provided by the Resolution Fund may also include, among others, the transfer of cash to the acquirer bank or to the bridge bank, the provision of guarantees, the granting of loans, and the paying-up of the capital stock of bridge banks.

The Deposit Guarantee Fund (*Fundo de Garantia de Depósitos*) may also provide financial assistance for the implementation of resolution measures, but only in the case of the transfer of deposits placed with the institution in distress to another credit institution authorised to take deposits or to a bridge bank, and only to the amount needed to cover the difference between the amount of covered deposits and the value of the assets sold or transferred; moreover, funding by the Deposit Guarantee Fund shall in no circumstances exceed the cost of a direct reimbursement to the depositors.

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

Both the RGISCF (article 145-B) and the BRRD (article 34) generally determine that the shareholders of the institution under resolution bear losses in the first instance and creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims.

The BRRD provides for two additional resolution tools not yet foreseen in the RGISCF, the asset separation tool and the bail-in. In order to give effect to the asset separation tool (article 42) Members States shall ensure that the resolution authorities have the power to transfer assets, rights or liabilities from an institution under resolution or from a bridge institution to one or more asset management vehicles. The bail-in tool may be generally applied to all liabilities of an institution subject to resolution (article 44), subject to certain exceptions. Accordingly, Notes to be issued under this Prospectus may in the future be mandatory written down or converted into more subordinated instruments, for instance ordinary shares.

Also in accordance with BRRD, financial institutions will be required to meet a minimum requirement for own funds and eligible liabilities (MREL) capable of being bailed in. The requirement will be equal to a percentage (to be set by the national resolution authority on an institution-by-institution basis from 1 January 2016 at the latest) of total of liabilities and own fund of the financial institution, which is not yet defined. In order to comply with this ratio, Banco BPI may be requested in the future to issue additional liabilities capable of being bailed in.

Changes to tax legislation and to other laws or regulation

Banco BPI might be adversely affected by changes in the tax legislation and other laws or regulations applicable in Portugal, EU, Angola and other countries in which it operates or may operate in the future, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. The measures taken by the Portuguese Government to balance public accounts and to stimulate the economy may result in higher taxes or lower tax benefits.

Further changes or difficulties in the interpretation of or compliance with new tax laws and regulations might negatively affect Banco BPI's business, financial condition and results of operations.

Risks relating to legislation on deferred tax assets

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

Article 39 (2) of the CRR, however, contains an exception for DTA that do not rely on future profitability, foreseeing that such DTA are not deducted from Common Equity Tier 1 capital. For such purposes, DTA are deemed not to rely on future profitability when:

- a) They are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports an annual loss or in the event of liquidation or insolvency of the institution; and
- b) The abovementioned tax credit may be offset against any tax liability of the institution or any other undertaking included in the same consolidation perimeters of the institution for tax purposes; and
- c) Where the amount of tax credits referred to in (b) above exceeds the tax liabilities referred to in that sub-paragraph, any such excess is replaced without delay with a direct claim on the central government of the Member State where the institution is incorporated.

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

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

In Portugal, Law No. 61/2014, of 26 August, was published in the Official Gazette. It provides for the introduction of a scheme which allows for the conversion to tax credits of DTA that result from expenses and negative equity changes arising from loan impairment charges and post-employment or long-term employee benefits so as to prevent the deduction of these assets from Common Equity Tier 1, as set out above.

In general, the Law in question sets an optional system that allows for the conversion to tax credits of the above mentioned DTA, generated in tax periods beginning on or after 1 January 2015, or recorded in the accounts of taxpayers for the taxation period preceding that date, where (i) taxpayers record a net loss for the year in their annual accounts, after being approved by the governing bodies, under the terms of the relevant law; or (ii) taxpayers are liquidated on a voluntary basis, are declared insolvent by a court or, where applicable, the relevant authorisation is revoked by the competent supervisory authority. Regarding (i) above, the conversion of DTA to tax credits depends, however, on the creation of a special reserve in an amount equal to the DTA converted plus 10 per cent., as well as on the issue of conversion rights (which consist of securities giving the right to acquire shares from the share capital of the taxpayer) to the Portuguese State.

The credits resulting from the conversion of DTA can be offset against any tax debts related to income tax and the assets that constitute a burden on taxpayers or any entity included in the same tax consolidation group, or the prudential consolidation perimeter as set out in the CRR.

A General Meeting of Banco BPI held on the 17 October 2014 unanimously approved Banco BPI to access the Special Regime of the Deferred Tax Assets approved by Law No. 61/2014, of 26 August.

Risks associated with the implementation of its risk management policies

Within its normal activity the Issuer is exposed to a number of risks that include market risk, credit risk, country risk, liquidity risk, counterparty risk, operational risk and legal risk. The Issuer has implemented management policies and procedures designed to ensure that each of those risks is duly monitored and controlled. Although the Issuer has followed best practices in this area and takes into account what are believed to be worst case scenarios in calculations, the policies and procedures it employs to identify and manage these risks may not be fully effective.

Credit Risk

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

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

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

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

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

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

Market Risk

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

Infrastructure Risk

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

Operational Risk

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

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

The Issuer's business is dependent on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems such as, for example, those of the Issuer's suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of these operational risks.

Risks relating with market transactions on Banco BPI own portfolio

Banco BPI performs transactions in the market using its own portfolio, which includes entering into interest rate, credit, equity markets and currency rates derivative instruments, as well as the sale and purchase of bonds and shares issued in the

domestic and in the international markets and the participation in transactions in the primary and secondary public capital debt markets.

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

As of 30 June 2014, Banco BPI, S.A. had a consolidated portfolio of available-for-sale financial assets amounting to EUR 8,633.6 million. On that date, the portfolio of available-for-sale financial assets in the domestic operations' balance sheet totalled EUR 5,929 million.

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

Liquidity Risk

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

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

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

The rules on asset eligibility for Eurosystem operations were made more flexible, allowing for the creation of portfolios made up of mortgage, corporate loans and consumer credit. As of 30 June 2014, Banco BPI had a portfolio of assets eligible for obtaining funding from the ECB, totalling EUR 10,506.7 million net of ECB valuation margins. This amount included EUR 5,889.7 million available for immediate use.

The Bank continuously tracks the evolution of its liquidity, monitoring incoming and outgoing funds in real time. Projections of short and medium term liquidity are carried out in order to help plan the funding strategy in the monetary and capital markets. Net funding obtained from the ECB in the amount of EUR 4,000 million in December 2013 was reduced to EUR 3,000 million in June 2014, with scheduled maturity for 2015. Until September 2014, Banco BPI amortised in advance EUR 2,500 million of resources raised from the ECB (EUR 1,000 million in June and EUR 1,500 million in September), thus reducing total funding obtained to EUR 1,500 million. The medium and long-term refinancing needs from 30 June 2014 until the end of 2018, net of bond repayments occurring in this period, were EUR 1.3 billion.

Counterparty Risk

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

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

Credit risk exposures are spread across a wide range of counterparties, namely financial institutions (4 per cent.), industrial counterparts (4.4 per cent.), small businesses (11.4 per cent.) and private individuals (31.4 per cent.) over a range of geographic regions, Euro Zone (83.9 per cent.); EU other countries (0.8 per cent.); and other countries (15.3 per cent.). The majority of exposure is to Portuguese counterparties (73.3 per cent.), but there is also significant exposure to international financial institutions (3.3 per cent.) and to Angolan counterparties as a result of the operations of BFA (12 per cent.).

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

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

Hedging Risk

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

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

Moreover, Banco BPI does not hedge all of its risk exposure in all market environments or against all types of risk. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in its reported earnings. If any of its hedging instruments or strategies is ineffective, Banco BPI could incur losses that might result in a material adverse effect on its business, financial condition or results of operations.

Reputational Risk

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

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

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

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

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

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

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

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

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

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

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

Impact of regulatory changes

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

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

Currency risk in International operations

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

Consequently, even if the amount of revenues, costs and profits of BPI Group remain unchanged in local currency, changes in exchange rates may affect the amount of income, costs and profits declared in the statement of income of BPI Group. The currency exposure of Banco BPI results mainly from the banking activity of BFA in Angola, but also, although to a much lesser extent, the activity of BCI. The currency of Angola is the Kwanza, but the high use of the U.S. dollar in the Angolan economy explains that a considerable share of business with clients of BFA is expressed in U.S. dollars. In late June 2014, about 42.9 per cent. of deposits and 35 per cent. of the loan portfolio was denominated in U.S. dollars. A substantial portion of revenue and costs are thus expressed in U.S. dollars or indexed to it.

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

BPI Group manages the currency risk to the extent and in the manner it deems appropriate at all times. However, it does not ensure full coverage of the currency risk associated with its international operations.

Strategy Risk

Banco BPI is subject to risks of strategy. There is a possibility that Banco BPI makes strategic decisions whose results may differ significantly from those intended. The strategies adopted reflect decisions made in a given economic environment, market, competition, statutory, regulatory, and others, which includes variables that Banco BPI is not able to influence and can change significantly in order to become, eventually, strategies adopted inadequate to the new framework.

Risk of changes in the organization of partnerships

There are some activities of the BPI Group which are partially related to partnerships in various activities with other companies that are not under the control of the BPI Group, in particular the activities of bancassurance. These activities depend in part on such partners which the Group does not control.

Described below are some of the business relationship established by BPI Group:

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

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

Unitel: Unitel has a strategic partnership with Banco de Fomento, S.A. (BFA) and Unitel holds 49.9 per cent. of the share capital of BFA and BPI the remaining 50.1 per cent.. This partnership aims at the development of the banking activity of BFA in Angola. In December 2008, a shareholders' agreement between Banco BPI and Unitel was concluded containing, among others, rules on the composition of the governing bodies and on the transfer of shares of BFA.

Risks relating to CaixaBank's general tender offer

CaixaBank, S.A. ("CaixaBank") released on 17 February 2015 the preliminary public announcement for the launch of a general tender offer ("Offer") for the acquisition of the shares representing the share capital of the Issuer.

CaixaBank, leader of the Spanish banking market, currently holds 44.1 per cent. of the Issuer, of which it is a shareholder since 1995, having maintained a permanent support for the growth strategy and affirmation of BPI Group in the last 20 years.

The Offer is voluntary, with a price of 1.329 euros per share payable in cash. The consideration offered is equivalent to BPI's 6 months volume-weighted average share price and, therefore, qualifies as equitable as per Portuguese regulation. The Offer is directed to all the outstanding shares of BPI not currently held by CaixaBank, and its effectiveness is subject to: (i) reaching acceptances representing more than 5.9 per cent. of outstanding shares, so that, together with CaixaBank's 44.1 per cent. current shareholding, CaixaBank's shareholding is greater than 50 per cent. after the Offer, and (ii) the elimination of the 20 per cent. voting cap set out in article 12.4 of the bylaws of BPI. The removal of such voting cap requires the approval of at least 75 per cent. of share capital attending and represented at the general shareholders meeting of BPI, at which the voting rights of CaixaBank will be limited to 20 per cent..

CaixaBank intends to continue supporting the management of BPI, whose prudent and effective management successfully protected BPI from the instability that has affected the financial system over the last years.

CaixaBank's also intends that BPI continues as listed company after the end of the Offer, taking into account those shareholders, including those that are represented in BPI's board of directors, that decide not to tender their shares in the Offer.

Pursuant to the terms of article 181 of the Portuguese Securities Code, the Issuer's Board of Directors presented on 5 March 2015 its report on the Offer. Accordingly to the report, the Board of Directors believes that the price of 1.329 euro per share offered by CaixaBank through the Offer does not reflect the current value of BPI, thus did not recommend its Shareholders to accept that Offer. The Board of Directors believes that the price that reflects BPI's

current value is 2.26 euro per share broken down as follows: domestic activity – 1.12 euro per share; international activity – 0.92 euro per share; sharing (50/50) synergies as announced by the Offeror - 0.22 euro per share.

Regardless of the developments in the offer process, the Issuer will proceed with its business plan without changes and with entire normality, including with the announced candidature for the acquisition of Novo Banco under the terms established by the Authorities.

Additional information about the Offer can be obtained from the website of BPI (<http://bpi.bancobpi.pt/>) and from the website of Comissão do Mercado de Valores Mobiliários (“CMVM”) (www.cmvm.pt).

Other Risks

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

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme.

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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement to this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes 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 potential investor's currency;
- (iv) understand thoroughly the terms of the 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.

A potential investor should evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Important: as a result of applicable laws or regulations, including any EU Directive or Regulation, establishing a framework for the recovery and resolution of credit institutions, and any implementation thereof into Portugal, the Notes may be mandatorily written down or converted into more subordinated instruments, including ordinary shares of the Issuer.

Senior Notes

The Issuer is not prohibited from issuing, guaranteeing or otherwise incurring further notes or debt ranking *pari passu* with its obligations under the Notes. The terms of the Senior Notes contain a negative pledge provision as further described in Condition 3 of the Terms and Conditions of the Senior and Subordinated Notes.

Subordinated Notes

The obligations of the Issuer under the Subordinated Notes will be subordinated in right of the payment to the claims of all Senior Creditors (as defined in Condition 2 of the Terms and Conditions of the Senior and Subordinated Notes) e.g. depositors and other unsubordinated creditors of the Issuer. In the event that the Issuer is wound-up, liquidated or dissolved, the assets of the Issuer would be available to pay obligations under the Subordinated Notes only after all payments have been made to such Senior Creditors.

The Dated Subordinated Notes have an original maturity of at least five years. The Undated Subordinated Notes do not have a stated maturity (*perpetual*). The Subordinated Notes can only be redeemed or called within the five years following the issue date if the competent banking prudential supervisory authority (and there is no assurance that such competent banking prudential supervisory authority will consent with this early redemption) previously authorises in accordance with articles 77 or 78(4) of the CRR or if the Issuer becomes insolvent or liquidated. Holders of Undated Deeply Subordinated Notes have no right to require redemption of the Undated Deeply Subordinated Notes.

Undated Deeply Subordinated Notes

*The Undated Deeply Subordinated Notes are deeply subordinated obligations and will be subordinated to all of the Issuer's existing and future indebtedness and rank and will rank *pari passu* without preference among themselves.*

The Undated Deeply Subordinated Notes are by their terms deeply subordinated in right of payment to all current and future unsubordinated and subordinated (other than deeply subordinated) indebtedness of the Issuer. In the event of a distribution of the assets in the dissolution or liquidation of the Issuer the rights of payment of the holders of Undated Deeply Subordinated Notes will be subordinated in right of payment to the claims of all Senior Creditors (as specified in the Terms and Conditions) including subordinated debt of the Issuer, to which a higher ranking has been assigned, will rank in priority to the ordinary share capital of the Issuer and other instruments which are treated as common equity tier 1 of the Issuer in accordance with the requirements of article 28 of the CRR and *pari passu* with the credits arising from other instruments which are treated as additional tier 1 capital in accordance with the requirements of article 52 of the CRR. In the event of incomplete payment of unsubordinated creditors, the obligations of the Issuer in connection with the Undated Deeply Subordinated Notes will be terminated. Although the Undated Deeply Subordinated Notes may pay a higher rate of interest than comparable notes which are not deeply subordinated, there is a greater potential risk that an investor in the Undated Deeply Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to the Undated Deeply Subordinated Notes or on the amount of securities that it may issue that rank *pari passu* with the Undated Deeply Subordinated Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the bankruptcy or the Issuer. If the Issuer's financial condition were to deteriorate, the holders of Undated Deeply Subordinated Notes could suffer direct and materially adverse consequences, including cancellation of interest and reduction of interest and principal and, if the Issuer was liquidated (whether voluntarily or involuntarily), the holders of Undated Deeply Subordinated Notes could suffer loss of their entire investment.

There are no events of default under the Undated Deeply Subordinated Notes.

If certain events occur, the holders of Undated Deeply Subordinated Notes will not be entitled to initiate insolvency proceedings against the Issuer for failure of any payment under the Undated Deeply Subordinated Notes or to exercise setoff against the Issuer.

The Undated Deeply Subordinated Notes will be available to cover losses of the Issuer

The Undated Deeply Subordinated Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer (see Condition 2 of the Terms and Conditions of the Undated Deeply Subordinated Notes). Such eligibility depends upon a number of conditions being satisfied, which are reflected in the “*Terms and Conditions of the Undated Deeply Subordinated Notes*”. One of these relates to the ability of the Undated Deeply Subordinated Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Undated Deeply Subordinated Notes may be restricted and, in certain cases, forfeited and the amount of interest and the principal amount of the Undated Deeply Subordinated Notes may be reduced (see Conditions 2 and 6 of the Terms and Conditions of the Undated Deeply Subordinated Notes).

Under the mentioned conditions, the Undated Deeply Subordinated Notes will be available and may be used to absorb losses of the Issuer, if that is necessary for the Issuer to continue its business activities.

In these circumstances the nominal amount of the Undated Deeply Subordinated Notes will be reduced to the extent necessary to absorb the Issuer's losses, whenever the Issuer is at risk of non-compliance with the Own Funds Requirements Regulations (as defined in the “*Terms and Conditions of the Undated Deeply Subordinated Notes*”). The nominal amount so reduced will only be reinstated and recorded as a subordinated credit in certain specified circumstances. The potential reduction of the nominal amount will very likely negatively affect the market value of the Undated Deeply Subordinated Notes then outstanding and will increase the risk of capital loss under the investment in the Undated Deeply Subordinated Notes, either in whole or in part, considering that such reduced amount will only be reinstated in certain circumstances.

The Undated Deeply Subordinated Notes are undated securities and need not be redeemed by the Issuer

The Undated Deeply Subordinated Notes are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Undated Deeply Subordinated Notes at any time (and any redemption has to comply with the provisions of Condition 6 of the Terms and Conditions of Undated Deeply Subordinated Notes, and, in any event, be subject to the prior approval of the competent banking prudential supervisory authority). The holders of Undated Deeply Subordinated Notes have no right to require redemption of the Undated Deeply Subordinated Notes. The

holders of Undated Deeply Subordinated Notes have no right to file for the insolvent judicial liquidation of the Issuer for reason of no payment of any amounts under the Undated Deeply Subordinated Notes.

Risks related to the structure of a particular issue of Notes

A 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 the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those 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 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.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the 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 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 from their principal 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.

Subordinated Notes

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment under all Senior Creditors, as specified below.

The Subordinated Notes are direct, unsecured and subordinated obligations of the Issuer, rank and will rank *pari passu* without any preference among themselves and (save for certain obligations required to be preferred by law) at least *pari passu* with all other present and future subordinated debt and obligations of the Issuer.

If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the rights of holders of Subordinated Notes against the Issuer to payment of principal and interest on the Subordinated Notes will be subordinated in right of payment to the claims of all Senior Creditors.

“*Senior Creditors*” means creditors of the Issuer who (A) are depositors or other unsubordinated creditors of the Issuer or (B) are subordinated creditors of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes.

Deferral of Interest Payments under Subordinated Notes

If so specified in the applicable Final Terms, the Issuer may if it determines that it will not be able to comply with its obligations under the Subordinated Notes, elect to defer any interest payable on any Subordinated Notes on any Interest Payment Date as provided in Condition 4 (d) (*Deferral of Payments*).

Any such deferral of interest will likely have an adverse effect on the market price of the relevant Subordinated Notes. In addition, as a result of the interest deferral provisions in any Subordinated Notes, the market price of such Subordinated Notes may be more volatile than the market prices of other debt securities that are not subject to such deferrals and may be more sensitive generally to any adverse changes in the Issuer’s financial condition.

Undated Deeply Subordinated Notes

The Undated Deeply Subordinated Notes are direct, unsecured and deeply subordinated obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves.

If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the holders of Undated Deeply Subordinated Notes will be entitled to the repayment of the then outstanding nominal amount of the Undated Deeply Subordinated Notes (being the nominal amount prevailing at the relevant time, plus accrued interest, if any, on such nominal amount from and including the Issue Date (if such event occurs in the first Interest Period after the Issue Date) or the preceding Interest Payment Date on which interest was either paid or cancelled pursuant to Condition 4 (if such event occurs after the first Interest Period), to the extent that there are available funds to this effect after payment to the higher ranking creditors of the Issuer as described below. The claims of the holders of the Undated Deeply Subordinated Notes will, in the event of a voluntary or involuntary liquidation, insolvency or similar proceeding, be subordinated in right of payment in the manner provided herein, and will:

- A. be subordinated to the claims of all Senior Creditors (as defined below),
- B. be subordinated to all other responsibilities of the Issuer, including any subordinated debt of the Issuer, to which a higher ranking has been assigned,
- C. rank in priority to any payments in respect of the ordinary share capital of the Issuer (including, if any, ordinary shares resulting from conversion of other instruments into ordinary share capital, upon such conversion having occurred) and of any other instruments which are treated as common equity tier 1 in accordance with the requirements of article 28 of the CRR, and
- D. rank equally with the credits arising from other instruments which are treated as additional tier 1 capital in accordance with the requirements of article 52 of the CRR (Other *Pari Passu* Claims, as defined below).

