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**CAIXA GERAL DE DEPÓSITOS, S.A.**
(incorporated with limited liability in Portugal)

**acting through its France branch**

**CAIXA GERAL DE DEPÓSITOS, S.A.**
(incorporated with limited liability in Portugal)

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

This document (the "Prospectus") is issued by Caixa Geral de Depósitos, S.A., acting through its France branch ("CGDFB") and Caixa Geral de Depósitos, S.A. ("CGD"). Each of CGD and CGDFB is, in relation to Notes issued by it, an "Issuer" and, together, the "Issuers".

Under the Euro Medium Term Note Programme described in this Prospectus (the "Programme"), subject to compliance with all relevant laws, regulations and directives, each of the Issuers may from time to time issue Euro Medium Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €15,000,000,000 (or the equivalent in other currencies).

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, and any amendments to such Directive, including Directive 2010/73/EU (the "Prospectus Directive"). The CSSF assumes no responsibility as to economic and financial soundness of, or to the quality or solvency of, any Issuer. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market (the "Market"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined in "General Description of the Programme") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

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

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

Tranches of Notes (as defined in "General Description of the Programme") issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such ratings will be indicated in the applicable Final Terms and such ratings will not necessarily be the same as the ratings assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the "CRA Regulation") will be disclosed in the relevant 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. 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.

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

*Arranger*

**BofA Merrill Lynch**

*Dealers*

**BayernLB**
**BofA Merrill Lynch**
**Caixa Geral de Depósitos, S.A.**
**Deutsche Bank**
**J.P. Morgan**
**Mizuho Securities**
**MUFG**
**Nomura**
**NatWest Markets**
**BNP PARIBAS**
**Caixa – Banco de Investimento, S.A.**
**Commerzbank**
**HSBC**
**Mediobanca**
**Morgan Stanley**
**NATIXIS**
**Société Générale Corporate & Investment Banking**
**UBS Investment Bank**
**UniCredit Bank**

The date of this Prospectus is 23 February 2018

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

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

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

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

**No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes, and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Arranger (as defined in "General Description of the Programme") or any of the Dealers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of any Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of any Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

**The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by each Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restriction.**

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

**To the fullest extent permitted by law, neither the Arranger nor any of the Dealers accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by the Arranger or a Dealer or on its behalf in connection with any Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be**

**considered as a recommendation by any of the Issuers, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arranger nor any of the Dealers undertakes to review the financial condition or affairs of any Issuer during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or any of the Dealers.**

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

**MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.**

**A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.**

**Prohibition of sales to EEA Retail Investors – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

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

**As far as each Issuer is aware, the transitional provisions in Article 51 of the BMR apply such that EMMI and ICE are not currently required to obtain authorization or registration.**

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

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

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

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

**Any websites included in this Prospectus are for information purposes only and do not form part of this Prospectus.**

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# RISK FACTORS

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

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

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

*The Risk Factors are specific to the CGD Group, as a whole, of which the Issuers are a part. The Issuers believe that there are no risk factors specific to an individual Issuer.*

## Risk Factors Relating to the CGD Group's Business

### *State ownership and State Aid may impact the business and performance of CGD*

*2017 Recapitalisation Plan*

CGD posted losses after 2012, mostly due to the subdued growth of the Portuguese economy which affected credit concession by banks, but also due to the impact of provisions and impairments related to non-performing loans ("NPLs").

In order to be able to continue its activities and also to comply with increasing capital requirements, the Portuguese State, as CGD's sole shareholder, and the European Commission's Directorate General for Competition ("DG Comp") approved a recapitalisation plan (the "2017 Recapitalisation Plan"). For further information see – Description of the CGD Group – Recapitalisation Plan.

After completion of the 2017 Recapitalisation Plan, any further capital injections by the Portuguese State may not be possible or may be subject to State Aid rules under European Union regulations. This may result in obligations, restrictions and limitations which may adversely impact CGD's activity in comparison with other credit institutions not subject to State Aid procedures including, but not limited to, the application of non-viability loss absorption measures or a "burden sharing" requirement amongst holders of hybrid capital securities, such as the AT1 instruments. Any such loss absorption or burden-sharing could have an adverse impact on the value of the Notes. Furthermore, the implementation of the 2017 Recapitalisation Plan may also have an adverse effect on the CGD Group's activity, business, results and prospects.