The subordination of the Notes is for the benefit of the Issuer and all Senior Creditors.

In the event of any voluntary or involuntary liquidation, insolvency or similar proceeding with respect to the Issuer, no holder of an Undated Deeply Subordinated Note will, if such holder is indebted or under liability to the Issuer be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Deeply Subordinated Note.

“*Other Pari Passu Claims*” means any instrument of the Issuer expressed to rank *pari passu* to the Undated Deeply Subordinated Notes in accordance with the Own Funds Requirements Regulations, and any other claims of creditors of the Issuer which are expressed to rank *pari passu* with the claims of holders of Undated Deeply Subordinated Notes.

“*Senior Creditors*” means creditors of the Issuer who (A) are depositors or other unsubordinated creditors of the Issuer; or (B) are subordinated creditors of the Issuer 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 Deeply Subordinated Notes.

If a Capital Ratio Event occurs, as defined in the Terms and Conditions, the Issuer shall immediately notify the competent banking prudential supervisory authority of the occurrence of such Event and, within one month from the confirmation of the occurrence of the relevant Capital Ratio Event, after first giving a Loss Absorption Notice to Noteholders (in accordance with Condition 11 of the Terms and Conditions), *pro rata* with the other Notes and any other Loss Absorbing Instruments (with a similar loss absorption mechanism, as defined in the Terms and Conditions) irrevocably (without the need for the consent of Noteholders), reduce the then Current Principal Amount of each Note by the relevant Write-Down Amount (as specified in the Terms and Conditions).

See Conditions 2, 4 and 6 of the Terms and Conditions of Undated Deeply Subordinated Notes for a full description of deeply subordination and the payment obligations of Banco BPI under the Undated Deeply Subordinated Notes.

Because the Notes are held through accounts of affiliate members of Interbolsa, investors will have to rely on various Interbolsa procedures with respect to the following:

Form and Transfer of the Notes

Notes held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book entry form (*forma escritural*) and can either be registered notes (*nominativas*) or bearer notes (*ao portador*). The Notes will be registered in the issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant Noteholders. Such control accounts will reflect at all times the aggregate number of Notes held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa which include Euroclear and CBL. The transfer of Notes and their beneficial interests will be made through Interbolsa.

Payment Procedures of the Notes

Payments inherent to the Notes (including the payment of accrued interest, coupons and principal) will be (i) **if made in euro** (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and CBL, to the accounts with Euroclear and CBL of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa,

Euroclear or CBL as the case may be; (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the 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 Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

The Noteholders must rely on the procedures of Interbolsa to receive payment under the Notes. The Issuer will have no responsibility or liability for the records relating to payments made in respect of beneficial interests in the Notes.

Notice to the Noteholders

Notices to the Noteholders may be given by publication in a leading newspaper having general circulation in Portugal (which is expected to be *Diário de Notícias*) or by any other way which complies with Portuguese Securities Code and Interbolsa's rules on notices to investors, notably the disclosure of information through the CMVM official website (www.cmvm.pt).

Meetings of holders of Notes are governed by the Portuguese Commercial Companies Code (“Código das Sociedades Comerciais”)

Mandatory provisions of the Portuguese Commercial Companies Code apply to meetings of holders of Notes. Meetings of holders of such Notes may be convened by a common representative. If the holders of Notes have not appointed a common representative or if the same refuses to convene a Noteholders meeting, holders of such Notes holding not less than 5 per cent. in principal amount of such Notes for the time being outstanding may request the chairman of the general meeting of shareholders of Banco BPI, S.A. to convene a Noteholders meeting.

The quorum required for a meeting convened to pass a resolution other than an extraordinary resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof; and the quorum required for a meeting convened to pass an extraordinary resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of such Notes then outstanding, regardless of the principal amount thereof.

The number of votes required to pass a resolution other than an extraordinary resolution is a majority of the votes cast at the relevant meeting; the majority required to pass an extraordinary resolution, including, without limitation, a resolution relating to the modification or abrogation of certain of the provisions of the Conditions, is at least 50 per cent. of the 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.

Risks related to Withholding Tax

Investment income derived from bearer Notes issued by Banco BPI are currently subject to Portuguese withholding tax (except where the Noteholder is either a Portuguese resident financial institution or a non-resident financial institution having a permanent establishment in the Portuguese territory to which the income is attributable or benefits from a reduction

or withholding tax exemption as specified by current Portuguese tax law) and there will be no gross-up for amounts withheld on such bearer Notes.

Pursuant to Decree Law 193/2005, of 7 November 2005, as amended from time to time (the “*Decree Law*”), including the evidence requirements of non-residence status foreseen therein, investment income obtained in Portuguese territory and paid to beneficiaries of Interbolsa Notes that are non-residents in the Republic of Portugal, as well as capital gains derived from a sale or other disposition of such Notes, will be exempt from Portuguese income tax.

Under the Decree Law, the obligation to collect from the Noteholders proof of their non-Portuguese resident status and of compliance with the other requirements for the exemption rests with the direct registering entities (*entidades registadoras directas*) or with their representatives (resident entity designated by non-resident direct registering entities or by entities managing the international clearing systems) and with the entities managing the international clearing systems.

The procedures and certifications are set out in “*Taxation*” beginning on page 142 hereof and may be revised from time to time in accordance with Portuguese law and regulations, further clarification from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems.

Failure to comply with these procedures and certifications will result in the application of Portuguese withholding tax at a rate of 25 per cent. (in case of non-resident entities), or a rate of 28 per cent. (in case of non-resident individuals) or at a rate of 35 per cent. (in case of investment income payments (i) to individuals or companies domiciled in a “low tax jurisdiction” list approved by Ministerial Order (*Portaria*) No. 150/2004 of 13 February 2011, as amended by Ministerial Order (*Portaria*) No. 292/2011 of 8 November 2011, or (ii) to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties, in which the relevant beneficial owner(s) of the income is/are not identified), as the case may be, at the date of this Prospectus, or if applicable, at reduced withholding tax rates pursuant to tax treaties signed by the Republic of Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see “*Taxation*”).

Banco BPI will not gross up payments in respect of any such withholding tax in any of the cases indicated in Condition 7 of the Terms and Conditions of the Notes including failure to deliver the certificate or declaration referred to above. Accordingly, Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of the Notes. None of Banco BPI, the Dealers, the Paying Agent or the clearing systems 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 conditions of the Notes contain or refer to 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.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (as amended by an EU Council Directive adopted by the European Council on 24 March 2014) (the “EU Savings Directive”), each Member State is required to provide to the

tax authorities of another Member State details of payments of interest and certain other types of income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in, or certain other types of entities established in, that other Member State. However, for a transitional period, Austria is instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures to the EU Savings Directive (a withholding system in the case of Switzerland).

On 15 April 2014, Council Directive 2014/48/EU of 24 March 2014 entered into force and amended Directive 2003/48/EC. Member States are to adopt the changes to comply with the amendments by 1 January 2016, which are to apply from 1 January 2017.

Among other changes, a “look-through approach” is to be applied to payments made to entities or legal arrangements established or having their place of effective management in countries or territories where Directive 2003/48/EC or measures to the same or equivalent effect do not apply, an indicative list of entities and legal arrangements in the third countries and jurisdictions concerned being provided.

If a payment by the Issuer in respect of the Notes 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, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive (if there is any such Member State).

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. or at a rate resulting from multiplying 30 per cent. by the positive “passthrough percentage” (as defined in FATCA) of the Issuer or of the other non-U.S. financial institutions through which payments on the Notes are made, to the payments made after 31 December 2014 in respect of (i) any Notes issued after 18 March 2012 (and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the U.S. Foreign Account Tax Compliance Act (“*FATCA*”). This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“*FFI*”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“*IRS*”) to provide certain information on its account holders (a term which includes the holders of its debt or equity interests that are not regularly traded on an established securities market) (making the Issuer a participating FFI), and (ii) (a) an investor does not provide information sufficient for the participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer, or (b) any FFI through which payment on such Notes is made is not a participating FFI. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear and additional legislation needs to be in force and published to complete the implementation process.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-participating FFI, neither the Issuer nor any paying agent nor any other person would, pursuant

to the conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

The application of FATCA to Notes issued after 18 March 2012 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a Supplement to the Offering Circular, as applicable.

Ratings

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Senior Notes, the Subordinated Notes and the Undated Deeply Subordinated Notes to be issued under the Programme. 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. Any ratings assigned to Senior Notes, the Subordinated Notes and the Undated Deeply Subordinated Notes as at the date hereof are not indicative of future performance of the Issuer's business or its future creditworthiness.

Change of law

The conditions of the Notes are based on Portuguese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Portuguese law or administrative practice after the date of this Prospectus.

Risks related to the market generally

Set out below is a brief description of the principal 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 very 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.

Exchange rate risks and exchange controls

The 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.

Market Price Risk

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

Risk of Early Redemption

The applicable Final Terms will indicate whether the Issuer may have the right to call the Notes prior to maturity (optional call right) or whether the Notes will be subject to early redemption in case of the occurrence of an event specified in the applicable Final Terms (early redemption event). The Issuer may have the right to redeem the Notes if such Issuer is required to make additional (gross-up) payments for reasons of taxation. If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, an investor in such Notes is exposed to the risk that due to early redemption his investment will have a lower than expected yield. The Issuer might exercise his optional call right if the yield on comparable Notes in the capital market falls which means that the investor may only be able to reinvest the redemption proceeds in notes with a lower yield.

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.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to 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.

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

withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) 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 advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RESPONSIBILITY STATEMENT

Banco BPI, S.A. (the “*Responsible Person*”) is responsible for the information contained in this Prospectus. The Responsible Person declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best knowledge of the Responsible Person, in accordance with the facts and contains no omission likely to affect the import of such information.

The Dealers have not independently verified the information contained herein, any document incorporated herein by reference, or any supplement to the Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Programme. The Dealers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.

NOTICE

This Prospectus should be read and understood in conjunction with any supplement to this Prospectus and with any other documents incorporated herein by reference (see “*Documents Incorporated by Reference*”). Full information on the Issuer and any Tranche of Notes is only available on the basis of the combination of the Prospectus and the relevant Final Terms (as defined herein).

Under this EUR 7,000,000,000 Euro Medium Term Note Programme, Banco BPI, S.A. may from time to time issue notes (the “*Notes*”, which will include Senior Notes, Dated Subordinated Notes, Undated Subordinated Notes and Undated Deeply Subordinated Notes (as such terms are defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined herein).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 7,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Final Terms (as defined below) for each Tranche (as defined in the Terms and Conditions (the “*Terms and Conditions*” which term shall include, depending of the Tranche (whether it is a Senior Note, a Subordinated Note or an Undated Deeply Subordinated Note), the *Terms and Conditions of the Senior and Subordinated Notes* or the *Terms and Conditions of the Undated Deeply Subordinated Notes*) of Notes will state whether the Notes of such Tranche are to be (i) senior Notes (“*Senior Notes*”), (ii) dated subordinated Notes (“*Dated Subordinated Notes*”), (iii) undated subordinated Notes (“*Undated Subordinated Notes*”), or (v) undated deeply subordinated notes (“*Undated Deeply Subordinated Notes*”). Dated Subordinated Notes and Undated Subordinated Notes are together referred to as “*Subordinated Notes*”.

The Notes will be issued on a continuing basis to one or more of the Dealers specified under “*Summary*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “*Dealer*” and together the “*Dealers*”), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the *relevant Dealer* shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount or principal amount of, the interest (if any) payable in respect of, the issue price of, and any terms and conditions which are applicable to each Tranche (as defined under “*Terms and Conditions*”) of Notes will be completed and set out in the final terms of each Tranche (the “*Final Terms*”) which, with respect to Notes to be admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange) and to be listed on the Official List of the Luxembourg Stock Exchange, will be filed with the Luxembourg Stock Exchange and the CSSF. Each Final Terms will contain the final terms of each Tranche of Notes for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by Directive 2010/73/EU (the “*2010 PD Amending Directive*”). The Programme provides that Notes may, after notification in accordance with Article 18 of the Prospectus Directive, be admitted to trading on the regulated markets of and/or admitted to listing on the stock exchanges of a number of member states of the EEA and/or offered to the public within the EEA. Unlisted Notes and/or Notes not admitted to trading on any market may also be issued.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Arranger.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme nor the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus or any document incorporated herein by reference nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “*Securities Act*”), and are, in the case of bearer Notes, subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in 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, unless an exemption from the registration requirements of the Securities Act is available (see “*Subscription and Sale*” below).

Neither this Prospectus nor any Final Terms constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus, any document incorporated herein by reference and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction outside the European Economic Area (the “*EEA*”) where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus, any document incorporated herein by reference nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any

applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the Republic of Portugal (“*Portugal*”), France, Japan, and the EEA (see “*Subscription and Sale*” on page 151 of this Prospectus).

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer, the Managers or the Financial Intermediaries, as the case may be.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as 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 of the Series (as defined below) of which such Tranche forms part 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 terms of the offer of the relevant Tranche of Notes 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 of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

All references in this document to U.S. dollars, U.S.\$ and \$ refer to United States dollars and to Sterling and £ refer to pounds sterling. In addition, all references in this document to euro, EUR and € refer to the single currency of certain member states of the European Union. All references in this Prospectus to the *United States* refer to the United States of America, its territories and possessions.

Certain figures in this Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them.

The language of this Prospectus is English.

Where information has been sourced from a third party, the Responsible Persons confirm that to the best of their knowledge this information has been accurately reproduced and that so far as the Responsible Persons are aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The information contained in the description of ratings contained in the “*Summary*” on pages 6 and 65 was sourced from the websites of Moody’s, Fitch and Standard & Poor’s (each as defined herein), respectively.

If so specified in the Final Terms in respect to any issue of Notes, the Issuer consents to the use of this Prospectus in Luxembourg and in Portugal in connection with an offer to the public of the Notes by any of the Dealers of the Programme or by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) (“*Authorised Offeror*”) and accepts responsibility for the content of this Prospectus also with respect to subsequent resale or final placement of securities by any Dealer which was given consent to use the Prospectus.

Information with respect to new Dealers of the Programme or additional Authorised Offerors will be disclosed by the relevant means, including in the applicable Final Terms for such offer and / or the website of the Issuer and the relevant Dealer or Authorised Offeror.

The consent referred to above relates to Offer Periods occurring during 12 months from the date of this Prospectus.

An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the “*Terms and Conditions*”). The Issuer, if applicable, will not be a party to any such arrangements with investors (other than Dealers) in connection with the offer or sale of the Notes and, accordingly, this Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer and a statement on the use of the Prospectus in accordance with the consent and with the relevant conditions shall be disclosed by that Authorised Offeror on its website at the relevant time. The Issuer or any of the other Authorised Offerors have no responsibility or liability for such information.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency agreed between the Issuer and the relevant Dealer, subject as set out herein, to be purchased by qualified or non-qualified investors (retail investors). A summary of the terms and conditions of the Programme and the Notes is set out in “*Summary*” above. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out either in the “*Terms and Conditions of the Senior and Subordinated Notes*” or in the “*Terms and Conditions of the Undated Deeply Subordinated Notes*” endorsed on, attached to, or incorporated into, the Notes, as completed by Part A of the applicable Final Terms attached to, endorsed on or incorporated into such Notes, as more fully described under “*Form of the Notes*” below.

This Prospectus and any supplement to this Prospectus will only be valid for listing Notes on the Official List of the Luxembourg Stock Exchange, or any other stock exchange in the European Economic Area, in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed EUR 7,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time, the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of Final Terms*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for general business in London and Lisbon, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation.

DESCRIPTION OF THE ISSUER

<i>“Banco BPI, S.A.”, “Banco BPI” or the “Bank”</i>	means Banco BPI, S. A., the holding company of BPI Group
<i>“BFA” or “Banco de Fomento Angola”</i>	means Banco de Fomento Angola, S.A.
<i>“BPI Capital Africa”</i>	means BPI Capital Africa (Proprietary), Limited
<i>“BCI”</i>	means BCI – Banco Comercial e de Investimentos, S.A.R.L.
<i>“BPI Group” or “Group”</i>	means the financial Group consolidated by Banco BPI, S.A.
<i>“BPI Português de Investimento”</i>	means Banco Português de Investimento, S. A.

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

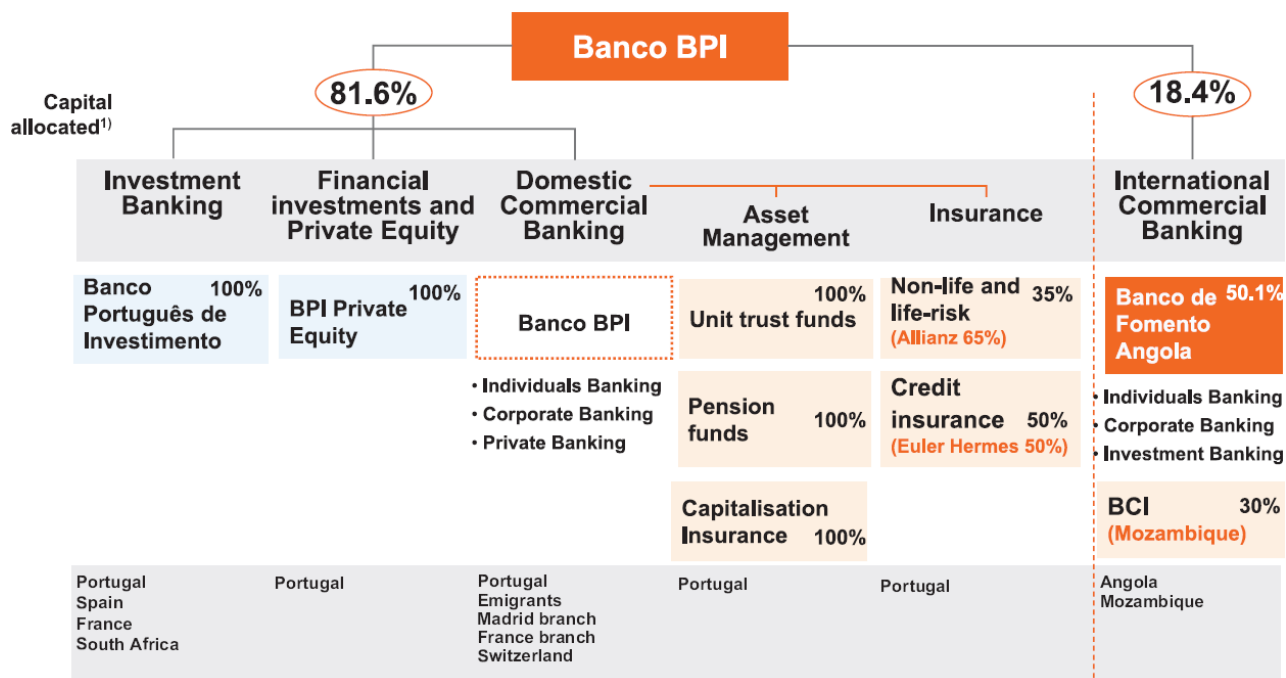
The BPI Group is a financial and multi-specialist group, focusing predominantly on commercial banking in Portugal. It has a comprehensive spectrum of financial services and products for business, institutional and individual customers.

Banco BPI serves approximately 1,723 thousand customers through its multi-channel distribution network comprising 592 retail branches, 39 investment centres, a network of 28,726 commercial partners, structures dedicated to corporate (47 centres) and institutional customers (6 centres), a home-banking service and a telephone banking service. In addition, Banco Português de Investimento, the BPI Group’s original matrix, is engaged in investment banking business – Equities and Corporate Finance. With regard to asset management, Banco BPI manages unit trust (mutual) funds, pension funds and life-capitalisation insurance, which it distributes via Banco BPI.

In Angola, Banco BPI has a 50.1 per cent. shareholding in Banco de Fomento Angola, which, at the end of June 2014 served a total of 1,250 thousand customers with a network of 151 branches, 8 investment centres and 16 corporate centres.

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

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



1) Capital allocation at 30 September 2014. In the Capital allocation calculation it was excluded the fair value reserve (net of deferred tax) on financial assets available for sale. Business structure following the demerger of part of the business conducted by Banco Português de Investimento and subsequent merger into Banco BPI occurred in November 2014.

Source: Banco BPI's website (as at November 2014)

The percentage figures indicated in the first line of the organisational chart reflect the percentage of the shareholders equity of Banco BPI allocated to the respective business area; the remaining percentage figures included in the chart refer to the direct and indirect participation of Banco BPI in the share capital of each company.

HISTORY

Banco BPI, S.A. was formed in 25 May 1998 by the merger of Banco Fonseca & Burnay, Banco de Fomento e Exterior and Banco Borges & Irmão. Later that year Banco Universo (an in-store bank) was acquired by Banco BPI.

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

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

ESTABLISHMENT AND DOMICILE

Banco BPI is domiciled in Rua Tenente Valadim, 284, 4100-476 Porto, telephone number +351 22 2075000.

LEGAL FORM

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

OBJECT AND PURPOSE

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

SHAREHOLDERS

According to the last information received from the securities clearing house (Central de Valores Mobiliários - CVM) relative to the shareholder positions recorded at 31 January 2015 at the CVM and the information disclosed to the market until 3 March 2015, the shareholders with more than 2% of Banco BPI share capital were La Caixa group (with an interest of 44.1 per cent.), Santoro (with an interest of 18.6 per cent.), Allianz group (with an interest of 8.4 per cent.) and HVF SGPS, S.A. (with an interest of 2.58 per cent.).

To the extent known to the Issuer, no shareholder holds, directly or indirectly or controls directly or indirectly, more than 50 per cent. of its share capital. Furthermore, BPI's bylaws impose a voting cap of 20 per cent. of the voting rights. As per Article 20 - 4.b) of the Memorandum and Articles of association of Banco BPI, the following votes are not considered: a) those cast by a single shareholder, in his/her own name and also as proxy of one or more shareholders, exceeding twenty per cent. of the total number of votes corresponding to the share capital; b) those cast by a single shareholder, in his/her own name and also as proxy of one or more shareholders with whom he/she is any of the relationships set out in Article 20 of the Portuguese Securities Code and which, as a whole, exceed twenty per cent. of the total number of votes corresponding to the share capital.

BUSINESS OVERVIEW OF BANCO BPI, S.A.

BPI Group's activity is divided into two main geographic areas:

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

Domestic Activity

The Domestic Commercial Banking business relates to banking activity carried out with companies, individuals and institutions in Portugal and includes the provision of overseas banking services to non-residents, namely to emigrant communities and the Madrid branch, and also relates to investment banking services, private equity, asset management and insurance.

Domestic Commercial Banking is organised in two major business areas:

- Individuals and Small Businesses Banking; and
- Corporate, Project Finance and Institutional Banking.

The Individuals and Small Businesses Banking serves individual customers, including high net-worth individuals, and small businesses with turnover of up to EUR 5 million.

The Corporate, Project Finance and Institutional Banking serves companies with a turnover of more than EUR 2 million, operating in competition with Individuals and Small Business Banking in the segment of up to EUR 5 million, and also includes the provision of project finance services and the relationship with Public Sector, State-owned and Municipalities Companies, and the State Business Sector, Foundations and Associations.

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

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

The Institutional Banking and State Owned Enterprises division caters to institutional clients, public sector companies and other public sector controlled entities. This division has a commercial network composed of six institutional centres.

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

The Investment Banking activities are conducted by Banco BPI: Private Equity and Private Banking areas and by Banco Português de Investimento: Equities and Corporate Finance areas.

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

The Bank has offshore branches in the Cayman Islands and Macau and also twelve branches in France and one in Spain. It also has representative offices in London, Geneva, Hamburg, Toronto, Caracas and Johannesburg, an information office in Luxembourg and money remitters in Newark and Rhode Island.

International Commercial Banking

International Commercial Banking Activity refers to business operations conducted through a 50.1 per cent. shareholding in BFA in Angola and through a 30 per cent. shareholding in BCI in Mozambique.

SHARE CAPITAL

As at 5 March 2015, Banco BPI's share capital amounted to €1,293,063,324.98 and was represented by 1,456,924,237 ordinary shares with no nominal value (all issued shares are fully paid).

SELECTED HISTORICAL KEY FINANCIAL INFORMATION

The following table contains selected key financial information for the years ended 31 December 2013 and 2014 (financial information presented for the year ended 31 December 2014 is unaudited)⁵:

There have been no recent events particular to the Issuer which are material to the evaluation of the Issuer's solvency since the publication of the Issuer's unaudited consolidated results for the year 2014.

Leading indicators

Amounts in M.€

	Domestic activity			International activity			Consolidated		
	Dec.13	Dec.14	Chg.%	Dec.13	Dec.14	Chg.%	Dec.13	Dec.14	Chg.%
Net income, efficiency and profitability									
Net income (as reported)	-28,3	-287,7	n.s.	95,2	126,1	32,5%	66,8	-161,6	n.s.
Net income (as reported) per share (EPS)	-0,020	-0,202	n.s.	0,069	0,089	28,9%	0,048	-0,114	n.s.
Weighted average number of shares ¹⁾	1.384	1.422	2,7%	1.384	1.422	2,7%	1.384	1.422	2,7%
Efficiency ratio excl. non-recurring impacts ²⁾	86,5%	84,8%		39,7%	34,7%		69,4%	64,2%	
Return on average total assets (ROA)	-0,1%	-0,8%		3,0%	3,5%		0,4%	-0,1%	
Return on Shareholders' equity (ROE)	-1,5%	-15,5%		28,4%	32,7%		2,9%	-7,2%	
Balance sheet									
Net total assets ³⁾	37 345	34 851	(6,7%)	6 456	8 451	30,9%	42 700	42 633	(0,2%)
Loans to Customers	24 893	23 436	(5,9%)	1 072	1 833	71,0%	25 965	25 269	(2,7%)
Deposits	18 907	19 122	1,1%	5 645	7 396	31,0%	24 551	26 518	8,0%
Deposits and retail bonds	19 819	19 815	(0,0%)	5 645	7 396	31,0%	25 463	27 211	6,9%
On-balance sheet Customer resources	23 025	25 120	9,1%	5 645	7 396	31,0%	28 669	32 516	13,4%
Off-balance sheet Customer resources ⁴⁾	3 239	3 216	(0,7%)				3 239	3 216	(0,7%)
Total Customer resources ⁵⁾	26 025	28 004	7,6%	5 645	7 396	31,0%	31 669	35 401	11,8%
Loans to deposits ratio (Instruction 23/2011 BoP)	118%	106%		19%	25%		96%	84%	
Asset quality									
Loans in arrears for more than 90 days	926	947	2,3%	50	61	21,5%	976	1 008	3,3%
Ratio of loans in arrears ⁶⁾	3,6%	3,9%		4,4%	3,2%		3,6%	3,8%	
Impairments cover of loans in arrears ⁶⁾	98%	104%		148%	142%		100%	107%	
Credit at risk ⁷⁾	5,0%	5,4%		6,5%	4,4%		5,1%	5,4%	
Impairments cover of credit at risk ⁷⁾	75%	81%		101%	102%		77%	82%	
Cost of credit risk ⁸⁾	0,98%	0,66%		0,56%	1,30%		0,96%	0,70%	
Pension liabilities									
Employees pension liabilities	1 082	1 278	18,1%				1 082	1 278	18,1%
Employees pension funds assets ⁹⁾	1 132	1 249	10,3%				1 132	1 249	10,3%
Cover of pension obligations ¹⁰⁾	105%	98%					105%	98%	
Capital									
Shareholders' equity and minority interests	1 642	1 672	1,8%	664	876	31,8%	2 306	2 548	10,5%
CRD IV/CRR phasing in (rules for 2014)									
Common Equity Tier I ¹¹⁾							3 375	2 533	
Risk weighted assets ¹¹⁾							21 616	24 824	
Common Equity Tier I ratio ¹¹⁾							15,6%	10,2%	
Leverage ratio ¹¹⁾							7,6%	5,9%	
LCR = Liquidity coverage ratio							350%	124%	
NSFR = Net Stable Funding Ratio							114%	100%	
CRD IV/CRR fully implemented									
Common Equity Tier I ¹¹⁾							2 374	2 122	
Risk weighted assets ¹¹⁾							21 126	24 688	
Common Equity Tier I ratio ¹¹⁾							11,2%	8,6%	
Leverage ratio ¹¹⁾							5,5%	5,2%	
LCR = Liquidity coverage ratio							350%	124%	
NSFR = Net Stable Funding Ratio							113%	99%	
Distribution network and staff									
Distribution network ¹²⁾	696	649	(6,8%)	175	186	6,3%	871	835	(4,1%)
BPI Group staff ¹³⁾	6 274	5 962	(5,0%)	2 446	2 544	4,0%	8 720	8 506	(2,5%)

1) Average outstanding number of shares, deducted of treasury stock.

2) Operating costs as % of net operating revenue.

3) The total assets for each of the geographical segments presented above has not been corrected for the balances resulting from operations between these segments.

4) Unit trust funds, PPR and PPA (excludes pension funds).

5) Corrected for double counting: placements of unit trust funds managed by BPI in the Group's deposits, structured products and unit trust funds.

6) Loans in arrears for more than 90 days.

7) Calculated in accordance with Bank of Portugal Instruction 23/2011. The credit at risk is the sum of: (1) the total amount outstanding on a loan in respect of which there are instalments of principal or interest in arrears for 90 days or more; (2) the total amount outstanding on loans which have been restructured, after having been in arrears for a period of 90 days or more, without adequate reinforcement of guarantees (these should be sufficient to cover the full amount of the outstanding principal and interest) or full payment of interest and other charges in arrears; (3) the total value of loans with instalments of principal and accrued interest in arrears for less than 90 days but in respect of which there is evidence to justify their classification as credit-at-risk, namely the debtor's bankruptcy or winding up.

8) Loan impairments in the period (P&L account), net of arrear loans recovered, as percentage of the average performing loan portfolio.

9) Includes contributions to be transferred to the pension funds (2,9 M.€ in Dec.13 and 47,0 M.€ in Dec.14).

10) Cover of pension obligations by the pension funds assets.

11) Proforma ratios considering the adherence to the special scheme applicable to deferred tax assets and the change in risk weights applicable to Banco BPI's indirect exposure to the Angolan State and to BNA.

12) Includes traditional branches, housing shops, investment centres, corporate centres, institutional and one Project Finance centre. Domestic activity distribution network includes branches in Paris (12 branches).

13) Excludes temporary workers.

⁵ Source: Banco BPI's 2014 consolidated results earnings-release, which is incorporated by reference to this Prospectus.

The auditor's reports on the consolidated financial statements of Banco BPI for the year ended 31 December 2012, 31 December 2013 and for the first semester ended 30 June 2014 did not include any reserves.

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

INVESTMENTS

There have been no material investments by Banco BPI since 30 June 2014 and no new material investments have been approved as at the date of this Prospectus.

RATINGS

The ratings assigned to Banco BPI from time to time are available for consultation at <http://bpi.bancobpi.pt/index.asp?riIdArea=AreaDivida&riId=DRatings>. The long term/short term ratings currently assigned to Banco BPI are Ba3/Not Prime (Negative Outlook) by Moody's, BB+/B (Negative Outlook) by Fitch and BB-/B (Stable Outlook) by Standard & Poor's.

Each of Fitch Ratings Limited, Standard & Poor's and Moody's is established in the European Community and has been registered in accordance with the CRA Regulation. The full list of Credit Rating Agencies that are registered under the CRA Regulation can be found at European Securities and Markets Authority's website.

According to the information made available by Moody's, Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Obligations rated B are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category. Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect the likelihood of a default on contractually promised payments. Not-Prime Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories. Information available at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

According to Fitch, 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets. 'B' speculative short-term credit quality indicates minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions. Information available at:

https://www.fitchratings.com/web_content/ratings/fitch_ratings_definitions_and_scales.pdf

According to Standard & Poor's, Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments. Information available at

https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1019442&SctArtId=147045&from=CM&nsl_code=LIME.

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

CORPORATE GOVERNANCE

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

- the company's management is entrusted to the Board of Directors which includes an Executive Committee - formed by professionals independent from any shareholders' or specific interests - to which the Board has delegated wide management powers for conducting the day-to-day activity.

Within the ambit of the Board of Directors, four specialist commissions function, composed exclusively of non-executive members: (i) the Audit and Internal Control Committee, whose remit is to work especially close to the Executive Committee; (ii) the Financial Risks Committee, whose role, without prejudice to the functions of the Supervisory Body, is to monitor the policy management of all financial risks, including credit risks, the Bank's activities and the management of the pension fund (iii) the Corporate Governance Committee, which is charged with supporting and advising the Board of Directors for the improvement of the governance and oversight model and making pronouncements on matters relating to social responsibility, ethics, professional conduct, and environmental protection and (iv) the Nominations, Evaluation and Remuneration Committee, whose role is to give opinions on the filling of vacancies occurring on the governing bodies, on the choice of Directors to be appointed to the Executive Committee and on the evaluation and annual variable remuneration of this body's members.

- the oversight functions are attributed to the Supervisory Board (*Conselho Fiscal*) - whose key terms of reference include, overseeing management, supervising compliance with the Law and the company's Statutes, verifying the accounts, supervising the independence of the Portuguese Statutory Auditor and the external auditor, as well as

evaluating the last-mentioned work - and to the Portuguese Statutory Auditor (ROC), whose prime function is to examine and then certify the accounts.

- the General Meeting, composed of all Banco BPI Shareholders, deliberates on the issues which are specifically attributed to it by the law or by the Statutes - including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases -, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.
- the Remuneration Committee, comprising three shareholders, is elected by the General Meeting. The Committee fixes the remuneration of the officers serving on Banco BPI's governing bodies. It is bound to observe the limits defined by the General Meeting as regards the fixed compensation of the members of the Board of Directors and the variable compensation of the Executive Committee.
- the Company Secretary is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed by the Bank.

MANAGEMENT

The following is a list of the members of the Board of Directors and of the Executive Board of Banco BPI. The business address of each of the below-mentioned members of the Board of Directors and the Executive Board is Banco BPI, S.A., Largo Jean Monnet, 1, 1269-067 Lisbon, Portugal.

The Annual Report for 2013, on pages 329 to 335, contains a description of the activities performed by the members of the Board of Directors outside the Issuer.

Board of Directors:

<i>Chairman:</i>	Artur Santos Silva
<i>Deputy-Chairman:</i>	Fernando Ulrich
<i>Members:</i>	Alfredo Rezende de Almeida
	Allianz Europe, Ltd ⁶
	António Domingues
	António Lobo Xavier
	António Massanell Lavilla ⁷
	Armando Leite de Pinho
	Carlos Moreira da Silva
	Edgar Alves Ferreira
	Ignacio Alvarez-Rendueles
	Isidro Fainé Casas
	João Pedro Oliveira e Costa

⁶ Following Mr. Herbert Walter resignation, presented on 13 January 2013, as a member of Banco BPI, S.A.'s Board of Directors, Allianz Europe, Ltd. appointed, on 5 February 2015, Ms Carla Sofia Pereira Bambulo to hold the aforesaid office.

⁷ The Board of Directors of Banco BPI, at its meeting of 24 October 2014, decided to co-opt as member of the Board of Directors, to fill the existing vacancy, Mr. Antonio Massanell Lavilla. This cooptation will be, in legal terms, subject to ratification by the shareholders at the next general meeting.

José Pena do Amaral
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Santoro Finance – Prestação de Serviços, SA⁸
Tomaz Jervell
Vicente Tardio Barutel

Executive Committee of the Board of Directors:

Chairman: Fernando Ulrich
Deputy-Chairman: António Domingues
Members: José Pena do Amaral
Maria Celeste Hagatong
Manuel Ferreira da Silva
Pedro Barreto
João Pedro Oliveira e Costa

CERTAIN RELATIONSHIPS

Banco BPI is not aware of any potential conflicts of interests between any duties to the Bank of the members of either the Board of Directors or the Executive Committee of the Board of Directors and their private interests or other duties.

SUPERVISORY BOARD

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

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

Chairman: Abel António Pinto dos Reis
Members: Jorge de Figueiredo Dias
Rui Campos Guimarães

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

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

⁸ The appointment of the administrator Santoro Finance - Prestação de Serviços, S.A., depends on its condition of natural person to fulfil position acting in his/her own name, with the exercise of these functions depending of such condition.

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

The Supervisory Board meets at least every two months.

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

AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is a consultative body of the Board of Directors and its role, without prejudice to the functions attributed to the Supervisory Board, involves monitoring the Executive Committee's work, overseeing the preparation and disclosure of financial information and checking the effectiveness of the internal control, non-financial risk management and internal audit systems.

The Audit and Internal Control Committee comprises three to six members of the Board of Directors, who are not members of the Executive Committee as set out in Article 16 (3) (a) and Article 18 of the Bank's Articles of Association and, if deemed fit by the Board of Directors, by persons who are not members of that board, nominated at the Board's discretion for their expertise in the Audit and Internal Control Committee's business. The number of members of the Audit and Internal Control Committee who are not members of the Board of Directors is always less than half of total membership. The members of the Audit and Internal Control Committee are appointed by the Board of Directors and the Board of Directors shall also appoint a Chairman and, if deemed appropriate, a Deputy-Chairman.

Composition of the Audit and Internal Control Committee:

Chairman: Ruy Octávio Matos de Carvalho

Members: Alfredo Rezende de Almeida

Ignacio Alvarez-Rendueles

Mário Leite da Silva

Edgar Alves Ferreira

Besides any other competence set out in law, the Audit and Internal Control Committee is responsible for:

- to monitor the Executive Committee's activity;
- to ensure compliance with legal and regulatory requirements, the articles of association and rules issued by supervisory bodies, as well as with any general policies and internal rules and practices;

- to ensure that accounting policies, criteria and practices adopted are appropriate and complied with, and that the supporting documents are in order;
- to monitor the statutory audit;
- to monitor the financial reporting and disclosure process;
- to review and promote the effectiveness of internal control, risk management and internal audit systems;
- to oversee the Statutory Auditor's independence, and in particular where the Statutory Auditor provides additional services to the Company.

PORTUGUESE STATUTORY AUDITOR

The Statutory Auditor (*Revisor Oficial de Contas*) of Banco BPI is Deloitte & Associados, SROC, S.A., which is a member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º, 1050-094, Lisbon, Portugal, represented by António Marques Dias (Revisor Oficial de Contas), who is also a member of the Portuguese Institute of Statutory Auditors. The alternate member is Carlos Luís Oliveira de Melo Loureiro.

EMPLOYEES

As at 30 June 2014 the BPI Group's workforce numbered 8,619, of whom 71.5 per cent. were deployed in domestic operations (69.1 per cent. in Portugal and 2.4 per cent. at overseas branches and representative offices), while the remaining 28.5 per cent. made up the workforce of Banco de Fomento Angola and BPI Capital Africa.

BPI's average workforce in the first half of 2014 decreased to 8,697, corresponding to 6,241 employees in the domestic operations (that decreased 2.2 per cent. in relation to the 2013 1st half average) and 2,456 employees in Banco de Fomento Angola and BPI Capital Africa (that increased 4.6 per cent. in relation to the 2013 1st half average).

PENSION OBLIGATIONS

Decree-Law 127/2011 of 31 December 2011, established the transfer to the Social Security of the liability for costs with the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector, as well as the transfer to the Portuguese State of the corresponding pension fund assets covering those liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement (*Acordo Coletivo de Trabalho*); (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution on the retirement and survivor pensions for the Social Medical Support Services (*Serviços de Apoio Médico-Social*); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pensions due to the family of current retired employees, in which the conditions for granting the pensions occurred as from 1 January 2012.

As at 30 June 2014 the past service liability for pensioners and employees of the BPI Group totalled EUR 1,113.87 million and the respective coverage by the Pension Fund pension funds in the amount of EUR 1,184.21 million, represented 106 per cent..

In June 2014, Banco BPI reduced the discount rates by 0.5 p.p. (from 4.33 per cent. to 3.83 per cent. for current employees and from 3.50 per cent to 3.00 per cent in the case of retirees) and reduced by 0.25 p.p. the salary growth rate (from 1.5 per cent. to 1.25 per cent.) and the pensions growth rate (from 1.0 per cent. to 0.75 per cent.). Additionally, a longer life expectancy was considered for the population covered, namely one more year for men and two more years for women. The main actuarial assumptions used to calculate the pension liability as of 30 June 2014 were as follows: (i) discount rate of 3.5 per cent.; (ii) mortality tables under the regulations defined by the Portuguese Insurance Institute (*Instituto de Seguros de Portugal*): male population: TV 73/77 less 2 year; female population: TV 88/90, less 3 year.

At the end of 2014, BPI reduced the discount rates by 1.0 p.p. (from 3.83 per cent to 2.83 per cent for current employees and from 3.00 per cent. to 2.00 per cent. in the case of retirees) and reduced by 0.25 p.p. the salary growth rate (from 1.25 per cent. to 1.00 per cent.) and the pensions growth rate (from 0.75 per cent. to 0.50 per cent.).

Together, these alterations explain in essence a negative actuarial variance (increase in liabilities) of EUR 134.7 million in 2014 (of which, EUR 122.5 million in the 2nd half). The negative actuarial variances arising in the year were partially offset by the positive variance of the fund's actual income vis-à-vis the assumed income (+ EUR 43.1 million).

As at 31 December 2014, Banco BPI's pension liabilities amounted to EUR 1,278 million and are 97.7 per cent. covered by the pension fund.