### *CGD's Strategic Plan includes targets that may not be achieved*

The 2017 Recapitalisation Plan includes a Strategic Plan to be implemented between 2017 and 2020. This was one of the conditions imposed by DG Comp to avoid CGD's recapitalisation being considered State Aid. The Strategic Plan builds upon four strategic pillars and includes a set of targets. These targets relate to each of the four pillars and are described in more detail in the section "*Description of CGD– Strategic Plan*". The Strategic Plan's feasibility, including the targets proposed by CGD, was validated by DG Comp. CGD will work to achieve the proposed targets by implementing a set of initiatives described under each pillar. The targets are based on certain assumptions with respect to revenues and costs associated with those initiatives. However, there are no assurances that these assumptions are correct or that CGD will be able to achieve the proposed targets within the proposed timeframe, including for reasons beyond CGD's control, which would potentially result in non-compliance by CGD of the Strategic Plan. CGD will ensure that the full and correct implementation of the Strategic Plan is continually monitored by an independent auditing institution and, CGD will provide to DG Comp, on a quarterly basis, a report covering the financial and operational drivers of the Strategic Plan, as well as an overview of the CGD Group's performance compared with the targets. If any of the targets are not met, CGD will consequently seek to take additional measures (including, but not limited to, pricing adjustments, further cost cutting or divestment of additional foreign assets) with a view to ensuring that those targets are in fact achieved, which could have an adverse effect on CGD's activity, business, results and prospects.

These targets have been established as part of the agreement reached by the Portuguese State with DG Comp in respect of CGD. They have not been set for the purpose of the offering of any Notes and are not, and should not be regarded by potential investors as, a forecast of future performance by CGD or the CGD Group.

***The economic activity in Portugal may impact the business and performance of CGD***

The business activities of the CGD Group are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates.

Given that the CGD Group currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. During 2016, the Portuguese economy continued to be affected by a reduction of the net borrowing requirements of diverse sectors of the economy, as well as adjustments to banks' balance sheets based on higher solvency ratios and a reduction of loans-to-deposits ratios. Some additional information regarding the Portuguese economy is therefore included below.

According to the Quarterly National Accounts published by the Portuguese National Statistics Office ("INE") on 31 August 2017, in the second quarter of 2017, the gross domestic product ("GDP") recorded a year-on-year growth rate of 2.9 per cent. in real terms (2.8 per cent. in the previous quarter). Net external demand maintained a slightly positive contribution to the year-on-year GDP growth rate, with a deceleration in the volume of Exports of Goods and Services of the same magnitude as that observed in Imports of Goods and Services. The positive contribution of domestic demand remained significantly higher than in the previous quarter, driven by the acceleration of investment. Public consumption registered a year-on-year change rate of -0.9 per cent. (-0.4 per cent. in the first quarter of 2017). Public consumption behaviour since the second half of 2016 was influenced by the reduction in the number of weekly hours worked in the public sector, from 40 to 35 hours, with the consequent rise in the deflator component of employee compensation and a negative effect in volume.

Private consumption registered a year-on-year improvement of 2.1 per cent. in the second quarter of 2017 in real terms, which compares with the growth rate of 2.3 per cent. registered in the first quarter of 2017.

Investment, in volume, increased by 9.3 per cent. in the second quarter of 2017 (7.7 per cent. in the previous quarter), compared with the same period last year.

The External Balance of Goods and Services in nominal terms increased from 0.8 per cent. of GDP in the first quarter of 2017 (0.9 per cent. of GDP in the second quarter of 2016), to 1.1 per cent. of GDP in the second quarter of 2017.

In August 2017, the consumer confidence and economic sentiment indicators increased in the euro area. In Portugal, the economic activity indicator, available until July 2017, stabilised, while the economic climate indicator for August decreased.

In July 2017, the unemployment rate was 8.9 per cent., the lowest recorded value since November 2008.

Several challenges persist as fiscal consolidation is still unfolding, and private and public debt levels remain high and it is still unclear whether the Portuguese economy will begin to recover in a sustainable way, particularly through an increase in investment. In the event of negative developments in the financial markets, CGD's ability to access the capital markets and obtain the necessary funding to support CGD's 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 CGD to liquidate assets at depressed prices or on unfavourable terms.

The current economic environment is still a source of challenge for the CGD Group, and may adversely affect its business, financial condition and results of operations. The adverse macroeconomic conditions in Portugal have significantly affected, and are expected to continue to adversely affect, the behaviour and the financial situation of the CGD Group's clients, and consequently, the supply and demand of the products and services that the CGD Group has to offer. In particular, limited growth in customer loans is expected in the coming years, which will make it difficult for the CGD Group to generate enough interest income to maintain its net interest margin. Additionally, an environment of extremely low or even negative interest rates is expected to continue, which limits CGD's ability to increase net interest margin and profitability, given that the majority of CGD's credit portfolio is composed of variable interest rate loans.

Furthermore, the maintenance of high unemployment rates, the reduction in the profitability of enterprises and the increase in company and personal insolvencies have had, and are expected to continue to have, a negative influence on the ability of the CGD Group's clients to pay back loans, and, consequently, could cause an increase in the ratio of overdue loans, which might exceed the standard historic average, reflecting a deterioration of the CGD Group's quality of assets.

A negative development of any of the above factors may adversely affect the business and performance of CGD.

***Exposure to CGD's credit risk***

CGD's short and long term ratings issued by the diverse international rating agencies were updated in 2017: on 21 December 2017, Fitch affirmed CGD's 'BB-/B' long-term and short-term ratings, with a positive outlook and on 22 March 2017, Moody's affirmed CGD's 'B1' long term deposit and senior debt ratings, with a stable outlook. Other issued securities and the baseline credit assessment were placed on 'review with direction uncertain'. On 1 June 2017, DBRS affirmed CGD's 'BBB (low)/R-2 (middle)' long-term and short-term ratings, with negative outlook. Any further downgrading of the ratings of CGD may adversely affect its funding and therefore its financial performance.

***The CGD Group's business may be affected by the volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits***

The CGD Group's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.

The CGD Group is subject to the risks typical of banking activities, including interest rate fluctuations. Changes in interest rate levels, yield curves and spreads may affect the CGD Group's lending and deposit spreads. The CGD Group is exposed to changes in the spread between the interest rates payable by it on deposits or its wholesale funding costs, and the interest rates that it charges on loans to customers and other banks. While both the interest rates payable by the CGD Group on deposits, as well as the interest rates that it charges on loans to customers and credit institutions, are in each case mainly floating rates or swapped into floating rates, there is a risk that the CGD Group will not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. The CGD Group is also subject to intense competition for customer deposits and the current low interest rate environment puts pressure on the CGD Group's deposit spreads. The CGD Group may not be able to lower its funding costs, whether relating to deposits or wholesale funding, in line with decreases in interest rates on its interest-bearing assets.

Interest rates are sensitive to several factors that are out of the CGD Group's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. An increase in interest rates could reduce the demand for credit, as well as contribute to an increase in defaults by the CGD Group's customers. Conversely, a reduction in the level of interest rates may adversely affect the CGD Group through, among other things, a decrease in the demand for deposits and increased competition in deposit-taking and lending to customers. As a result of these factors, significant changes or volatility in the interest rates could have a material adverse impact on the business, financial condition or results of operations of the CGD Group.

The CGD Group has implemented risk management methods aimed at mitigating these and other market risks, and exposures are constantly measured and monitored. Although the CGD Group undertakes hedging operations in order to reduce its exposure to interest rate risk, it does not hedge its entire risk exposure and cannot ensure that its hedging strategies will be successful. If the CGD Group is unable to adjust the interest rate payable on deposits in line with the changes in market interest rates receivable by it on loans, or if the CGD Group's monitoring procedures are unable to adequately manage the interest rate risk, its interest income could increase less or decline more than its interest expense, in which case the CGD Group's results of operations and financial condition or prospects could be negatively affected.

***CGD's short term liabilities to its customers may exceed its highly liquid assets***

CGD's primary source of funds has traditionally been its retail deposit base (savings, current and term deposits). During the global crisis that affected the financial system, CGD continued to benefit from the high levels of trust from its individual customers and was able to maintain its retail deposits base stable. The lack of other financing sources caused by the liquidity restrictions faced by Portuguese banks in international

money markets and capital markets has led CGD (as well as the other Portuguese banks) to increase the interest rates paid on deposits thus reinforcing the attractiveness of these products.