In 2014, the Bank's pension funds posted a return of 7.7 per cent.. It should be pointed out that, up till the end of December 2014, the actual return achieved by Banco BPI's pension fund since its creation in 1991 was 9.3 per cent. per year, and that in the last ten, five and three years, the actual annual returns were 7.1 per cent, 7.8 per cent and 15.1 per cent., respectively.

RISK MANAGEMENT

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

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

CREDIT RISK

As at 30 June 2014, customer loans in arrears for more than 90 days totalled EUR 971.2 million, which corresponded to a non-performing loan ratio of 3.7 per cent..

Within domestic operations, loans in arrears for more than 90 days totalled EUR 918.2 million, which corresponded to a non-performing loan ratio of 3.7 per cent.. Within international operations, loans in arrears for more than 90 days totalled EUR 53 million, which corresponded to a non-performing loan ratio of 4.5 per cent..

As of 30 June 2014, the amount of cumulated impairments recognised in the balance sheet totalled EUR 1,070 million, which corresponded to 4.1 per cent. of the gross loan portfolio. Within domestic operations, the amount of cumulated impairments recognised in the balance sheet totalled EUR 988.8 million. Within international operations, the amount of cumulated impairments recognised in the balance sheet totalled EUR 81.2 million.

The net loan loss in the first half of 2014, measured by loan impairment losses recognised in the period and net of recoveries of loans previously written-off, was EUR 91.6 million, which corresponds to 0.72 per cent. of the performing loan portfolio.

FINANCIAL RISK ASSESSMENT AND CONTROL

Country Risk

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

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

Market Risk

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

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

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

Liquidity risk

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

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

Liquidity management continued during the first half of 2014 to be one of the chief priorities of Banco BPI. The Bank pursued a balanced situation throughout this period:

- In the intermediation business with Customers – Customer resources constitute the principal source of funding, representing 81 per cent. and 98 per cent. of the domestic operations’ and consolidated loan portfolio, respectively;

- As of 30 June 2014, the Bank had a portfolio of public debt of Eurozone countries valued at market prices of EUR 5.6 thousand million, of which EUR 3.5 thousand million in short-term Portuguese public debt. Funding of this portfolio, which itself is totally discountable at the ECB, is assured by way of securities repo operations and resources obtained from the ECB (EUR 3 thousand million);

- The portfolio of assets eligible for funding from the Eurosystem totalled EUR 10.5 thousand million at the end of June. Of that figure, the amount not yet utilised and therefore capable of being converted into immediate liquidity at the ECB was EUR 5.9 thousand million;

- Medium and long-term debt refinancing needs for the next few years are minimal: EUR 1.3 thousand million up till the end of 2018. In 2019 there will be a significant release of liquidity with the redemption of EUR 1.4 thousand million of medium and long-term bonds held by Banco BPI in portfolio.

Banco BPI’s short-term gap (domestic activity) decreased from EUR -5.9 thousand million as of 31 December 2013 to EUR -4.5 thousand million as of 30 June 2014. The main factors behind this behaviour were:

- Sale during the first quarter of 2014 of half the position in Portuguese and Italian public debt amounting to EUR 1,467 million;

- Reinforcement during the first six months of the Treasury Bills portfolio by EUR 123 million;

- Sale of EUR 158 million from the miscellaneous bonds portfolio;

- Positive change in the commercial Gap of EUR 534 million;

- CoCo redemption of EUR 920 million, with which Banco BPI completed the total repayment of the instruments eligible for core tier 1 capital which were subscribed by the Portuguese State in June 2012 within the framework of the Bank’s recapitalisation plan.

As of 30 June 2014, short-term funding was broken down as follows: net debtor position on the money market of EUR 1.1 thousand million and security repos of EUR 0.4 thousand million and funding from the ECB of EUR 3 thousand million.

FORM OF THE NOTES, CLEARING AND PAYMENTS

Form of the Notes

The Notes will be represented in dematerialised book entry form (*forma escritural*) and can either be registered notes (*nominativas*) or bearer notes (*ao portador*). The Notes will be held through the accounts of affiliate members of the Portuguese central securities depository and the manager of the Portuguese settlement system, *Interbolsa–Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* (“*Interbolsa*”), as operator and manager of the “*Central de Valores Mobiliários*” (the “*CVM*”).

Clearing and Settlement

Interbolsa manages the operation of the central securities depository in the Republic of Portugal known as *sistema centralizado* in which securities in book entry form can be registered (the “*Book Entry Registry*” and each entry a “*Book Entry*”). The CVM is composed of interconnected securities accounts, through which securities (and inherent rights) are created, held and transferred. This allows Interbolsa to control the amount of securities created, held and transferred. Issuer of securities, financial intermediaries which are Affiliate Members (Direct Registration Entities) of Interbolsa and the Bank of Portugal, all participate in the CVM.

The CVM provides for all the procedures which allow the owners of securities to exercise their rights.

In relation to each issue of securities, CVM comprises *inter alia*, (i) the issue account, opened by the issuer in the CVM and which reflects the full amount of securities issued and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect, at all times, the aggregate nominal amount of securities held in the individual securities accounts opened by holders of securities with each of the Affiliate Members of Interbolsa (as defined below).

Title to the Notes passes upon registration in the records of an Affiliate Member of Interbolsa. Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded.

The expression “*Affiliate Member of Interbolsa*” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by: (i) Euroclear and CBL, for the purposes of holding accounts on behalf of Euroclear and CBL with Interbolsa; or (ii) other financial intermediaries that do not hold control accounts directly with Interbolsa, but which hold accounts with an Affiliate Member of Interbolsa, which in turn has an account with Interbolsa.

Notes registered with Interbolsa will be attributed an International Securities Identification Number (ISIN) code through Interbolsa's codification system and will be accepted for clearing through CVM, the clearing system operated at Interbolsa as well as through the clearing systems operated by Euroclear and CBL and settled by Interbolsa's settlement system.

Payments

Payment of principal and interest in respect of the Notes will be subject to Portuguese laws and regulations, notably the regulations from time to time issued and applied by the CMVM and Interbolsa.

The Issuer must give Interbolsa advance notice of all payments and provide all necessary information for that purpose, notably the identity of the financial intermediary integrated in Interbolsa appointed by the Issuer to act as the paying agent in respect of the Notes (the “*Paying Agent*”) responsible for the relevant payment.

Prior to any payment the Paying Agent shall provide Interbolsa with a statement of acceptance of its role of Paying Agent.

Interbolsa must notify the Paying Agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the accounts of the Affiliate Members of Interbolsa.

On the date on which any payment in respect of the Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa in the Bank of Portugal current accounts held by the Paying Agent and by the Affiliate Members of Interbolsa.

Accordingly, payments of principal and interest in respect of the Notes will be (i) **if made in euro** (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and CBL, to the accounts with Euroclear and CBL of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL as the case may be; (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the 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 Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

In the case of Notes admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange) and listed on the Official List of the Luxembourg Stock Exchange or offered to the public in the Grand Duchy of Luxembourg, the Final Terms will be displayed on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of Notes listed on any other stock exchange or offered to the public in one or more member states of the European Economic Area other than the Grand Duchy of Luxembourg, the Final Terms will be displayed on the website (www.ir.bpi.pt) of the Issuer or in accordance with the requirements of the laws and regulations of that member state.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).

[Date]

Banco BPI, S.A.

(incorporated with limited liability in the Republic of Portugal)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the EUR 7,000,000,000

Euro Medium Term Note Programme

for the issue of Senior Notes, Dated Subordinated Notes, Undated Subordinated Notes and Undated Deeply Subordinated Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the “*Terms and Conditions of the Senior and Subordinated Notes*”/”*Terms and Conditions of the Undated Deeply Subordinated Notes*” (the “*Conditions*”) set forth in the Prospectus dated 13 March 2015 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (which includes the amendments made by Directive 2010/73/EU (the “*2010 PD Amending Directive*”). This document (including any Schedule hereto) 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 the Prospectus. 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. The Prospectus [*Insert for Notes listed on the Official List of the Luxembourg Stock Exchange or offered to the public in Luxembourg: and the Final Terms*] [is][are] available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and at www.ir.bpi.pt, and for collection from Rua Tenente Valadim, 284, Porto, Portugal. [*For Notes listed on a stock exchange other than Luxembourg Stock Exchange insert: The Final Terms are available for viewing on the website of [Insert details of the relevant stock exchange and website address], and for collection from Rua Tenente Valadim, 284, Porto, Portugal.*] [A summary of the individual issue is annexed to the Final Terms.]

[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 directions for completing the Final Terms.]

[When 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 (a) Series Number: []
(b) Tranche Number: []

	(c) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [Series number] on [insert date/the Issue Date]]
2	Specified Currency or Currencies ⁹ :	[]
3	Aggregate Nominal Amount [of Notes admitted to trading]:	
	(a) [Series:	[]]
	(b) [Tranche:	[]]
4	Issue Price:	[] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5	(a) Specified Denomination:	[] <i>(N.B. the minimum denomination of each Note admitted to trading on a European Economic Area exchange 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 will be EUR 1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount 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 Specified Currency.)</i> <i>(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [EUR 1,000] minimum denominations is not required.</i> <i>(N.B. Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)</i> <i>The Notes will only be tradeable in one Specified Denomination)</i>
	(b) Calculation Amount:	[]
6	(a) Issue Date:	[]
	(b) Interest Commencement Date:	[specify/Issue Date/Not Applicable] <i>(N.B. An Interest Commencement Date will not be relevant for Zero Coupon Notes.)</i>
7	Maturity Date ¹⁰ :	[Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month and year] (the “Scheduled Maturity Date”)/ Not Applicable]
8	Interest Basis:	[[] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]

⁹ The minimum denomination of the Notes will be, if in euro, EUR 1,000, if in any currency other than euro, in an amount in such other currency exceeding the equivalent of EUR 1,000 at the time of the issue of the Notes.

¹⁰ There will be no final Maturity Date in the case of Undated Subordinated Notes and Undated Deeply Subordinated Notes.

		[Zero Coupon] (further particulars specified below)
9	Deferral of Interest:	[Applicable / Not Applicable.] <i>(N.B. Only applicable to Subordinated Notes)</i>
10	Redemption/Payment Basis:	[Redemption at par ¹¹ / Current Principal Amount ¹²]
11	Put/Call Options:	[Investor Put] ¹³ [Issuer Call] [Not Applicable] [(further particulars specified below)]
12	(a) Status of the Notes:	[Senior/[Dated/Undated] Subordinated/Undated Deeply Subordinated] [[Dated/Undated]
	(b) [Date [Board] approval for issuance of Notes obtained:	[] <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)</i>
13	Method of distribution:	[Syndicated/Non-syndicated]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
14	Fixed Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(a) Rate(s) of Interest:	[] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] <i>(If payable other than annually, consider amending Condition 4)</i>
	(b) Interest Payment Date(s):	[Subject to Condition 4] ¹⁴ [[] in each year] <i>(N.B. This will need to be completed in the case of long or short coupons)</i>
	(c) Day Count Fraction:	[30/360 / Actual/Actual (ICMA)/ Actual /Actual (ICMA Rule 251) / 1/1]]
	(d) Determination Date(s):	[Not Applicable/ [] in each year] <i>(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.</i> <i>N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.</i> <i>N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]</i>
15	Floating Rate Note Provisions:	[Applicable/Not Applicable] [Subject to Condition 4] ¹⁵

¹¹Applicable to all Notes, other than Undated Deeply Subordinated Notes.

¹²Applicable only to Undated Deeply Subordinated Notes.

¹³ Not applicable to Subordinated Notes and to Undated Deeply Subordinated Notes.

¹⁴ To be included in case of Undated Deeply Subordinated Notes.

¹⁵ To be included in case of Undated Deeply Subordinated Notes.

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

- (a) Specified Period(s)/Specified Interest Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s):
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):
- (f) Screen Rate Determination: [Applicable / Not Applicable]
- Reference Rate:
(Either LIBOR or EURIBOR – including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s):
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page:
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination: [Applicable / Not Applicable]
- Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
- (h) Margin(s): [+/-] per cent. per annum
- (i) Minimum Rate of Interest: [Not Applicable / per cent. per annum]
- (j) Maximum Rate of Interest: [Not Applicable / per cent. per annum]
- (k) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30E/360
30E/360 (ISDA)
1/1
(See Condition 4 for alternatives)

- 16 Zero Coupon Note Provisions:¹⁶ [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 (a) Accrual Yield: [] per cent. per annum
 (b) Reference Price: []

PROVISIONS RELATING TO REDEMPTION

- 17 Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 (a) Optional Redemption Date(s): []
 (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
 (c) If redeemable in part:
 • Minimum Redemption Amount: []
 • Maximum Redemption Amount: []
 (d) Notice period: [From [date] until [date]/ On [date]]
- 18 Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 (a) Optional Redemption Date(s): []
 (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
 (c) Notice period: [From [date] until [date]/ On [date]]
- 19 Final Redemption Amount: [] per Calculation Amount
- 20 Early Redemption Amount payable on redemption for taxation or regulatory reasons or on event of default, if applicable, or on an illegality and/or the method of calculating the same (if required or if different from that set out in Condition 6(f) regarding the Terms and Conditions of the Senior and Subordinated Notes and Condition 6(e) regarding the Terms and Conditions of the Undated Deeply Subordinated Notes): [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 21 Form of Notes: Dematerialised book entry form, [registered (*nominatives*) Notes /bearer (*ao portador*) Notes]
- 22 Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/*give details*]
(Note that this item relates to the place of payment and not Interest Period end dates to which item 15(c) relates)

DISTRIBUTION

- 23 (a) If syndicated, names and addresses of [Not Applicable/*give names and addresses [and*

¹⁶ Not applicable to Undated Deeply Subordinated Notes.

Managers [and underwriting commitments]:	<i>underwriting commitments]]</i> <i>(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)</i>
(b) Date of [Subscription] Agreement:	[]
(c) Stabilising Manager (if any):	[Not Applicable/give name]
24 If non-syndicated, name [and address] of relevant Dealer:	[Not Applicable/Name [and address]]
25 Total commission and concession:	[] per cent. of the Aggregate Nominal Amount
26 U.S. Selling Restrictions:	[Reg. S Compliance Category/ Not Applicable]
27 Non-exempt Offer:	[Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. “other parties authorised by the Managers”) or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the “Financial Intermediaries”) 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 (in addition to the jurisdiction where approved and published)] (“Public Offer Jurisdictions”) during the period from [specify date] until [specify date or a formula such as “the Issue Date” or “the date which falls [•] Business Days thereafter”] (“Offer Period”) See Part B below <i>(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)</i>

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [offer to the public in the Public Offer Jurisdictions] [and] admission to Listing on [the Official List of the Luxembourg Stock Exchange/[other]] and to trading on the regulated market of [the Luxembourg Stock Exchange/[other]] of the Notes described herein pursuant to the EUR 7,000,000,000 Euro Medium Term Note Programme of Banco BPI, S.A..

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange from [].
[Application will be made by the Issuer (or on its behalf) for the Notes to be admitted to listing to the Official List of the [Luxembourg Stock Exchange/OTHER] and to be admitted to trading on the [non/regulated] market of the [Luxembourg Stock Exchange/OTHER] from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original notes are already admitted to trading.)

2 RATINGS

Ratings:

[The Notes to be issued have not been and are not expected to be rated] / [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

[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.)

[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). The ratings [[have been]/[are expected to be]] endorsed by [insert the legal name of the relevant EU-registered credit rating agency entity] in accordance with the CRA Regulation. [Insert the legal name of the relevant EU-registered credit rating agency entity] is established in the European Union and registered under the CRA Regulation. [As such [insert the legal name of the relevant EU credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[EITHER:]

and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant non-EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - Amend as appropriate if there are other interests]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer [[] / Not Applicable]

[(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: []

(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".)

5. YIELD *(Fixed Rate Notes only)*

Indication of yield:

[Based upon the Issue Price of [], at the Issue Date the anticipated yield of the Notes is [] per cent. per annum./ Not Applicable]

6. HISTORIC INTEREST RATES *(Floating Rate Notes Only)*

[Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters]/ Not Applicable.]

7. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme or Interbolsa and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)/Central de Valores Mobiliários identification number]

Delivery: Delivery [against/free of] payment

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

[Intended to be held in a manner which [Yes] [No]

would allow Eurosystem eligibility:

[Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the 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.] *[Include this text if “Yes” is selected]*

8. TERMS AND CONDITIONS OF THE OFFER

Offer Period:	[From [] to [] / Not applicable]
Offer Price:	[Issue Price/Not applicable/ <i>specify</i>]
[Conditions to which the offer is subject:]	[Not applicable/ <i>give details</i>]
[Description of the application process:]	[Not applicable/ <i>give details</i>]
[Details of the minimum and/or maximum amount of application:]	[Not applicable/ <i>give details</i>]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[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 in and date on which results of the offer are to be made public:]	[Not applicable/ <i>insert manner and date</i>]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not applicable/ <i>give details</i>]
[Process for notification to applicants of the amount allotted and the 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 or 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.]	[Not applicable/ <i>give details</i>]

SUMMARY OF THE ISSUE

*This summary relates to [insert description of Notes] described in the final terms (the "**Final Terms**") to which this summary is annexed. This summary contains that information from the summary set out in the Base Prospectus which is relevant to the Notes together with the relevant information from the Final Terms.*

[Insert completed summary by completing the summary of the base prospectus as appropriate to the terms of the specific issue].

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

[Date]

Banco BPI, S.A.

(incorporated with limited liability in the Republic of Portugal)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the EUR 7,000,000,000

Euro Medium Term Note Programme

for the issue of Senior Notes, Dated Subordinated Notes, Undated Subordinated Notes and Undated Deeply Subordinated Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the [*“Terms and Conditions of the Senior and Subordinated Notes”/“Terms and Conditions of the Undated Deeply Subordinated Notes”*] (the “Conditions”) set forth in the Prospectus dated 13 March 2015 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (which includes the amendments made by Directive 2010/73/EU (the “2010 PD Amending 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 the Prospectus. 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. The Prospectus [*For Notes listed on the Official List of the Luxembourg Stock Exchange or offered to the public in Luxembourg insert:* and the Final Terms] [is][are] available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and at www.ir.bpi.pt, and for collection from Rua Tenente Valadim, 284, Porto. [*For Notes listed on a stock exchange other than Luxembourg Stock Exchange insert:* The Final Terms are available for viewing on the website of [*Insert details of the relevant stock exchange and website address*], and for collection from Rua Tenente Valadim, 284, Porto, Portugal.] [A summary of the individual issue is annexed to the Final Terms.]

[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 directions for completing the Final Terms.]

[When 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. (a) Series Number:
- (b) Tranche Number:

	(c) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [Series number] on [insert date/the Issue Date]]
2.	Specified Currency or Currencies: ¹⁷	[]
3.	Aggregate Nominal Amount	
	(a) Series:	[]
	(b) Tranche:	[]
4.	Issue Price:	[] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5.	(a) Specified Denominations:	[] <i>(N.B. Following the entry into force of the 2010 PD Amending Directive on 31st December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1st July 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)</i> <i>(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [EUR 100,000] minimum denomination is not required.</i> <i>The Notes will only be tradeable in one Specified Denomination)</i>
	(b) Calculation Amount:	[]
6.	(a) Issue Date:	[]
	(b) Interest Commencement Date:	[specify/Issue Date/Not Applicable] <i>(NB: Not relevant for Zero Coupon Notes)</i>
7.	Maturity Date ¹⁸ :	[Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month and year] (the "Scheduled Maturity Date")/ Not applicable]
8.	Interest Basis:	[[] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate] [Zero Coupon]

¹⁷ The minimum denomination of the Notes will be, if in euro, EUR 100,000, if in any currency other than euro, in an amount in such other currency exceeding the equivalent of EUR 100,000 at the time of the issue of the Notes.

¹⁸ There will be no final Maturity Date in the case of Undated Subordinated Notes and Undated Deeply Subordinated Notes.

- (further particulars specified below)
- 9 Deferral of Interest: [Applicable / Not Applicable.]
(*N.B. Only applicable to Subordinated Notes*)
10. Redemption/Payment Basis: [Redemption at par¹⁹ / Current Principal Amount²⁰]
11. Put/Call Options: [Investor Put²¹
[Issuer Call]
[Not Applicable]
[(further particulars specified below)]
12. (a) Status of the Notes: [Senior/[Dated/Undated] [Subordinated/Deeply Subordinated]
(b) [Date [Board] approval for issuance of []
Notes obtained: (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes.*)
13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: [] per cent. per annum [payable
[annually/semi-annually/quarterly/ monthly] in arrear]
(*If payable other than annually, consider amending Condition 4*)
- (b) Interest Payment Date(s): [Subject to Condition 4]²² [[] in each year]
(*N.B. This will need to be completed in the case of long or short coupons*)
- (c) Day Count Fraction: [30/360 / Actual/Actual (ICMA)/ Actual /Actual (ICMA Rule 251) / 1/1]
- (d) Determination Date(s): [Not Applicable/ [] in each year]
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]
15. Floating Rate Note Provisions: [Applicable/Not Applicable] [Subject to Condition 4]²³
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

¹⁹ Applicable to all Notes, other than Undated Deeply Subordinated Notes.

²⁰ Applicable only to Undated Deeply Subordinated Notes.

²¹ Not applicable to Subordinated Notes and to Undated Deeply Subordinated Notes.

²² To be included in case of Undated Deeply Subordinated Notes.

²³ To be included in case of Undated Deeply Subordinated Notes.

- (a) Specified Period(s)/Specified Interest Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s):
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Paying Agent):
- (f) Screen Rate Determination: [Applicable / Not Applicable]
- Reference Rate:
(Either LIBOR or EURIBOR – including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s):
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination: [Applicable / Not Applicable]
- Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
- (h) Margin(s): [+/-] per cent. per annum
- (i) Minimum Rate of Interest: [Not Applicable / per cent. per annum]
- (j) Maximum Rate of Interest: [Not Applicable / per cent. per annum]
- (k) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
1/1]
(See Condition 4 for alternatives)

16. Zero Coupon Note Provisions:²⁴ [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice period: [From *[date]* until *[date]*/ On *[date]*]
18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) Notice period: [From *[date]* until *[date]*/ On *[date]*]
19. Final Redemption Amount: [] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation or regulatory reasons and/or the method of calculating the same (if required or if different from that set out in Condition 6(f) of the Terms and conditions of the Senior and Subordinated Notes or Condition 6(e) of the Terms and Conditions of the Undated Deeply Subordinated Notes):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: Dematerialised book entry form, [registered (*nominativas*) Notes /bearer (*ao portador*) Notes]
22. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/*give details*]
(Note that this item relates to the place of payment and not Interest Period end dates to which item 15(c) relates)

DISTRIBUTION

23. (a) If syndicated, names of Managers: Not Applicable/*give names*
- (b) Date of [Subscription] Agreement: []
- (c) Stabilising Manager (if any): Not Applicable/*give name*

²⁴ Not applicable to Undated Deeply Subordinated Notes.

24. If non-syndicated, name [and address] of [Not Applicable/Name [and address]] relevant Dealer:
25. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
26. U.S. Selling Restrictions: [Reg. S Compliance Category/ Not Applicable]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [offer to the public in the Public Offer Jurisdictions] [and] admission to Listing on [the Official List of the Luxembourg Stock Exchange/[OTHER]] and to trading on the regulated market of the [Luxembourg Stock Exchange/[OTHER]] of the Notes described herein pursuant to the EUR 7,000,000,000 Euro Medium Term Note Programme of Banco BPI, S.A..

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to Trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange from [] [Application will be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the [Official List of the Luxembourg Stock Exchange/OTHER] and to be admitted to trading on the [non/regulated market [of the Luxembourg Stock Exchange/OTHER] from [].] [Not Applicable.]
- (b) Estimate of total expenses relating to admission to trading: []

2. RATINGS

- Ratings: [The Notes to be issued have not been and are not expected to be rated] / [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]
- (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.)*
- [Insert the legal name of the relevant credit rating agency entity] is established in the European Union and not registered under Regulation (EC) No. 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit ratings agencies published

by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). The ratings [[have been]/[are expected to be]] endorsed by [insert the legal name of the relevant EU-registered credit rating agency entity]¹²⁶ in accordance with the CRA Regulation. [Insert the legal name of the relevant EU-registered credit rating agency entity] is established in the European Union and registered under the CRA Regulation. [As such [insert the legal name of the relevant EU credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”) but it [is]/[has applied to be] certified in accordance with the CRA Regulation[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant non-EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - Amend as appropriate if there are other interests.]

4. YIELD (FIXED RATE NOTES ONLY)

Indication of yield:

[Based upon the Issue Price of [], at the Issue Date the anticipated yield of the Notes is [] per cent. per annum./ Not Applicable]

5. OPERATIONAL INFORMATION

ISIN Code:

[]

Common Code:

[]

Any clearing system(s) other than Euroclear

[Not Applicable/give name(s) and number(s)/Central de

Bank S.A./N.V., Clearstream Banking, société anonyme or Interbolsa and the relevant identification number(s):

Valores Mobiliários identification number]

Delivery:

Delivery [against/free of] payment

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

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

[Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the 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.] [Include this text if “Yes” is selected]

SUMMARY OF THE ISSUE

*This summary relates to [insert description of Notes] described in the final terms (the "**Final Terms**") to which this summary is annexed. This summary contains that information from the summary set out in the Base Prospectus which is relevant to the Notes together with the relevant information from the Final Terms.*

[Insert completed summary by completing the summary of the base prospectus as appropriate to the terms of the specific issue].

TERMS AND CONDITIONS OF THE SENIOR AND THE SUBORDINATED NOTES

The following are (i) the Terms and Conditions of the Senior Notes and (ii) the Terms and Conditions of the Subordinated Notes, which will be incorporated into each Note settled by Central de Valores Mobiliários, the clearing system operated at Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários S.A.. **The Terms and Conditions of the Subordinated Notes referred in (ii) above have not yet been approved by the competent banking prudential supervisory authority.** If any amendments to the Terms and Conditions of the Subordinated Notes are required by the competent banking prudential supervisory authority, a new Supplement to the Prospectus will be made by the Banco BPI, S.A. (the “Issuer” or “Banco BPI”). The Terms and Conditions of the Senior Notes and the Terms and Conditions of the Subordinated Notes are hereinafter referred as the “Terms and Conditions of the Senior and the Subordinated Notes”. The applicable Final Terms in relation to any Tranche of Notes may specify terms and conditions which shall, to the extent so specified in the following Terms and Conditions, complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be incorporated into and applicable to each Note.

This Note is one of a Series (as defined below) of Notes issued by the Issuer pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean any Note.

The Notes have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 13 March 2015, and made between, *inter alia*, the Issuer, Banco BPI, S.A. as paying agent in Portugal (the “Paying Agent” which expression shall include any successor paying agent) and Deutsche Bank AG, London Branch as agent bank (the “Agent”, which expression shall include any successor agent).

The Final Terms for this Note (or the relevant provisions thereof) are incorporated into this Note and supplements these Terms and Conditions and may specify terms and conditions which shall, to the extent so specified in these Terms and Conditions, complete these Terms and Conditions for the purposes of this Note. References to the “Applicable Final Terms” mean the Final Terms (or the relevant provisions thereof) incorporated into this Note in relation to a specific issue and following the “Form of Final Terms”.

The applicable final terms for each Tranche of Notes will state in particular whether this Note is (i) a senior Note (a “Senior Note”), (ii) a dated subordinated Note (a “Dated Subordinated Note”) or (iii) an undated subordinated Note (an “Undated Subordinated Note”). Dated Subordinated Notes and Undated Subordinated Notes are together referred as “Subordinated Notes”.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean each person shown in the book entry records of a financial institution, which is licensed to act as a financial intermediary under the Portuguese Securities Code (“Código dos Valores Mobiliários”, the “Portuguese Securities Code”) and the regulations issued by Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, the “CMVM”), by Interbolsa or otherwise applicable rules and regulations and which is entitled to hold control accounts (each such institution an “Affiliate Member of Interbolsa”), as having an interest in the principal amount of the Notes.

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

Copies of the Agency Agreement are available for viewing during normal business hours at the specified office of the Paying Agent. Copies of the applicable Final Terms are available for viewing and obtainable during normal business hours at the registered office of the Issuer and of the Paying Agent save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of such Notes and identity. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. FORM, DENOMINATION, TITLE AND TRANSFER

The Notes are represented in dematerialised book entry (*forma escritural*) and can either be registered notes (*nominativas*) or bearer notes (*ao portador*), in each case, in the currency (“*Specified Currency*”)²⁵ and denomination (“*Specified Denomination*”) as specified in the applicable Final Terms. This Note may be a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note, as indicated in the applicable Final Terms.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, depending upon the interest basis shown in the applicable Final Terms.

References to Euroclear and/or CBL and/or Interbolsa shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Title to the Notes will be evidenced by book entries in accordance with the Portuguese Securities Code and the regulations issued by the CMVM, by Interbolsa or otherwise applicable thereto. Each person shown in the book entry records of an Affiliate Member of Interbolsa as having an interest in the Notes shall be deemed to be the holder of the principal amount of the Notes recorded.

Title to the Notes is subject to compliance with all rules, restrictions and requirements applicable to the activities of Interbolsa.

One or more certificates in relation to the Notes (each, a “*Certificate*”) will be delivered by the relevant Affiliate Member of Interbolsa in respect of a registered holding of Notes upon the request by the relevant Noteholder and in accordance with that Affiliate Member of Interbolsa's procedures pursuant to article 78 of the Portuguese Securities Code.

²⁵ The minimum denomination of Notes will be, if in euro, EUR 1,000, or if in any currency other than Euro, in an amount in such other currency equal to or exceeding the equivalent of EUR 1,000.

The Notes will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Noteholders. The control account of a given Affiliate Member of Interbolsa will reflect at all times the aggregate principal amount of Notes held in the individual securities' accounts of the Noteholders with that Affiliate Member of Interbolsa.

The person or entity registered in the book entry registry of the Central de Valores Mobiliários (the “*Book Entry Registry*” and each such entry therein, a “*Book Entry*”) as the holder of any Note shall (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 other interest therein).

The Issuer and the Paying Agent may (to the fullest extent permitted by applicable law) deem and treat the person or entity registered in the Book Entry Registry as the holder of any Note and the absolute owner for all purposes. Proof of such registration is made by means of a Certificate issued by the relevant Affiliate Member of Interbolsa pursuant to article 78 of the Portuguese Securities Code.

No Noteholder will be able to transfer the Notes, or any interest therein, except in accordance with Portuguese law and regulations. Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the Notes are held.

2. STATUS OF THE NOTES

(a) Status of the 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 (save for certain obligations required to be preferred by law) *pari passu* with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, from time to time outstanding.

(b) Status of the Subordinated Notes

The Subordinated Notes are direct, unsecured and subordinated obligations of the Issuer, rank and will rank *pari passu* without any preference among themselves and (save for certain obligations required to be preferred by law) at least *pari passu* with all other present and future subordinated debt and obligations of the Issuer.

If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the rights of holders of Subordinated Notes against the Issuer to payment of principal and interest on the Subordinated Notes will be subordinated in right of payment to the claims of all Senior Creditors (as defined in Condition 2(c)).

The Dated Subordinated Notes will have a minimum maturity of at least five years.

The Undated Subordinated Notes will not have a stated maturity.

(c) Definitions

For the purpose of Conditions 2(b): “*Senior Creditors*” means creditors of the Issuer who (A) are depositors or other unsubordinated creditors of the Issuer or (B) are subordinated creditors of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes.

Regarding the Subordinated Notes, this Condition 2 describes the legal and regulatory regime applicable thereto and accordingly the provisions of this Condition 2 are subject to any changes in that legal and regulatory regime.

Important: as a result of applicable laws or regulations, including any EU Directive or Regulation, establishing a framework for the recovery and resolution of credit institutions, and any implementation thereof into Portugal, the Notes may be mandatorily written down or converted into more subordinated instruments, including ordinary shares of the Issuer.

3. NEGATIVE PLEDGE

This Condition 3 shall apply only to Senior Notes and references to “Notes” and “Noteholders” shall be construed accordingly.

So long as any of the Notes remains outstanding, the Issuer shall not create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of an encumbrance or security interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

As used herein:

“*Indebtedness*” means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) but excluding any Covered Bonds (as defined below):

- (i) where more than 50 per cent. in aggregate principal amount of such bonds, notes, debentures or other securities are initially offered outside the Republic of Portugal by or with the authorisation of the Issuer; and
- (ii) which with the authorisation of the Issuer are, or are intended to be, listed or traded on any stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing).

“*Covered Bonds*” means any bonds or notes issued by the Issuer, the obligations of which benefit from a special creditor privilege (“*privilegio creditório especial*”) as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans 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

- (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the interest commencement date (i.e. the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms and hereinafter

“*Interest Commencement Date*”) at a certain rate of interest (i.e. the rate or rates (expressed as a percentage per annum) payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these conditions and/or the relevant Final Terms. Hereinafter “*Rate of Interest*”). Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. Interest will be calculated on the full nominal amount outstanding of the Fixed Rate Notes and will be paid to Interbolsa for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures.

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

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

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if “*Actual/Actual (ICMA Rule 251)*” is specified in the applicable Final Terms, the number of days in the Accrual Period (as defined below) divided by the number of days in the Fixed Interest Period;
- (ii) if “*Actual/Actual (ICMA)*” is specified in the applicable Final Terms;
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “*Accrual Period*”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (iii) if “*30/360*” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant

payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

- (iv) if “1/1” is specified in the applicable Final Terms, 1.

For the purposes of these Terms and Conditions:

“*Determination Date*” means the date specified as such in the applicable Final Terms;

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

“*sub-unit*” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means 1 cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

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

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or the first) Interest Payment Date). Interest will be calculated on the full nominal amount outstanding of the relevant Notes and will be paid to Interbolsa for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures.

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

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each

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

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions,

“*Business Day*” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon and each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the “*TARGET 2 System*”) is open.

“*Business Day Convention*”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “*Following Business Day Convention*” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “*Modified Following Business Day Convention*” or “*Modified Business Day Convention*” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “*Preceding Business Day Convention*” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

- (ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “*ISDA Definitions*”) and under which:

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

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

“*Margin*” has the meaning given in the applicable Final Terms.

(B) *Screen Rate Determination for Floating Rate Notes*

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

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to the full nominal amount outstanding of the relevant Notes and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

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

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

“ D_1 ” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(H) if “ $1/1$ ” is specified in the applicable Final Terms, 1.

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 11. For the purposes of this paragraph, the expression “*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(i) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the Paying Agent and all Noteholders, and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, or the Noteholders, shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless (in the case of bearer Notes) payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

(d) *Deferral of Interest*

In relation to Subordinated Notes, if so specified in the applicable Final Terms and if the Issuer determines by resolution of the Board of Directors that it will not be able to comply with its obligations under the Subordinated Notes, including, without limitation, the payment of interest and/or of any other amount due in respect of Subordinated Notes on the relevant due date, the Issuer will, in accordance with Condition 11 (Notices), give notice to the Noteholders of its inability to comply with such obligation immediately and prior to the next Interest Payment Date. Consequently, the amount which cannot be paid on such Interest Payment Date shall accrue until the following Interest Payment Date (the “*Deferral Payment Date*”), unless the Issuer determines that it is not able to pay it on such Deferral Payment Date, in which case, the payment of the overdue amount shall subsequently accrue until the next Interest Payment Date and so on. The non-payment in accordance with this Clause does not constitute an Event of Default.

5. PAYMENTS

(a) *Fiscal and other laws*

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

(b) *Payments in respect of the Notes*

Payment of principal and interest in respect of Notes will be (i) **if made in euro** (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and CBL, to the accounts with Euroclear and CBL of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL as the case may be; (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the 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 Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

The holders of Notes are reliant upon the procedures of Interbolsa to receive payment in respect of Notes.

(c) *General provisions applicable to payments*

The Issuer will be discharged by payment to Interbolsa in respect of each amount so paid. Each of the entities shown in the records of Interbolsa as the beneficial holder of a particular nominal amount of Notes must look solely to Interbolsa for his share of each payment so made by the Issuer to, or to the order of, the holder of such Notes.

(d) *Payment Day for the Notes*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Financial Centre) or (B) in relation to any sum payable in euro, a day on which the TARGET 2 System is open and Interbolsa, Euroclear and/or CBL, as the case may be, are open for general business.

(e) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at the amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date (if applicable) (the “**Final Redemption Amount**”).

The Dated Subordinated Notes have an original maturity of at least five years. The Undated Subordinated Notes do not have a stated maturity (*perpetual*). The Subordinated Notes can only be redeemed or called within the five years following

the issue date if the competent *banking prudential supervisory authority* (and there is no assurance that the competent *banking prudential supervisory authority* will consent with this early redemption) previously authorises in accordance with articles 77 or 78(4) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter "*Regulation 575/2013*") or if the Issuer becomes insolvent or liquidated. Accordingly, the Subordinated Notes are only subject to be called or redeemed within 5 years from its issue date pursuant to Condition 6(b), 6(d) and 9(b).

(b) *Redemption for tax reasons*

With the exception of Notes issued by the Issuer, which are not issued by the Issuer within the scope of the Decree Law 193/2005, of 7 November, as amended (the "*Decree Law*"), the Notes may be redeemed at the option of the Issuer (after obtaining the consent of the competent *banking prudential supervisory authority*) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), if:

- (i) save in circumstances where the obligation to pay such additional amounts is as a result of the Issuer on lending the proceeds of the issue of the relevant Notes in a way which attracts any withholding or deduction for or on account of tax, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and, in case of Subordinated Notes, were not foreseeable at the time of their issuance and the Issuer demonstrates to the competent *banking prudential supervisory authority* that it is a material change or amendment; 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 Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent 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.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may (after obtaining the consent of the competent *banking prudential supervisory authority* and only after 5 years from its issue date in the case of Subordinated Notes), at its sole discretion, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 11; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be in accordance with the rules of Interbolsa.

In the case of Subordinated Notes, the Issuer has the right, but not the duty, to redeem the Subordinated Notes. The competent *banking prudential supervisory authority* is not obliged to consent with the early redemption requested by the Issuer (if requested) and there is no assurance that the competent *banking prudential supervisory authority* will consent to such early redemption request.

(d) *Redemption due to a change in the regulatory classification*

The Subordinated Notes may be redeemed before five years of the date of issue by the Issuer after obtaining the authorisation of the competent *banking prudential supervisory authority* if the regulatory classification of the Subordinated Notes has changed and as a result the Subordinated Notes would be excluded from the Issuer's own funds or have a lower quality form of own funds and both the following conditions apply:

- (i) The competent *banking prudential supervisory authority* considers the referred change to be sufficiently certain;
- (ii) The Issuer demonstrates to the satisfaction of the competent *banking prudential supervisory authority* that the regulatory reclassification was not reasonably foreseeable at the date of issue.

(e) *Redemption at the option of the Noteholders of Senior Notes (Investor Put)*

If Investor Put is specified in the applicable Final Terms of the Senior Notes (for the avoidance of doubt, an Investor Put is not permitted for Subordinated Notes, in accordance with the Own Funds Requirements Regulations), upon the holder of any Note giving to the Issuer in accordance with Condition 11 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice by way of a put notice (the "*Put Notice*") to the Paying Agent of such exercise in accordance with the standard procedures of

Interbolsa in a form acceptable to Interbolsa from time to time and, at the same time present or procure the presentation of a Certificate to the Paying Agent.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default has occurred and continues, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 8.

(f) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note with a Final Redemption Amount (other than a Zero Coupon Note) which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.
- (iii) in the case of a Zero Coupon Note, at an amount (the "*Amortised Face Amount*") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price;

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

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(g) *Purchases*

The Issuer or any subsidiary of the Issuer may (after obtaining the consent of the competent *banking prudential supervisory authority* and only after 5 years from its issue date in the case of Subordinated Notes) at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, cancelled by Interbolsa. Notes purchased, while held by or on behalf of the Issuer or any subsidiary of the Issuer shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14 or the Agency Agreement.

(h) *Cancellation*

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (g) above cannot be reissued or resold.

Regarding Subordinated Notes, this Condition 6 describes the legal and regulatory regime applicable thereto and accordingly the provisions of this Condition 6 are subject to any changes in that legal and regulatory regime.

7. TAXATION

(a) *Taxation relating to all payments by the Issuer in respect of Notes not issued within the scope of Decree Law 193/2005, of 7 November*

All payments of principal and interest in respect of the Notes by the Issuer and not issued within the scope of the Decree Law will be made after withholding (except where the Noteholder is either a Portuguese resident financial institution or a non resident financial institution having a permanent establishment in the Portuguese territory to which the income is attributable or benefits from a reduction or withholding tax exemption as specified by current Portuguese tax law) or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Portugal which are required by law. No additional amounts will be paid by the Issuer in respect of such withholding or deduction.