CGD's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products. CGD has also borrowed money in the money markets. Since 2010, however, when the sovereign debt crisis in Europe worsened, resulting in Greece and other countries requesting financial support from the EC/IMF/ECB, Portuguese banks, including CGD, have increased their funding with the ECB, given the tighter conditions in accessing the wholesale markets. As at 31 December 2016, CGD had a net exposure to ECB funding of around EUR 3.5 billion (as at 31 December 2015 the corresponding value was below EUR 2.84 billion). As of 30 June 2017, the total amount of funding from the ECB (TLTRO) of CGD and its subsidiaries was €3.5 billion.

CGD continued to comply with the conditions set out in Bank of Portugal's regulations in respect of liquidity, which includes a detailed, permanent collection of information on credit institutions' liquidity levels, including their forecast treasury plans over a one year timeframe. This trend may however revert with the predictable further rise in deposits and fall in new loans granted inherent to the deleveraging process.

Since CGD relies on the aforementioned sources for funding, there is no assurance that, in the event of a sudden or unexpected shortage of funds in the market in which CGD operates, CGD will be able to maintain its levels of funding without incurring higher funding costs or the liquidation of certain assets. Additionally, CGD is impacted by any changes that may occur in the requirements set by the ECB in its refinancing operations, if CGD is unable to borrow sufficient funds to meet its obligations to its customers and other investors, CGD's business activities, financial condition and results of operations will be materially adversely affected. As of 30 June 2017, the amount of Loans and advances to customers was €65,366 million and Customer resources and other loans totalled €69,915 million.

***Portugal may be subject to further rating reviews by the rating agencies, with implications on the funding of the economy and on CGD's activity***

The rating agencies Standard & Poor's Credit Market Services Europe Limited ("S&P"), Moody's Investors Services Ltd. ("Moody's"), Fitch Ratings Limited ("Fitch") and DBRS Ratings Limited ("DBRS") have, over the last year, updated Portugal's long term rating or outlook. Current ratings are as follows: S&P: BBB- as of 15 September 2017, with a stable outlook as of 15 September 2017; Moody's: Ba1 as of 27 July 2014, with a positive outlook as of 1 September 2017; Fitch: BBB as of 15 December 2017, with a stable outlook as of 15 December 2017; and DBRS: BBB (low) as of 30 January 2012, with a stable outlook as of 21 April 2017. The rating downgrades over the last years were essentially due to the uncertainties and risks arising from the budgetary consolidation process implemented under the Economic and Financial Assistance Programme ("EFAP"), the low competitiveness of the Portuguese economy abroad, external funding difficulties and the sustainability of public debt dynamics. There might be further downgrades of the long term rating assigned to Portugal in the future, namely, in the case of, a deterioration of the public finance situation arising from weaker economic performance, caused by the austerity measures adopted internally or induced by contagion as a consequence of the slowdown in the economic activity of Portugal's main trading partners, particularly Spain, or if the market perceives these measures as insufficient or as a result of the lack of success of structural reforms, of the simplification of State administration and streamlining of the Portuguese justice system. Under these circumstances, Portugal's perceived credit risk will increase, with resulting negative effects on the credit risk of Portuguese banks (including CGD) and, consequently, on their profit levels. The effect of the rating downgrades of Portugal on the funding of Portuguese banks has been less stringent since the ECB relaxed the rules for the eligibility of assets to be used as collateral for discount operations. However, any reduction in the rating of Portugal would mean increased haircuts and a reduction of the value of the pool of assets eligible for discount operations with the ECB, in particular with respect to securitisations and covered bonds. A downgrade of Portugal's rating could impact the sovereign debt portfolio held by CGD and could have a potential detrimental effect on the finances of enterprises who are borrowers of CGD. Furthermore, the Portuguese State is CGD's sole shareholder. Accordingly, any downgrading of the ratings of Portugal could have an impact on CGD and adversely affect its business and therefore its financial performance. See also the risk factor entitled "*The CGD Group is subject to the risk that liquidity may not always be readily available; this risk is exacerbated by current conditions in global financial markets*" below.

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**Adjustments to the financial system and to the European banking model may have an impact hard to forecast**

Several adjustments to the financial system and to the European banking model, including amendments to the regulatory framework, are in force, but it is still difficult to anticipate with accuracy the impact that the implementation of these measures will have on the banking sector.

Notwithstanding the efforts yet to be faced by Portuguese banks, many changes to business models have already been implemented and, at the same time, capital has been strengthened and liquidity has become more stable.

The forecast of limited economic growth for Europe is expected to keep interest rates low with subsequent impact on financial margins and profitability. This is of particular significance for CGD, considering that it has a significant portfolio of long-term mortgage loans indexed to Euribor.