(b) *Taxation relating to all payments by the Issuer in respect of the Notes issued within the scope of the Decree Law*

All payments of principal and interest in respect of the Notes issued within the scope of the Decree Law by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction unless such withholding or deduction is required by law or regulation. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes issued within the scope of the Decree Law in relation to any payment in the absence of such withholding or deduction; except that no such additional amounts shall be payable:

- (i) to, or to a third party on behalf of, a Noteholder in the Tax Jurisdiction; and/or
- (ii) to, or to a third party on behalf of, a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; and/or
- (iii) 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 law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (iv) to, or to a third party on behalf of, a Noteholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another paying agent in a Member State of the European Union; and/or

- (v) where the relevant Certificate is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5(d)); and/or
- (vi) to, or to a third party on behalf of, a Noteholder in respect of whom the information (which may include certificates) required in order to comply with the Decree Law, and any implementing legislation, is not received by no later than the second ICSD Business Day prior to Relevant Date, or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; and/or
- (vii) to, or to a third party on behalf of, a Noteholder (i) resident for tax purposes in the Tax Jurisdiction or when the investment income is imputable to a permanent establishment of the Noteholder located in Portuguese territory or (ii) resident in a tax haven jurisdiction as defined in Ministerial Order (“*Portaria*”) 150/2004, of 13 February, 2004 as amended from time to time, with the exception of (a) central banks and governmental agencies, as well as international institutions recognised by the Tax Jurisdiction, of those tax haven jurisdictions, and (b) tax haven jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in place with the Tax Jurisdiction; and/or
- (viii) to, or to a third party on behalf of (a) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), or (b) a legal entity not resident in the Republic of Portugal acting with respect to the holding of the Notes through a permanent establishment located in the Portuguese territory (with the exception of permanent establishments that benefit from a waiver of Portuguese withholding tax).

For the purposes of this Condition 7:

“ICSD Business Day” means any day which

- (i) is not a Saturday or Sunday; and
- (ii) is not 25 December or 31 December.

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

For the purposes of these Conditions:

“*Tax Jurisdiction*” means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax.

8. PRESCRIPTION

Claims for principal and interest in respect of the Notes shall become void unless the relevant Certificates are surrendered within 20 years and five years respectively of the Relevant Date.

9. EVENTS OF DEFAULT

(a) *Events of Default relating to Senior Notes*

If one or more of the following events (each an “*Event of Default*”) shall occur and be continuing with respect to any Senior Note (any reference to “*Note*” and “*Notes*” shall be construed accordingly):

- (i) the Issuer fails to make payment of any principal or interest due in respect of the Notes and such failure to pay continues, in the case of principal, for a period of seven days or, in the case of interest, for a period of 14 days; or
- (ii) the Issuer defaults in the performance or observance of or compliance with any other obligation on its part in respect of the Notes and (except where such default is not capable of remedy, where no such notice shall be required) such default shall continue for a period of 30 days after written notice of such default shall have been given to the Issuer by a holder of the Note; or
- (iii) bankruptcy or insolvency proceedings are commenced by a court against the Issuer or the Issuer institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or
- (iv) any order shall be made by any competent court or resolution passed for the dissolution of the Issuer, except a dissolution for the purposes of or pursuant to a reorganisation, merger, consolidation or amalgamation whereby the continuing entity or entity formed as a result of the reorganisation, merger, consolidation or amalgamation effectively assumes the entire obligations of the Issuer under the Notes; or
- (v) the repayment of any Indebtedness for Borrowed Money (as defined in Condition 9(c)) owing by the Issuer is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any Indebtedness for Borrowed Money or in the honouring of any guarantee or indemnity in respect of any Indebtedness for Borrowed Money provided that no such event referred to in this subparagraph (v) shall constitute an Event of Default unless the Indebtedness for Borrowed Money whether alone or when aggregated with other Indebtedness for Borrowed Money relating to all (if any) other such events which shall have occurred shall exceed EUR 25,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1 per cent. of BPI's Shareholders' Funds (as defined in Condition 9(c)); or

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

(b) *Events of Default relating to Subordinated Notes*

If one or more of the following events (each an “*Event of Default*”) shall occur and be continuing with respect to any Subordinated Note:

- (i) bankruptcy or insolvency proceedings are commenced by a court against the Issuer or the Issuer institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or
- (ii) any order shall be made by any competent court or resolution passed for the dissolution of the Issuer, except a dissolution for the purposes of or pursuant to a reorganisation, merger, consolidation or amalgamation whereby the continuing entity or entity formed as a result of the reorganisation, merger, consolidation or amalgamation effectively assumes the entire obligations of the Issuer under the Subordinated Notes;

then any holder of a Subordinated Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Subordinated Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

(c) *Definitions*

For the purposes of this Condition 9:

“*Indebtedness for Borrowed Money*” means any present or future indebtedness for or in respect of (i) money borrowed, or (ii) any notes, bonds, debentures, loan stock or other securities offered, issued or distributed whether by way of offer to the public, private placement, acquisition consideration or otherwise and whether issued in cash or in whole or in part for consideration other than cash; and

“*BPI's Shareholders' Funds*” means, at any relevant time, a sum equal to the aggregate of Banco BPI's shareholders' equity as certified by the independent auditors of Banco BPI by reference to the latest audited consolidated financial statements of Banco BPI.

10. PAYING AGENT

The name of the initial Paying Agent and its initial specified office are set out below.

The Issuer is entitled to vary or terminate the appointment of the Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified offices through which any paying agent acts, provided that:

- (a) there will at all times be a paying agent with its specified office in a country outside the Tax Jurisdiction;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

- (d) there will at all times be a paying agent in Portugal capable of making payment in respect of the Notes as contemplated by these terms and conditions of the Notes, the Agency Agreement and applicable Portuguese law and regulation.

In acting under the Agency Agreement, the paying agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any paying agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11. NOTICES

All notices regarding the Notes will be deemed to be validly given on the date of such publication if published (i) if and for so long as the Notes are admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange) and to listing on the Official List of the Luxembourg Stock Exchange, by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) (ii) by registered mail, by publication in a leading newspaper having general circulation in Portugal (which is expected to be *Diário de Notícias*) or by any other way which complies with the Portuguese Securities Code and Interbolsa's rules on notices to investors, notably the disclosure of information through the CMVM's official website (www.cmvm.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 Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, and, in the case of publication on the website of the Luxembourg Stock Exchange (www.bourse.lu), or on CMVM's official website (www.cmvm.pt) on the date of such publication.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

Meetings 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 Notes for the time being outstanding. The quorum required for a meeting convened to pass a resolution other than an Extraordinary Resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof; and the quorum required for a meeting convened to pass an Extraordinary Resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of the Notes then outstanding, regardless of the principal amount thereof.

The number of votes required to pass a resolution other than an Extraordinary Resolution is a majority of the votes cast at the relevant meeting; the majority required to pass an Extraordinary Resolution, including, without limitation, a resolution relating to the modification or abrogation of certain of the provisions of these Conditions, is at least 50 per cent. of the 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.

“*Extraordinary Resolution*” means a resolution passed at a meeting of Noteholders in respect of any of the following matters:

- (i) any modification or abrogation of any Condition (including without limiting, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes); or
- (ii) to approve any amendment to this definition.

The Agent or the Calculation Agent (if any) and the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Notes or Agency Agreement (in this case with the agreement of the Agent) which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, or the Agency Agreement (in this case with the agreement of the Agent) which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 as soon as practicable thereafter.

13. FURTHER ISSUES

The Issuer shall (after obtaining the consent of the competent *banking prudential supervisory authority* whenever it is required in the case of Subordinated Notes) be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Notes and any non-contractual obligations arising from it shall be construed in accordance with Portuguese law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders, that the courts of Portugal are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, including any non-contractual obligations arising from it, and that accordingly any suit, action or proceedings (together referred to as “*Proceedings*”) arising out of or in connection with the Notes may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the Portuguese courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer 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.

15. COMMON REPRESENTATIVE

The holders of the Notes shall at all times be entitled to appoint and dismiss a Common Representative by means of a Resolution. Upon the appointment of a new Common Representative by the holders of the Notes 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 holders of the Notes all documents and information then held by such Common Representative pertaining to the Notes.

As used herein: “*Common Representative*” means a law firm, an accountant's firm or an individual person (which may not be a holder of Notes), which may be appointed by the holders of Notes under Article 358 of the Portuguese Commercial Companies Code.

TERMS AND CONDITIONS OF THE UNDATED DEEPLY SUBORDINATED NOTES

*The following are the Terms and Conditions of the Undated Deeply Subordinated Notes (the “Notes” or the “Undated Deeply Subordinated Notes”) which will be incorporated into each Undated Deeply Subordinated Note settled by Central de Valores Mobiliários, the clearing system operated at Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários S.A.. **The Terms and Conditions of the Undated Deeply Subordinated Notes have not yet been approved by the competent banking prudential supervisory authority.** If any amendments to the Terms and Conditions of the Undated Deeply Subordinated Notes are required by the competent banking prudential supervisory authority, a new Supplement to the Prospectus will be made by the Banco BPI, S.A. (the “Issuer” or “Banco BPI”). The applicable Final Terms in relation to any Tranche of Notes may specify terms and conditions which shall, to the extent so specified in the following Terms and Conditions, complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be incorporated into and applicable to each Note.*

This Note is one of a Series (as defined below) of Notes issued by the *Issuer* pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” or to the “Undated Deeply Subordinated Notes” shall be references to the Notes of this Series and shall mean any Note.

The Notes have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 13 March 2015, and made between, *inter alia*, the Issuer, Banco BPI, S.A. as paying agent in Portugal (the “Paying Agent” which expression shall include any successor paying agent) and Deutsche Bank AG, London Branch as agent bank (the “Agent”, which expression shall include any successor agent).

The Final Terms for this Note (or the relevant provisions thereof) are incorporated into this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified in these Terms and Conditions, complete these Terms and Conditions for the purposes of this Note. References to the “Applicable Final Terms” mean the Final Terms (or the relevant provisions thereof) incorporated into this Note in relation to a specific issue and following the “Form of Final Terms”.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean each person shown in the book entry records of a financial institution, which is licensed to act as a financial intermediary under the Portuguese Securities Code (“Código dos Valores Mobiliários”, the “Portuguese Securities Code”) and the regulations issued by Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, the “CMVM”), by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”), as operator of the Portuguese centralised securities system (“CVM”), or otherwise applicable rules and regulations and which is entitled to hold control accounts (each such institution an “Affiliate Member of Interbolsa”), as having an interest in the principal amount of the Notes.

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

Copies of the Agency Agreement are available for viewing during normal business hours at the specified office of the Paying Agent. Copies of the applicable Final Terms are available for viewing and obtainable during normal business hours at the registered office of the Issuer and of the Paying Agent save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of such Notes and identity. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. FORM, DENOMINATION, TITLE AND TRANSFER

The Notes are represented in dematerialised book entry (*forma escritural*) and can be either registered notes (*nominativas*) or bearer notes (*ao portador*) in the case of Notes, in each case, in the currency (“*Specified Currency*”)²⁶ and denomination (“*Specified Denomination*”) as specified in the applicable Final Terms.

This Note is an Undated Deeply Subordinated Note (*perpetual*) as indicated on the applicable Final Terms.

This Undated Deeply Subordinated Note may be a Fixed Rate Note or a Floating Rate Note, depending upon the interest basis shown in the applicable Final Terms, subject to the restrictions defined under Condition 4.

References to Euroclear Bank S.A./N.V., (“*Euroclear*”) and/or Clearstream Banking, société anonyme, Luxembourg (“*CBL*”) and/or Interbolsa (as defined above) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Title to the Undated Deeply Subordinated Notes held through Interbolsa (each an “*Interbolsa Note*”) will be evidenced by book entries in accordance with the Portuguese Securities Code and the regulations issued by the CMVM, by Interbolsa or otherwise applicable thereto. Each person shown in the book entry records of an Affiliate Member of Interbolsa as having an interest in the Notes shall be deemed to be the holder of the principal amount of the Notes recorded.

Title to the Notes is subject to compliance with all rules, restrictions and requirements applicable to the activities of Interbolsa.

One or more certificates in relation to the Notes (each, a “*Certificate*”) will be delivered by the relevant Affiliate Member of Interbolsa in respect of a registered holding of Notes upon the request by the relevant Noteholder and in accordance with that Affiliate Member of Interbolsa's procedures pursuant to article 78 of the Portuguese Securities Code.

The Notes will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Noteholders. The control account of a given Affiliate

²⁶ The minimum denomination of Notes will be, if in euro, EUR 1,000, or if in any currency other than Euro, in an amount in such other currency equal to or exceeding the equivalent of EUR 1,000.

Member of Interbolsa will reflect at all times the aggregate principal amount of Notes held in the individual securities' accounts of the Noteholders with that Affiliate Member of Interbolsa.

The person or entity registered in the book entry registry of the Central de Valores Mobiliários (the “*Book Entry Registry*” and each such entry therein, a “*Book Entry*”) as the holder of any Note shall (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 other interest therein).

The Issuer and the Paying Agent may (to the fullest extent permitted by applicable law) deem and treat the person or entity registered in the Book Entry Registry as the holder of any Note and the absolute owner for all purposes. Proof of such registration is made by means of a Certificate issued by the relevant Affiliate Member of Interbolsa pursuant to article 78 of the Portuguese Securities Code.

No Noteholder will be able to transfer Notes, or any interest therein, except in accordance with Portuguese law and regulations. Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the Notes are held.

2. STATUS OF THE NOTES

(a) Status and Subordination of the Undated Deeply Subordinated Notes

- (i) The Undated Deeply Subordinated Notes are direct, unsecured and, in accordance with paragraph (iv) below, subordinated obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves.
- (ii) The proceeds of the issue of the Undated Deeply Subordinated Notes will be treated for regulatory purposes as additional tier 1 capital instruments of the Issuer, in accordance with the requirement of article 52 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter “*Regulation 575/2013*”).
- (iii) For the sake of clarity, the Undated Deeply Subordinated Notes do not contribute to a determination that the liabilities of an institution exceed its assets, where such a determination constitutes a test of insolvency under the Own Funds Requirements Regulations.
- (iv) If the Issuer becomes the subject of a voluntary or involuntary liquidation, insolvency or similar proceeding, (to the extent permitted by applicable law) the Noteholders of Undated Deeply Subordinated Notes will be entitled to the repayment of the then outstanding nominal amount of the Undated Deeply Subordinated Notes, (being the nominal amount prevailing at the relevant time plus accrued interest, if any, on such nominal amount from and including the Issue Date (if such event occurs in the first Interest Period after the Issue Date) or the preceding Interest Payment Date on which interest was either paid or cancelled pursuant to Condition 4 (if such event occurs after the first Interest Period)), to the extent that there are available funds to this effect after payment to the higher ranking creditors of the Issuer as described below. The claims of the Noteholders of the Undated Deeply Subordinated Notes will, in

the event of a voluntary or involuntary liquidation, insolvency or similar proceeding, be subordinated in right of payment in the manner provided herein, and will:

- A. be subordinated to the claims of all Senior Creditors (as defined below),
- B. be subordinated to all other responsibilities of the Issuer, including any subordinated debt of the Issuer, to which a higher ranking has been assigned,
- C. rank in priority to any payments in respect of the ordinary share capital of the Issuer (including, if any, ordinary shares resulting from conversion of other instruments into ordinary share capital, upon such conversion having occurred) and of any other instruments which are treated as common equity tier 1 in accordance with the requirements of article 28 of Regulation 575/2013, and
- D. rank equally with the credits arising from other instruments which are treated as additional tier 1 capital in accordance with the requirements of article 52 of Regulation 575/2013 (Other Pari Passu Claims, as defined below).

The subordination of the Notes is for the benefit of the Issuer and all Senior Creditors.

In the event of any voluntary or involuntary liquidation, insolvency or similar proceeding with respect to the Issuer, no Noteholder of an Undated Deeply Subordinated Note will, if such Noteholder is indebted or under liability to the Issuer be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Undated Deeply Subordinated Note.

(b) *Loss absorption*

(i) *Loss Absorption Event*

Upon the confirmation that a Capital Ratio Event occurred, the Issuer shall immediately notify the competent *banking prudential supervisory authority* of the occurrence of the Capital Ratio Event and, within one month (or other period of time determined by the competent *banking prudential supervisory authority*) from the confirmation of the occurrence of the relevant Capital Ratio Event, after first giving a Loss Absorption Notice to Noteholders (in accordance with Condition 11), *pro rata* with the other Notes and any other Loss Absorbing Instruments (with a similar loss absorption mechanism) irrevocably (without the need for the consent of Noteholders), reduce the then Current Principal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a “*Write-Down*”, and “*Written Down*” being construed accordingly) (a “*Loss Absorption Event*”).

A “*Capital Ratio Event*” will be deemed to, occur if at any time the Issuer’s common equity tier 1 capital ratio, as defined in the Own Funds Requirements Regulations, falls below 5.125 per cent. (or such other percentage specified in the applicable Final Terms, in accordance with the Own Funds Requirements Regulations).

“*Write-Down Amount*” means, on any Loss Absorption Effective Date, the amount by which the then Current Principal Amount of each outstanding Note is to be Written Down on such date, being the minimum of:

(1) the amount (together with the Write-Down of the other Notes and the write-down or, as the case may be, the conversion of any Loss Absorbing Instruments) that would be sufficient to cure the Capital Ratio Event; or

(2) if that Write-Down (together with the Write-Down of the other Notes and the write down or, as the case may be, the conversion of any Loss Absorbing Instruments) would be insufficient to cure the Capital Ratio Event, or the Capital Ratio Event is not capable of being cured, the amount necessary to reduce the Current Principal Amount of the Note to one cent.

(ii) *Consequences of a Loss Absorption Event*

A Loss Absorption Event may occur on more than one occasion and the Notes may be Written Down on more than one occasion. For the avoidance of doubt, the principal amount of a Note may never be reduced to below one cent.

Following the giving of a Loss Absorption Notice which specifies a Write-Down of the Notes, the Issuer shall procure that:

(1) a similar notice is, or has been, given in respect of other Loss Absorbing Instruments (in accordance with their terms); and

(2) the principal amount of each series of Loss Absorbing Instruments outstanding with a similar loss absorption mechanism (if any) is written down on a *pro rata* basis with the Current Principal Amount of the Notes as soon as reasonably practicable following the giving of such Loss Absorption Notice.

“*Loss Absorption Notice*” means a notice which specifies that a Capital Ratio Event has occurred, the Write-Down Amount and the date on which the Write-Down will take effect. Any Loss Absorption Notice must be accompanied by a certificate signed by two directors of the Issuer stating that the relevant Capital Ratio Event has occurred and setting out the method of calculation of the relevant Write-Down Amount.

(iii) *Return to Financial Health*

Subject to compliance with the Own Funds Requirements Regulations, if a positive Consolidated Net Income is recorded at any time while the Current Principal Amount is less than the Original Principal Amount (a “*Return to Financial Health*”), the Issuer may, at its full discretion and subject to the Maximum Distributable Amount (when aggregated together with other distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive) not being exceeded thereby, increase the Current Principal Amount of each Note (a “*Reinstatement*”) up to a maximum of the Original Principal Amount, on a *pro rata* basis with the other Notes and with any other Discretionary Temporary Write-Down Instruments, provided that the sum of:

(1) the aggregate amount of the relevant Reinstatement on all the Notes; and

(2) the aggregate amount of any Interest Amounts (or portion of an Interest Amount) on the Notes that were calculated or paid on the basis of a Current Principal Amount lower than the Original Principal Amount at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

The “*Maximum Write-Up Amount*” means the Consolidated Net Income multiplied by the result of the division between the aggregate issued principal amount of all Written-Down Additional Tier 1 Instruments and the total tier 1 capital of the Issuer as at the date of the relevant Reinstatement.

The Issuer will not reinstate the principal amount of any Discretionary Temporary Write-Down Instruments unless it does so on a *pro rata* basis with a Reinstatement on the Notes.

Reinstatement may be made on one or more occasions in accordance with this Condition 2 (b) (iii) until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount (save in the event of occurrence of another Loss Absorption Event).

Any decision by the Issuer to effect or not to effect any Reinstatement pursuant to this Condition 2 (b) (iii) on any occasion shall not preclude it from effecting or not effecting any Reinstatement on any other occasion pursuant to this Condition.

If the Issuer decides to effect a Reinstatement pursuant to this Condition 2 (b) (iii), notice of any Return to Financial Health and the amount of Reinstatement (as a percentage of the Original Principal Amount of a Note) shall be given to holders in accordance with Condition 11. Such notice shall be given at least seven Business Days prior to the date on which the relevant Reinstatement becomes effective.

(c) Conversion

Instead, as specified in the applicable Final Terms, to Condition 2(b) above, if a Capital Ratio Event occurs the Undated Deeply Subordinated Notes may be converted into common equity tier 1 capital instruments, in accordance with the Own Funds Requirements Regulations and subject to a resolution by the general meeting of shareholders of the Issuer and any other applicable corporate actions or resolutions, and to the prior consent of the competent *banking prudential supervisory authority*, as well as the approval of a supplement to this Prospectus, setting out the specific conditions of such conversion, pursuant to the Own Funds Requirements Regulations.

(d) Definitions

For the purpose of Conditions 2 and 4:

- (i) “*Consolidated Net Income*” means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the last audited annual consolidated accounts of the Issuer adopted by the Issuer's shareholders' general meeting;
- (ii) “*Current Principal Amount*” means in respect of each Note, at any time, the outstanding principal amount of such Note being the Original Principal Amount of such Note as such amount may be reduced, on one or more occasions, pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions following a Return to Financial Health, as the case may be, as such terms are defined in, and pursuant to, Conditions 2(b)(i) and 2(b)(iii), respectively;
- (iii) “*Discretionary Temporary Write-Down Instrument*” means at any time any instrument (other than the Notes and the ordinary shares of the Issuer) issued directly or indirectly by the Issuer which at such time (a) qualifies as tier 1 capital of the Issuer and its consolidated subsidiaries, in accordance with the Own Funds Requirements Regulations; (b) has had all or some of its principal amount written-down; (c) has terms providing for a reinstatement of its principal amount upon a Return to Financial Health at the Issuer’s

discretion; and (d) is not subject to any transitional arrangements under the Own Funds Requirements Regulations;

- (iv) “*Distributable Items*” means (subject as otherwise defined in the Own Funds Requirements Regulations from time to time), in relation to an Interest Amount otherwise scheduled to be paid on an Interest Payment Date, the amount of the profits of the Issuer at the end of the financial year immediately preceding that Interest Payment Date plus (i) any profits brought forward and reserves available for that purpose before distributions to holders of the Issuer’s own funds instruments (not including, for the avoidance of doubt, any tier 2 capital instruments) less (ii) any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer’s by-laws and sums placed to non-distributable reserves, those profits, losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of its consolidated accounts;
- (v) “*Loss Absorption Effective Date*” means the date that will be specified as such in any Loss Absorption Notice;
- (vi) “*Loss Absorbing Instrument*” means at any time any instrument (other than the Notes and the ordinary shares of the Issuer) issued directly or indirectly by the Issuer which at such time (a) qualifies as tier 1 capital of the Issuer and its consolidated subsidiaries; and (b) which also has all or some of its principal amount written-down on the occurrence, or as a result, of a Capital Ratio Event, as defined above;
- (vii) “*Maximum Distributable Amount*” means any maximum distributable amount relating to the Issuer required to be calculated in accordance with the Own Funds Requirements Regulations;
- (viii) “*Original Principal Amount*” means, in respect of each Note, the amount of the denomination of such Note on the Issue Date, not taking into account any Write-Down or Reinstatement pursuant to Conditions 2(b)(i) and 2(b)(ii).
- (ix) “*Other Pari Passu Claims*” means any instrument of the Issuer expressed to rank *pari passu* to the Undated Deeply Subordinated Notes in accordance with the Own Funds Requirements Regulations, and any other claims of creditors of the Issuer which are expressed to rank *pari passu* with the claims of holders of Undated Deeply Subordinated Notes;
- (x) “*Own Funds Requirements Regulations*” means, at any given time, all regulations, requirements, directions and policies then in force relating to own funds requirements, including Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the “*Capital Requirements Directive*”), as implemented in Portugal from time to time and Regulation 575/2013, and any such regulations, requirements, directions and policies, issued by the competent *banking prudential supervisory authority*, as may be applicable in the future specifically to the Issuer;
- (xi) “*Senior Creditors*” means creditors of the Issuer who (A) are depositors or other unsubordinated creditors of the Issuer; , or (B) are subordinated creditors of the Issuer 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 Deeply Subordinated Notes.

Condition 2 describes the legal and regulatory regime applicable to Undated Deeply Subordinated Notes and accordingly the provisions of Condition are subject to any changes in that legal and regulatory regime.

Additionally, as a result of applicable laws or regulations, including any EU Directive or Regulation, establishing a framework for the recovery and resolution of credit institutions, and any implementation thereof into Portugal, the Undated Deeply Subordinated Notes may be mandatorily written down or converted into more subordinated instruments, including ordinary shares of the Issuer.

3. NEGATIVE PLEDGE

There is no negative pledge in respect of the Undated Deeply Subordinated Notes.

4. INTEREST AND INTEREST CANCELLATION

Any payment of interest on the Undated Deeply Subordinated Notes will be made subject to the provisions of this Condition 4 and will be subject to a discretionary decision of the Board of Directors or the Executive Committee of the Issuer, as the case may be. If the Board of Directors or the Executive Committee of the Issuer, as the case may be, decides not to make any payment on any Interest Payment Date, the amount of such interest payment will not be due, and will be forfeited. Distributions under the Undated Deeply Subordinated Notes are paid out of distributable items of the Issuer and the Issuer has full discretion at all times to cancel the payments, as defined below.

(a) Interest on Fixed Rate Notes

Subject to Condition 4(c), each Fixed Rate Note bears interest from (and including) the interest commencement date (i.e. the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms and hereinafter “*Interest Commencement Date*”) at a specific rate of interest (i.e. the rate or rates (expressed as a percentage per annum) payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these conditions and/or the relevant Final Terms, hereinafter “*Rate of Interest*”). Subject to Condition 4(c), interest will be payable in arrears on the Interest Payment Date(s) in each year. Interest will be paid to Interbolsa for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures.

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

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

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if “*Actual/Actual (ICMA Rule 251)*” is specified in the applicable Final Terms, the number of days in the Accrual Period (as defined below) divided by the number of days in the Fixed Interest Period;

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

For the purposes of these Terms and Conditions:

“*Determination Date*” means the date specified as such in the applicable Final Terms;

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

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

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Subject to Condition 4(c), each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

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

Subject to Condition 4(c), interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or the first) Interest Payment Date). Interest will be calculated on the full nominal amount outstanding of the relevant Notes (if applicable in accordance with Condition 2(b)) and will be paid to Interbolsa for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures.

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

- (1) in any case where Specified Periods are specified in accordance with Condition 4(i)(2)(B), the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next Business Day; or the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions,

“*Business Day*” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Lisbon and each Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the “*TARGET 2 System*”) is open.

“*Business Day Convention*”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “*Following Business Day Convention*” means that the relevant date shall be postponed to the first following Business Day;
- (ii) “*Modified Following Business Day Convention*” or “*Modified Business Day Convention*” means that the relevant date shall be postponed to the first following Business Day unless that day falls in the next calendar month in which case that date will be the first preceding Business Day;
- (iii) “*Preceding Business Day Convention*” means that the relevant date shall be brought forward to the first preceding Business Day;
- (ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “*ISDA Definitions*”) and under which:

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

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

“Margin” has the meaning given in the relevant Final Terms.

(B) *Screen Rate Determination for Floating Rate Notes*

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

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to the full nominal amount outstanding of the relevant Notes and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

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

where:

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

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

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

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

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

“*D₂*” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and *D₁* is greater than 29, in which case *D₂* will be 30;

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

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

“ D_1 ” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the date on which the Notes are (if applicable) to be redeemed or (ii) such number would be 31, in which case D_2 will be 30; and

- (I) if “1/I” is specified in the applicable Final Terms, 1.
 (v) *Notification of Rate of Interest and Interest Amounts*

Subject to the provisions of Condition 4(c), the Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 11. For the purposes of this paragraph, the expression “*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the Paying Agent and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, or the Noteholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest Cancellation*

The Issuer may elect at its full discretion to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on an Interest Payment Date notwithstanding it has Distributable Items or the Maximum Distributable Amount is greater than zero. The Issuer will cancel the payment of an Interest Amount (in whole or, as the case may be, in part) if the competent *banking prudential supervisory authority*, notifies the Issuer that, in its sole discretion, it has determined that the Interest Amount (in whole or in part) should be cancelled based on its assessment of the financial and solvency situation of the Issuer.

According to the Own Funds Requirements Regulations:

(a) if and to the extent that the Interest Amounts, when aggregated together with distributions on all other own funds instruments (not including, for the avoidance of doubt, any tier 2 capital instruments, in accordance with the Own Funds Requirements Regulations), scheduled for payment in the then current financial year exceed the amount of distributable items, the Issuer will cancel the payment (in whole or, as the case may be, in part) of such Interest Amounts; and

(b) Interest Amounts will only be paid (in whole or, as the case may be, in part) if and to the extent that such payment would not cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive, the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded.

Notice of any cancellation of payment of a scheduled Interest Amount must be given to the Noteholders (in accordance with Condition 11 as soon as possible, but not more than 60 calendar days, prior to the relevant Interest Payment Date. For the avoidance of doubt, the cancellation of any Interest Amount in accordance with this Condition shall not

constitute a default for any purpose on the part of the Issuer. For the further avoidance of doubt, interest payments are non-cumulative and any Interest Amount so cancelled shall be cancelled definitively and no payments shall be made nor shall any Noteholder be entitled to any payment or indemnity in respect thereof. The cancelation of the payment of interest does not constitute an event of default of the Issuer.

(d) *Accrual of interest*

Without prejudice to Condition 4(c), each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption.

Condition 4 describes the legal and regulatory regime applicable to Undated Deeply Subordinated Notes and accordingly the provisions of Condition 4 are subject to any changes in that legal and regulatory regime.

5. PAYMENTS

(a) *Fiscal and other laws*

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

(b) *Payments in respect of the Notes*

Payment of principal and interest in respect of Notes will be (i) **if made in euro** (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts used by the Affiliate Members of Interbolsa for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and CBL, to the accounts with Euroclear and CBL of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL as the case may be; (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the 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 Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the owners of Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

The holders of the Notes are reliant upon the procedures of Interbolsa to receive payment in respect of the Notes.

(c) *General provisions applicable to payments*

The Issuer will be discharged by payment to Interbolsa in respect of each amount so paid. Each of the entities shown in the records of Interbolsa as the beneficial holder of a particular nominal amount of Interbolsa Notes must look solely to Interbolsa for his share of each payment so made by the Issuer to, or to the order of, the holder of such Notes.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollars payments of principal and/or interest in respect of such Notes will be made at the specified office of a paying agent in the United States if:

- (i) the Issuer has appointed paying agents with specified offices outside the United States with the reasonable expectation that such paying agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
 - (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
 - (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer adverse tax consequences to the Issuer.
- (d) *Payment Day for the Notes*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) London;
 - (B) Lisbon;
 - (C) each Additional Financial Centre specified in the applicable Final Terms; and
 - (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (B) in relation to any sum payable in euro, a day on which the TARGET 2 System is open and Interbolsa, Euroclear and/or CBL, as the case may be, are open for general business.
- (e) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) any premium and any other amounts (other than interest), which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

(a) *Redemption*

The Undated Deeply Subordinated Notes are not subject to mandatory redemption by the Issuer and will only be redeemed in the circumstances referred to under this Condition 6, in any case provided that such redemption has been expressly authorised by the competent *banking prudential supervisory authority*.

The Issuer is not entitled to redeem the Undated Subordinated Notes before the fifth anniversary of their issue date other than in the specific circumstances described in paragraphs (b) and (d) below and in any case with the prior consent of the competent *banking prudential supervisory authority*.

In the situations specified in this Condition 6 the Undated Deeply Subordinated Notes will be redeemed by the Issuer at the amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the relevant redemption date (the “**Final Redemption Amount**”).

(b) *Redemption for tax reasons*

With the exception of Notes issued by the Issuer which are not issued within the scope of the Decree Law 193/2005, of 7 November, as amended (the “*Decree Law*”), the Notes may be redeemed at the option of the Issuer (after obtaining the consent of the competent *banking prudential supervisory authority*) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note, on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable)), if:

- (i) save in circumstances where the obligation to pay such additional amounts is as a result of the Issuer on-lending the proceeds of the issue of the relevant Notes in a way which attracts any withholding or deduction for or on account of tax, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and were not foreseeable at the time of their issuance and the Issuer demonstrates to competent *banking prudential supervisory authority* that it is a material change or amendment; 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 Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent 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.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Redemption Amount as specified in the applicable Final Terms as referred to in Condition 6(e) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, at his sole discretion (subject to the prior consent of the competent *banking prudential supervisory authority* and only after 5 years from its issue date), having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 11; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or only some of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. The applicable Final Terms may specify that the redemption of the Undated Deeply Subordinated Notes may only occur, subject to the other conditions described above, if the Current Principal Amount of each Note was previously increased to its Original Principal amount (a Reinstatement event, as defined above), if applicable. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be in accordance with the rules of Interbolsa.

The Issuer has the right, but not the duty to redeem the Undated Deeply Subordinated Notes. The competent *banking prudential supervisory authority* is not obliged to consent with the early redemption requested by the Issuer (if requested) and there is no assurance that the competent *banking prudential supervisory authority* will consent to an early redemption.

(d) *Redemption for reason of Disqualification as Additional Tier 1 Capital*

The Undated Deeply Subordinated Notes may be redeemed before five years of the date of issue by the Issuer after obtaining the consent of the competent *banking prudential supervisory authority* if the regulatory classification of the Undated Deeply Subordinated Notes has changed and as a result the Notes would be excluded from the Issuer's own funds or have a lower quality form of own funds and both the following conditions apply:

- (i) The competent *banking prudential supervisory authority* considers the referred change to be sufficiently certain;
- (ii) The Issuer demonstrates to the satisfaction of the competent *banking prudential supervisory authority* that the regulatory reclassification was not reasonably foreseeable at the date of issue.

(e) *Redemption Amounts*

For the purpose of sub-paragraphs (b), (c) and (d), each Note will be redeemed at the Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of a Note with a Final Redemption Amount which is or may be less than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

(f) *Purchases*

The Issuer or any of the companies included in the same group as the Issuer (either the Issuer's subsidiaries or any other companies included for accounting purposes within Issuer's consolidated perimeter) may, subject to the prior consent of the competent *banking prudential supervisory authority* and only after 5 years from its issue date, at any time purchase Undated Deeply Subordinated Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled by Interbolsa following receipt by Interbolsa of notice thereof by or on behalf of the Issuer. The Issuer and any of the companies included in the same group as the Issuer (either the Issuer's subsidiaries or any other companies included for accounting purposes within Issuer's consolidated perimeter) have to comply with certain rules regarding the minimum level of own funds, in accordance with the existing Own Funds Requirements Regulations.

(g) *Cancellation*

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above cannot be reissued or resold.

Condition 6 describes the legal and regulatory regime applicable to Undated Deeply Subordinated Notes and accordingly the provisions of Condition 6 are subject to any changes in that legal and regulatory regime

7. TAXATION

(a) *Taxation relating to all payments by the Issuer in respect of Notes not issued within the scope of Decree Law 193/2005, of 7 November*

All payments of principal and interest in respect of the Notes by the Issuer and not issued within the scope of the Decree Law will be made after withholding (except where the Noteholder is either a Portuguese resident financial institution or a non-resident financial institution having a permanent establishment in the Portuguese territory to which the income is attributable or benefits from a reduction or withholding tax exemption as specified by current Portuguese tax law) or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Portugal which are required by law. No additional amounts will be paid by the Issuer in respect of such withholding or deduction.

(b) *Taxation relating to all payments by the Issuer in respect of the Notes issued within the scope of the Decree Law*

All payments of principal and interest in respect of the Notes issued within the scope of the Decree Law by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction unless such withholding or deduction is required by law or regulation. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal

and interest which would otherwise have been receivable in respect of the Notes issued within the scope of the Decree Law in relation to any payment in the absence of such withholding or deduction; except that no such additional amounts shall be payable:

- (i) to, or to a third party on behalf of, a Noteholder in the Tax Jurisdiction; and/or
- (ii) to, or to a third party on behalf of, a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; and/or
- (iii) 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 law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (iv) to, or to a third party on behalf of, a Noteholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another paying agent in a Member State of the European Union; and/or
- (v) where the relevant Certificate is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5(d)); and/or
- (vi) to, or to a third party on behalf of, a Noteholder in respect of whom the information (which may include certificates) required in order to comply with the Decree Law, and any implementing legislation, is not received by no later than the second ICSD Business Day prior to Relevant Date, or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; and/or
- (vii) to, or to a third party on behalf of, a Noteholder (i) resident for tax purposes in the Tax Jurisdiction or when the investment income is imputable to a permanent establishment of the Noteholder located in Portuguese territory or (ii) resident in a tax haven jurisdiction as defined in Ministerial Order (“Portaria”) 150/2004, of 13 February 2004 as amended from time to time, with the exception of (a) central banks and governmental agencies, as well as international institutions recognised by the Tax Jurisdiction, of those tax haven jurisdictions, and (b) tax haven jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in place with the Tax Jurisdiction,; and/or
- (viii) to, or to a third party on behalf of (a) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), or (b) a legal entity not resident in the Republic of Portugal acting with respect to the holding of the Notes through a permanent establishment located in the Portuguese territory (with the exception of permanent establishments that benefit from a waiver of Portuguese withholding tax).

For the purposes of this Condition 7(c):

“ICSD Business Day” means any day which

- (i) is not a Saturday or Sunday; and

(ii) is not 25 December or 31 December.

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

For the purposes of these Conditions:

“*Tax Jurisdiction*” means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax.

8. PRESCRIPTION

Claims for principal and interest in respect of the Notes shall become void unless the relevant Certificates are surrendered within twenty years and five years respectively of the Relevant Date.

9. EVENTS OF DEFAULT

There will be no events of default in respect of the Undated Deeply Subordinated Notes.

10. PAYING AGENT

The name of the initial Paying Agent and its initial specified office are set out below.

The Issuer is entitled to vary or terminate the appointment of the Paying Agent and/or appoint additional or other paying agents and/or approve any change in the specified office through which any paying agent acts, provided that:

- (a) there will at all times be a paying agent with its specified office in a country outside the Tax Jurisdiction;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a paying agent in Portugal capable of making payment in respect of the Notes as contemplated by these terms and conditions of the Notes, the Agency Agreement and applicable Portuguese law and regulation.

In acting under the Agency Agreement, the paying agent act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any paying agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11. NOTICES

All notices regarding the Notes will be deemed to be validly given on the date of such publication if published (i) if and for so long as the Notes are admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange) and to listing on the Official List of the Luxembourg Stock Exchange, by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) (ii) by registered mail, by publication in a leading newspaper having general circulation in Portugal (which is expected to be *Diário de Notícias*) or by any other way which complies with the Portuguese Securities Code and Interbolsa's rules on notices to investors, notably the disclosure of information through the CMVM's official website (www.cmvm.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 Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, and, in the case of publication on the website of the Luxembourg Stock Exchange, or on the CMVM's official website (www.cmvm.pt) on the date of such publication.

Any holder of a Note may give notice to the Paying Agent through Interbolsa in such manner as the Paying Agent, the Agent and Interbolsa may approve for this purpose.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

Meetings 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 Notes for the time being outstanding. The quorum required for a meeting convened to pass a resolution other than an Extraordinary Resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof; and the quorum required for a meeting convened to pass an Extraordinary Resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of the Notes then outstanding, regardless of the principal amount thereof.

The number of votes required to pass a resolution other than an Extraordinary Resolution is a majority of the votes cast at the relevant meeting; the majority required to pass an Extraordinary Resolution, including, without limitation, a resolution relating to the modification or abrogation of certain of the provisions of these Conditions, is at least 50 per cent. of the 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.

Without prejudice to the provision of Condition 2, Condition 4 and Condition 6, an “*Extraordinary Resolution*” means a resolution passed at a meeting of Noteholders in respect of any of the following matters:

- (i) any modification or abrogation of any Condition (including without limiting, modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes); or

- (ii) to approve any amendment to this definition.

Without prejudice to the provision of Condition 4, the Agent or the Calculation Agent (if any) and the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Notes or Agency Agreement (in this case with the agreement of the Agent) which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, or the Agency Agreement (in this case with the agreement of the Agent) which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 as soon as practicable thereafter.

Notwithstanding the foregoing, any modification of any of these Terms and Conditions or any of the provisions of the Notes that the Issuer, in its absolute discretion, believes would or might cause the Notes to cease to be eligible as Tier 1 Capital of the Issuer and/or for the consolidation perimeter in which the Issuer is included for regulatory capital purposes (or to cease to be eligible for such other regulatory capital treatment as may apply to such Notes immediately prior to any such modification) may only be made with the prior consent of the competent *banking prudential supervisory authority* and shall not take effect until such consent is obtained.

13. FURTHER ISSUES

The Issuer shall after obtaining the consent of the competent *banking prudential supervisory authority* whenever it is required be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (a) *Governing law*

The Notes and any non-contractual obligations arising from it shall be construed in accordance with Portuguese law.

- (b) *Submission to jurisdiction*

The Issuer agrees, for the exclusive benefit of the Noteholders, that the courts of Portugal are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, including any non-contractual obligations arising from it and that accordingly any suit, action or proceedings (together referred to as "*Proceedings*") arising out of or in connection with the Notes may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the Portuguese courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer 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.

15. COMMON REPRESENTATIVE

The holders of the Notes shall at all times be entitled to appoint and dismiss a Common Representative by means of a Resolution. Upon the appointment of a new Common Representative by the holders of the Notes 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 holders of the Notes all documents and information then held by such Common Representative pertaining to the Notes.

As used herein: “*Common Representative*” means a law firm, an accountant's firm or an individual person (which may not be a Noteholder of Notes), which may be appointed by the holders of Notes under Article 358 of the Portuguese Commercial Companies Code.