CGD intends to maintain its lending policy based on a sound risk methodology of risk adjusted pricing by financing Portuguese companies, especially producers of durable goods.

Further, CGD's on-going policy on impairments, which has had a negative effect on profitability, will mitigate the effects of a deteriorating credit environment, which is expected to continue throughout the year.

Notwithstanding the problems noted in the money and capital markets since 2008, 2016 saw a growing trend towards stabilising confidence levels in the financial system, providing CGD with a more favourable financing environment in terms of its resource-taking policy. CGD endeavoured to guarantee a sustainable financing structure for its activity. Finally, the decrease of ECB's dependence coupled with the stabilisation of market conditions, will lead to a greater discipline and search for adequate funding conditions which is expected to optimise costs and allow CGD to carry out a normal business activity.

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

The CGD Group operates in a highly regulated industry. The CGD Group's banking activities are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the European Banking Authority ("EBA"), the European and Securities Markets Authority ("ESMA") and the Portuguese Securities Market Commission ("CMVM", *Comissão do Mercado de Valores Mobiliários*), as well as other supervisory authorities from the EU and the countries in which the CGD Group conducts its activities. These regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, know your customer, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

These regulations include rules and regulations related to the prevention of money laundering, bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and counter-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the CGD Group believes that its current anti-money laundering, anti-bribery and counter-terrorism financing policies and procedures are adequate to ensure compliance with applicable legislation, the CGD Group cannot guarantee that it will comply, at all times, with all applicable rules or that its regulations for fighting money laundering, bribery and terrorism financing as extended to the whole CGD Group are applied by its employees under all circumstances. This can lead to material adverse effects on the CGD Group's business, financial condition, results of operations and prospects.

All the above regulations are complex and their fulfilment implies high costs in terms of time and other resources. Additionally, non-compliance with the applicable regulations may cause damages to the CGD Group's reputation, application of penalties and even loss of authorisation to carry out its activities.

Due to 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, more 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 CGD participates, or cause a change in the fees or commissions that CGD charges on certain loans or other products; consequently any changes in regulation, or supervision, particularly in Portugal, may have a material adverse effect on the CGD Group's business, financial condition and results of operations.

***The fulfilment of current and future capital requirements, as set out by the European Commission, the European Council and the European Parliament (together, the "European Authorities") by the Bank of Portugal and by the ECB could lead to the CGD Group facing adverse consequences***

In 2013, the European Authorities approved a new legislative package to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework, replacing the former Capital Requirements Directives (2006/48/EC and 2006/49/EC): Regulation 575/2013 of the European Parliament and of the Council of 26 June establishing new and detailed prudential requirements to be observed by institutions (the "CRR") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions (the "CRD IV").

The CRR has been directly applicable in European States since 1 January 2014 and includes provisions regarding, for instance, own funds requirements, minimum capital ratios and liquidity ratios. These measures may have a significant impact on CGD's capital and on their respective assets and liabilities management. The CRD IV was implemented in Portugal by Decree-Law no. 157/2014, of 24 October, which amended the Portuguese Legal Framework of Credit Institutions and Financial Companies (hereinafter, "RGICSF") (enacted by Decree-Law no. 298/92, of 31 December, as amended). This was accompanied by the entry into force of the Bank of Portugal's notice no. 6/2013, of 23 December, which established how the transitional provisions of the CRD IV would apply to minimum capital requirements and the respective calculation. A 5 year transitory period was set up in order to adapt the previously applicable rules to the new regulations.

Banks operating in Portugal are obliged to comply with a number of capital ratios, including a minimum Common Equity Tier 1 ("CET1") ratio of 4.5 per cent., a minimum Tier 1 ratio of 6 per cent. and a minimum total capital ratio of 8 per cent., in each case of risk-weighted assets and in each case to be met on a phased-in basis until 1 January 2019, after which they will be applied on a fully-loaded basis.

The CRD IV/CRR include general rules and requirements on supervision powers, wages, governance and disclosure, as well as introducing a number of additional CET1 capital buffers:

- A capital conservation buffer of 2.5 per cent. of risk-weighted assets;
- A countercyclical capital buffer of between 0 and 2.5 per cent. of risk-weighted assets, but this buffer may be higher pursuant to the requirements established by the competent authorities in different jurisdictions;
- A systemic risk buffer of up to 5 per cent. of risk-weighted assets to address systemic risks of a long-term, non-cyclical nature that are not covered by the CRR; and
- A systemic institutions risk buffer: i) for institutions with global systemic importance: between 1 and 3.5 per cent. of risk-weighted assets; and ii) for other institutions with a systemic importance: between 0 and 2 per cent. of risk-weighted assets.