TAXATION

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the "**Laws**"), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**EU Savings Directive**") and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity (within the meaning of the Laws) which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent Luxembourg fiscal authority in order for such information to be communicated to the competent tax authorities of the beneficiary's country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws will be subject to a withholding tax at a rate of 35 per cent.

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident

holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is resident of Luxembourg or to a residual entity (within the meaning of the Laws) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent.. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 10 per cent..

Republic of Portugal Taxation

The following description summarises the material anticipated tax consequences relating to an investment in the Notes according to Portuguese law. The description does not deal with all possible consequences of an investment in the Notes and is not intended as tax advice. Accordingly, each prospective investor should consult its own professional advisor regarding the tax consequences to it of an investment in the Notes under local or foreign laws to which it may be subject. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Portuguese taxation relating to all payments by the Issuer in respect of Notes issued within the scope of the Decree Law

This section summarises the tax consequences of holding Notes issued by the Issuer when such Notes are centralised within Interbolsa and have been issued within the scope of the Decree Law. References in this section are construed accordingly.

Investment income (i.e. economic benefits derived from interest, amortisation or reimbursement premiums as well as other forms of remuneration which may be paid under the Notes) on the Notes, paid to a corporate holder of Notes (who is the effective beneficiary thereof (the “Beneficiary”)) resident for tax purposes in Portuguese territory or to a non-Portuguese resident having a permanent establishment therein to which income is imputable, is subject to withholding tax currently at a rate of 25 per cent., except where the Beneficiary is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law (such as pension funds, retirement and/or education savings funds, share savings funds and venture capital funds constituted under the laws of Portugal). In relation to Beneficiaries that are corporate entities resident in Portuguese territory (or non-residents having a permanent establishment therein to which income is imputable), withholding tax is treated as a payment in advance and, therefore, such Beneficiaries are entitled to claim appropriate credit against their final corporate income tax liability.

If the payment of interest or other investment income on Notes is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent.. In the

latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000, and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Also, if the option of income aggregation is made an additional surcharge at the rate of 3.5 per cent. will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage. In such a case, the tax withheld is deemed a payment on account of the final tax due.

Investment income paid or made available on accounts held by one or more parties on account of unidentified third parties is subject to a withholding tax rate of 35 per cent., except where the beneficial owner of the income is identified, in which case the general rules will apply.

Under the Decree Law, investment income classified as obtained in Portuguese territory paid to Beneficiaries considered non-Portuguese resident in respect of debt securities integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Decree-Law, as well as capital gains derived from a sale or other disposition of such Notes, will be exempt from Portuguese taxation.

For the withholding tax exemption to apply, the Decree Law requires that the Beneficiary are: (i) central banks and agencies bearing governmental nature; or (ii) international bodies recognized by the Portuguese State; or (iii) entities resident in countries with whom Portugal has in force a double tax treaty or a tax information exchange agreement; or (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial Order (Portaria) no. 150/2004, of 13 February 2004, as amended from time to time (the “Ministerial Order no. 150/2004”).

In addition the Beneficiary shall comply with the evidence requirements and procedures of non-residence status set forth in the Decree Law. If the procedures and certifications of non-residence status or the requirements to benefit from the withholding tax exemption are not complied with a Portuguese withholding tax will apply at a rate of 25 per cent. (in case of non-resident entities), at a rate of 28 per cent. (in case of non-resident individuals) or at a rate of 35 per cent. (in case of investment income payments (i) to individuals or companies domiciled in a “low tax jurisdiction” list approved by Ministerial Order (Portaria) No. 150/2004 of 13 February 2011, as amended by Ministerial Order (Portaria) No. 292/2011 of 8 November 2011, or (ii) to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties, in which the relevant beneficial owner(s) of the income is/are not identified), as the case may be, or if applicable, at reduced withholding tax rates pursuant to tax treaties signed by the Republic of Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with.

Under the Decree Law, the Notes must be held through an account with one of the following entities: (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are

opened ; (ii) an indirect registered entity, which, although not assuming the role of the “*direct registered entities*”, is a client of the latter; or (iii) an entities managing international clearing system which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems Capital gains obtained on the disposal of Notes issued by Banco BPI through its Lisbon office, by individuals and by corporate entities not resident in the Republic of Portugal and without a permanent establishment therein to which the income or gain are attributable for tax purposes are exempt of taxation. This exemption shall not apply, if the Noteholder (i) is a entity with headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable or (ii) is resident in a jurisdiction with a more favourable tax regime than Portugal, as in Ministerial Order (“*Portaria*”) no. 150/2004, of 13 February, as amended by Ministerial Order (*Portaria*) 292/2011, of 8 November, with whom Portugal has not a double tax treaty in force or a tax information exchange agreement.

If the above exemption does not apply, and the holder is a corporate entity the gains will be subject to corporate income tax at a rate of 25 per cent.. Capital gains obtained by individuals that are not entitled to said exemption will be subject to a 28 per cent. flat rate. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese corporate income tax, but the applicable rules should be confirmed on a case by case basis.

Capital gains obtained on the disposal of Notes issued by the Issuer, by corporate entities resident for tax purposes in the Republic of Portugal and by non-residents corporate entities with a permanent establishment therein to which the income or gain are attributable are included in their taxable income and are subject to a corporate tax at a rate of (i) 21 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law no. 372/2007, of 6 November 2007, 17 per cent. for taxable profits up to EUR 15,000 and 21 per cent. on profits in excess thereof to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €1,500,000 are also subject to State surcharge (*derrama estadual*) of (i) 3 per cent. on the part of its taxable profits exceeding €1,500,000 up to EUR 7,500,000, (ii) 5 per cent. on the part of the taxable profits that exceeds EUR 7,500,000 up to €35,000,000, and (iii) 7 per cent. on the part of the taxable profits that exceeds EUR 35,000,000.

Capital gains obtained on the disposal of Notes issued by the Issuer, by individuals resident for tax purposes in the Republic of Portugal are subject to tax at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses of each year, unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR 80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Also, if the option of income aggregation is made an additional surcharge at the rate of 3.5 per cent. will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage.

Domestic Cleared Notes – held through a direct registered entity

Direct registered entities are required to register the Noteholders in one of two accounts: (i) an exempt account or (ii) a non-exempt account. Registration in the exempt account is crucial for the tax exemption to apply upfront and requires evidence of the non-resident status of the Beneficiary, to be provided by the Noteholder to the direct registered entity (this will have to be

made by no later than the second ICSD Business Day prior to the Relevant Date, as defined in Condition 7 of the Terms and Conditions of the Notes (*Taxation*)), as follows:

- (i) if the Beneficiary is a central bank, an international body recognised as such by the Portuguese State, or a public law entity and respective agencies, a declaration issued by the beneficial owner of the Notes itself duly signed and authenticated, or proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (ii) if the Beneficiary is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be made by means of the following: (A) its tax identification official document; or (B) a certificate issued by the entity responsible for such supervision or registration, or by tax authorities, confirming the legal existence of the beneficial owner of the Notes and its domicile; or (C) proof of non residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (iii) if the Beneficiary is an investment fund or other collective investment scheme domiciled in any OECD country or in a country with which the Republic of Portugal has entered into a double tax treaty in force or a tax information exchange agreement in force, it must provide (a) a declaration issued by the entity responsible for its supervision or registration or by the relevant tax authority, confirming its legal existence, domicile and law of incorporation; or (b) proof of non-residence pursuant to the terms of paragraph (iv) below; The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (iv) other investors will be required to prove of their non-resident status 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 which forms part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country. The Beneficiary must provide an original or a certified copy of such documents and, as a rule, if such documents do not refer to a specific year and do not expire, they must have been issued within the three years prior to the relevant payment or maturity dates or, if issued after the relevant payment or maturity dates, within the following three months. The Beneficiary must inform the direct registering entity immediately of any change in the requirement conditions that may eliminate the tax exemption.

Internationally Cleared Notes – held through an entity managing an international clearing system

Pursuant to the requirements set forth in the tax regime, if the Notes are registered in an account held by an international clearing system operated by a managing entity, the latter shall transmit, on each interest payment date and each relevant redemption date, to the direct register entity or to its representative, and with respect to all accounts under its

management, the identification and quantity of securities, as well as the amount of income, and, when applicable, the amount of tax withheld, segregated by the following categories of beneficiaries:

- (a) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable and which are non-exempt and subject to withholding;
- (b) Entities which have residence in country, territory or region with a more favourable tax regime, included in the Portuguese "blacklist" (countries and territories listed in Ministerial Order (Portaria) no. 150/2004, of 13 February 2004, as amended from time to time, the Ministerial Order no. 150/2004) and which are non-exempt and subject to withholding;
- (c) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable, and which are exempt or not subject to withholding;
- (d) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income generated by the securities would be imputable.

On each interest payment date and each relevant redemption date, the following information with respect to the beneficiaries that fall within the categories mentioned in paragraphs (a), (b) and (c) above, should also be transmitted:

- (a) Name and address;
- (b) Tax identification number (if applicable);
- (c) Identification and quantity of the securities held; and
- (d) Amount of income generated by the securities.

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, as amended from time to time. The refund claim is to be submitted to the direct register entity of the Notes within 6 months from the date the withholding took place. Following the amendments to Decree Law 193/2005 of 7 November introduced by Law 83/2013, of 9 December, a new special tax form for these purposes was approved by Order ("*Despacho*") no. 2937/2014, published in the Portuguese official gazette, second series, no. 37, of 21 February 2014 issued by the Secretary of State of Tax Affairs ("*Secretário de Estado dos Assuntos Fiscais*").

The refund of withholding tax after the above six-month period is to be claimed from the Portuguese tax authorities within two years, starting from the term of the year in which the withholding took place.

The absence of evidence of non-residence in respect to any non-resident entity which benefits from the above mentioned tax exemption regime shall result in the loss of the tax exemption and consequent submission to applicable Portuguese general tax provisions.

EU Savings Directive

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation savings income into the Portuguese law through Decree Law no 62/2005, of 11 March 2005, as amended by Law no 39-A/2005, of 29 July 2005, and by Law no. 37/2010, of 2 September 2010.

The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

FATCA

Portugal has very recently implemented, through Law 82-B/2014 of 31 December 2014, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. In such Law, is also foreseen that additional legislation regarding certain procedures and rules in connection with FATCA will be created in Portugal.

EU Savings Directive

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

On 15 April 2014, Council Directive 2014/48/EU of 24 March 2014 entered into force and amended Directive 2003/48/EC. Member States are to adopt the changes to comply with the amendments by 1 January 2016, which are to apply from 1 January 2017.

Among other changes, a “look-through approach” is to be applied to payments made to entities or legal arrangements established or having their place of effective management in countries or territories where Directive 2003/48/EC or measures to the same or equivalent effect do not apply, an indicative list of entities and legal arrangements in the third countries and jurisdictions concerned being provided.

If a payment by the Issuer in respect of the Notes 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, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive (if there is any such Member State).

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transaction tax ("FTT")

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

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

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

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU

Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the “*Programme Agreement*”) dated 13 March 2015, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes, Clearing and Payments*” and “*Terms and Conditions*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered any Notes, and will not offer, sell or deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

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

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) 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 as 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 UK Financial Services and Markets Act (“FSMA”) by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

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

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”) it has not made and will not make an offer of 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 such 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, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus

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

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

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

For the purposes of this provision:

- the expression an “*offer of 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;
- the expression “*Prospectus Directive*” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and
- the expression “*2010 PD Amending Directive*” means Directive 2010/73/EU.

France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) Offer to the public in France:

it has only made and will only make an offer of Notes to the public (*offre au public*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des Marchés Financiers* (the “*AMF*”) on the date of its approval or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the provisions of the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of approval of the Prospectus; or

(ii) Private placement:

it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, as defined in, and in accordance with, Articles L.411-1,

L.411-2 and D.411-1 of the French *Code monétaire et financier*. This Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the AMF.

In the following jurisdiction, prior to the date on which the Prospectus Directive is implemented in the relevant jurisdiction, the following restrictions shall apply:

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 (as amended from time to time), 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 an offer to the public (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as an offer to the public 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, 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.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

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

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of Banco BPI dated 7 December 2000 and approved by the Supervisory Board of Banco BPI on 7 December 2000. The update and maintenance of the Programme have been duly authorised by a resolution of the Board of Directors of Banco BPI dated 29 January 2015 and approved by a resolution of the Executive Committee of the Board of Directors of Banco BPI dated 3 February 2015.

Use of Proceeds

The net proceeds from each issue of Notes will be applied by Banco BPI for its general corporate purposes. If, in respect of any particular issue there is a particular identified use of proceeds, this will be in the applicable Final Terms.

Significant or Material Change

There has been no material adverse change in the prospects of BPI and BPI Group since 30 June 2014 and no significant change in the financial or trading position of BPI and BPI Group, since 31 December 2014.

Litigation

There are no, nor have there been any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which any of the Issuer is aware) during the previous 12 months which have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the BPI Group.

Ratings Information

The information found on page 6 of the Prospectus has been sourced from the websites of Standard and Poor's Credit Market Services Europe Limited, Moody's Investors Service España, S.A. and Fitch Ratings España, S.A.U. As far as the Issuer is aware and is able to ascertain from the ratings information published by Standard and Poor's Credit Market Services Europe Limited, by Moody's Investors Service España, S.A. and by Fitch Ratings España, S.A. Unipersonal, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Auditors

Deloitte & Associados SROC, S.A., associated with *Ordem dos Revisores Oficiais de Contas* ("OROC") under no. 43 and registered with CMVM under no. 231, have audited the accounts of Banco BPI, S.A. in accordance with generally accepted auditing standards in Portugal, including the International Standards on Auditing for the semester ended 30 June 2014 and for the years ended 31 December 2013 and 31 December 2012.

Listing and Admission to Trading Information

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange), and to be listed on the Official List of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Notes may be issued pursuant to the Programme which will not be admitted to trading on the Bourse de Luxembourg (the regulated market of the Luxembourg Stock Exchange), or listed on the Official List of the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree, according to the applicable Final Terms.

Documents Available

For the life of the Prospectus, copies of the following documents will, when published, be available for inspection during normal business hours from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London, Luxembourg and Lisbon:

- (a) the Programme Agreement, the Agency Agreement and any agreement appointing a common representative;
- (b) a copy of this Prospectus (which will also be available on the website of Banco BPI, S.A. (www.ir.bpi.pt));
- (c) Final Terms to this Prospectus (save that the Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity), any future prospectuses, information memoranda and supplements to the Prospectus including and any other documents incorporated herein or therein by reference; and
- (d) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
- (e) *Banco BPI*
 - (i) the constitutional documents (in English) of Banco BPI;
 - (ii) the consolidated audited financial statements of Banco BPI and Auditors' reports contained in Banco BPI's Annual Report in respect of the financial years ended 31 December 2013 and 31 December 2012, the consolidated audited interim financial statements and Auditor's reports for the semester ended 30 June 2014, and the Earnings Release relating to the unaudited consolidated results for the financial year ended 31 December 2014; and
 - (iii) the most recently published audited annual financial statements of Banco BPI (which includes consolidated and non-consolidated financial statements) and related Auditors' report and the most recently published semi-annual audited interim financial statements of Banco BPI (each in English);

In addition, copies of this Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (www.bourse.lu) and copies of the documents set out in (b), (c) and (d) above can be obtained free of charge from the specified office of the Paying Agent where so required by the rules of the relevant stock exchange on which any Series of Notes is to be listed.

Clearing Systems

The Notes will be integrated in and held through Interbolsa as operator of the CVM. The appropriate Portuguese securities code for each Tranche of Notes allocated by Interbolsa will be specified in the Final Terms.

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

For the time being, Interbolsa will only settle and clear Notes denominated in euro, Canadian Dollars, Swiss Francs, U.S. dollars, Sterling and Japanese yen and Notes denominated in any other currency upon prior request and approval.

Prudential Requirements

No Subordinated Notes or Undated Deeply Subordinated Notes shall be redeemed unless in compliance with the applicable capital adequacy regulations from time to time in force. At the date hereof, such redemption may not occur within five years from the Issue Date of the relevant Notes (except in a few cases subject to the prior consent of the competent banking prudential supervisory authority, as specified in the Terms and Conditions of the Senior and Subordinated Notes and Terms and Conditions of the Undated Deeply Subordinated Notes) and may only occur with the prior consent of the competent banking prudential supervisory authority.

Conditions for determining price

The price (issue price and offer price) and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue (in case of a public offer at the time of the public offer) in accordance with prevailing market conditions. The price will normally correspond to a percentage of the nominal value of such Notes and shall be disclosed on the applicable Final Terms, which shall be available at headquarters of the Issuer and the Paying Agent.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is a formula for the purposes of calculating the yield of Fixed Rate Notes. The applicable Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$\text{IssuePrice} = \frac{\text{Coupon}}{m} * \frac{1 - \left[\frac{1}{\left(1 + \frac{\text{Yield}}{m}\right)^{n * m}} \right]}{\frac{\text{Yield}}{m}} + \left[\text{FinalRedemptionAmount} * \frac{1}{\left(1 + \frac{\text{Yield}}{m}\right)^{n * m}} \right]$$

Where:

“Coupon” means the annual coupon as specified in the applicable Final Terms;

“Yield” means the annual yield to maturity;

“m” means the number of interest payments in a year; and

“n” means the number of years to maturity.

DOCUMENTS INCORPORATED BY REFERENCE

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

Banco BPI, S.A.

1. Commercial registry certificate (being the Portuguese equivalent of the memorandum of association) and articles of association of Banco BPI.
2. Earnings Release with the unaudited consolidated results for the financial year ended 31 December 2014.
3. Audited first half financial statements dated 30 June 2014.
4. Annual report 2013.
5. Annual report 2012.

Following the publication of this Prospectus, a supplement to this Prospectus approved by the CSSF pursuant to Article 16 of the Prospectus Directive may be prepared by the Issuer (a “*Prospectus Supplement*”).

Copies of documents incorporated by reference in this Prospectus can be obtained from the specified office of the Issuer and the website of the Luxembourg Stock Exchange (www.bourse.lu). Requests for such documents should be directed to the Issuer at its office set out at the end of this Prospectus. In addition, such documents will be available from the principal office in Luxembourg of Deutsche Bank Luxembourg S.A. (acting in its capacity as Luxembourg Listing Agent) for Notes admitted to official list and to trading on the Regulated Market on the Luxembourg Stock Exchange.

For the avoidance of doubt the content of the Issuer website or any other website referred into this Prospectus does not form part of the Prospectus, except the content of the list of Documents incorporated by Reference.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes. Furthermore, the Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Prospectus, including any modification of the terms and conditions or any material adverse change in the financial position of such Issuer, whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of such Issuer and the rights attaching to the Notes, the Issuer shall prepare an supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement to this Prospectus as such Dealer may reasonably request.

Banco BPI, S.A.

Information incorporated by reference

Reference

Earnings release on unaudited consolidated results for the financial year ended 31 December 2014

Consolidated balance sheet	Page 26
Consolidated income statement	Page 25

Audited first half financial statements dated 30 June 2014

Consolidated balance sheet	Page 92
Consolidated statements of income	Page 93
Consolidated statements of comprehensive income	Page 94
Statements of changes in shareholders' equity	Page 95
Consolidated statements of cash flows	Page 96
Notes to the consolidated financial statements	Pages 97-270
Audit Report	Page 272-273

Annual report 2013

Auditors' report relating to the accounts for the period ended 31 December 2013	Pages 253-254
Outside activities of the Board of Directors	Pages 329-335
Consolidated balance sheet	Page 122
Consolidated statements of income	Page 123
Consolidated statements of comprehensive income	Page 124-125
Consolidated statements of cash flows	Page 128-129
Statements of changes in shareholders' equity	Page 126-127
Notes to the consolidated financial statements	Pages 130-251

Annual report 2012

Auditors' report relating to the accounts for the period ended 31 December 2012	Pages 244-245
Outside activities of the Board of Directors	Pages 329-335
Consolidated balance sheet	Page 116
Consolidated statements of income	Page 117
Consolidated statements of comprehensive income	Page 118-119
Consolidated statements of cash flows	Page 122-123
Statements of changes in shareholders' equity	Page 120-121
Notes to the consolidated financial statements	Pages 124-242

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004, as amended from time to time. The pro-forma financial figures included in the audited first half financial statements dated 30 June 2014 are mandatory due to recent changes in the accounting rules. As such, this Prospectus is not in compliance with Annex II of the Commission Regulation (EC) No. 809/2004, as amended from time to time.

The Issuer confirms that the information incorporated by reference in this Prospectus regarding the unaudited consolidated results for the financial year ended 31 December 2014 is substantially consistent with the final figures to be published in the next annual audited financial statements.

THE ISSUER

Banco BPI, S.A.

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LUXEMBOURG LISTING AGENT

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