As regards Portuguese banks, the Bank of Portugal decided that the capital conservation buffer would be phased-in. As of January 2017, the buffer was set at 1.25 per cent., as of 1 January 2018 it will be 1.875 per cent. and, as of 1 January 2019, it will be 2.5 per cent. The Bank of Portugal has also decided to set the counter-cyclical buffer rate at 0 per cent. of the total risk-weighted assets ("RWA"). This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of the Bank of Portugal or the ECB (the "Single Supervisory Mechanism"), as applicable. The Bank of Portugal will review this decision on a quarterly basis.

The Bank of Portugal, after having duly notified the ECB under Article 5 of Council Regulation (EU) no. 1024/2013, of 15 October 2013, which did not object to the Bank of Portugal's decision, and after having also consulted with the National Council of Financial Supervisors, under Article 2(3)(c) of Decree-Law no. 143/2013, of 18 October, decided to impose capital buffers on credit institutions identified as other systemically important institutions ("O-SIIs"). For that purpose, on 29 July 2016 the Bank of Portugal published a table with the names of the banking groups identified as O-SIIs and the respective capital buffers, as a percentage of the total RWA. These buffers shall consist of CET1 capital on a consolidated basis and shall be applicable in phases, from 1 January 2018 to 1 January 2019 and thereafter. In the case of CGD, the applicable buffer is 0.25 per cent. from 1 January 2018, 0.50 per cent. from 1 January 2019, 0.75 per cent. from 1 January 2020 and 1.00 per cent. from January 2021 onwards, unless any further amendments are

introduced by the Bank of Portugal. Simultaneously, the Bank of Portugal also published a more detailed document on the methodology for the identification and calibration of the O-SIIs buffer.

Based on the 2018 Supervisory Review and Evaluation Process ("SREP"), as well as the communication from the Bank of Portugal on the additional requirement for the O-SIIs buffer, CGD is required to maintain from 1 January 2018, on a consolidated basis, a CET1 of 8.875 per cent. and 10.25 per cent. phased–in and fully loaded, respectively; a Tier 1 of 10.375 per cent. and 11.75 per cent. phased–in and fully loaded, respectively, and a Total ratio of 12.375 per cent. and 13.75 per cent. phased–in and fully loaded, respectively. The buffers include the capital conservation buffer of 1.875 per cent. in 2018 and 2.5 per cent. in 2019, the counter-cyclical buffer of 0.0 per cent. and a O-SII buffer of 0.25 per cent. in 2018, linearly converging to 1.0 per cent. in 2021. The Pillar 2 requirement for CGD in 2018 is 2.25 per cent, against 2.5 per cent in 2017.

The phased-in CET1 and total capital ratios calculated on a consolidated basis under the CRD IV/CRR rules were 7.0 per cent. and 8.1 per cent., respectively, in December 2016. The phased-in CET1 and total capital ratios calculated on an individual basis under the CRD IV/CRR rules were 6.8 per cent. and 8.3 per cent., respectively, in December 2016. These ratios were below the current SREP requirements set by the regulators for CGD on a consolidated basis. However, the regulators have granted CGD a grace period to allow for the completion of the 2017 Recapitalisation Plan. Following the completion of the 2017 Recapitalisation Plan, CGD is no longer in breach of such SREP requirements. As of 30 June 2017, CGD's phased-in and fully implemented CET1 ratios were 12.8 per cent. and 12.6 per cent., with phased-in Tier 1 and Total ratios of 13.8 per cent. and 14.6 per cent., respectively. Current capital ratios include legacy Tier 1 instruments that do not qualify as Additional Tier 1 under the CRR, but are subject to grandfathering (on a tapered basis) until 1 January 2022.

As at 30 June 2017, the contribution of these instruments to CGD's consolidated Tier 1 ratio, under the phasing-in methodology, amounted to €48.4 million equivalent to 0.09 per cent. of the ratio. The contribution calculated in accordance with the fully implemented methodology was nil.

Current capital ratios also include legacy Tier 2 instruments, some of which do not qualify as Tier 2 under the CRR, but are subject to grandfathering (on a tapered basis) until 1 January 2022. As at 30 June 2017, the contribution of these instruments to CGD's consolidated total capital ratio, under the phasing-in methodology, amounted to €451 million, equivalent to 0.84 per cent. of the ratio. The contribution calculated in accordance with the fully implemented methodology was 0.20 per cent. CGD may be subject to regular comprehensive assessments conducted by the ECB to ascertain if its capital ratios are capable of withstanding stress test scenarios.

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

The CRD IV/CRR requirements adopted in Portugal may change, whether as a result of further changes to the CRD IV/CRR agreed by EU legislators, binding regulatory technical standards to be developed by the EBA, or of changes to the way in which these requirements apply to Portuguese banks. For example, on 23 November 2016, the EU Commission proposed substantial changes to the CRD IV, the CRR, the Bank Recovery and Resolution Directive ("BRRD") and the Single Resolution Mechanism framework (the "Proposals"). The changes include setting higher capital and additional loss absorbing capacity requirements, increasing the powers of the relevant competent authorities and incorporating regulatory definitions of trading activity, standardised and advanced RWA calculation methodologies for market risk and new standardised RWA rules for counterparty credit risk. The proposal also includes phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the CGD Group is required to adopt for the valuation of financial instruments. The impact of changes to the IFRS, such as IFRS 9, cannot be accurately quantified, but the changes in the fair values and impairments of financial instruments resulting from the above could have a material adverse effect on the CGD Group's financial condition, results of operations and, if such changes are significant, also on its prospects. The adoption of IFRS 9 may require an increase in the level of impairments.

CGD is not included in the sample list of financial institutions for the European Union wide banking comprehensive assessment stress tests exercise to be conducted by the EBA in 2018. CGD may, however, be part of other sample lists for such tests in the future.

***Changes in the Basel Committee's recommendations, and/or new recommendations, could adversely affect CGD***

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

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

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

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

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

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

The Basel Committee recently finalised the Basel III reforms to the global regulatory framework. The revisions seek to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios by:

- enhancing the robustness and risk sensitivity of the standardised approaches for credit risk, credit valuation adjustment ("CVA") risk and operational risk;
- constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based (IRB) approach for credit risk and by removing the use of the internal model approaches for CVA risk and for operational risk;
- introducing a leverage ratio buffer to further limit the leverage of global systemically important banks ("G-SIBs"); and
- replacing the existing Basel II output floor with a more robust risk-sensitive floor based on the Basel Committee's revised Basel III standardised approaches.

There is still, however, some degree of uncertainty on how and when these reforms will be implemented in the EU since the revised standards will only take effect from 1 January 2022 and the concrete impact on CGD cannot be anticipated.

***New Requirements related to liquidity ratios may affect profitability***

The Basel III recommendations endorse the implementation of liquidity coverage ratios for short and medium/long term liabilities, known as Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). The LCR addresses the sufficiency of high quality liquidity assets to meet short-term liquidity needs under a severe stress scenario and it is calculated in accordance with Delegated Regulation (EU) 2015/61 of the European Commission, of 10 October 2014. As of 2017, financial institutions have been required to maintain, in their own portfolio, high quality liquidity assets corresponding to 80 per cent. of the net cash outflows in the following 30 days. As of 2018, this requirement will increase to 100 per cent. The NSFR, which is 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 a one-year period.

As at 31 December 2016, CGD's LCR was 181.1 per cent., compared to 143.1 per cent. as at 31 December 2015, and its NSFR was 134.1 per cent., compared to 135.9 per cent. as at 31 December 2015. As at 30 June 2017, CGD's LCR was 222.3 per cent. and its NSFR was 137.1 per cent.

The fulfilment of these ratios by CGD may lead to the constitution of portfolios with high liquidity assets, but low profitability. Additionally, it may lead to an increase in financing costs, since the ratios increase favours long-term over short-term financing. Such changes may have a negative impact on CGD's results.

***Regulatory changes may have a negative impact on the Group***

The CGD Group is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. Changes in supervision and regulation, particularly in Portugal, could materially affect the CGD Group's businesses, the products and services offered or the value of its assets. At present, foreseeable changes include, but are not limited to, changes to capital adequacy regulations (Basel IV, CRR II, CRD V), or the introduction of minimum leverage ratios beyond the 3 per cent. required by Basel III. Although the CGD Group works closely with its regulators and continually monitors the ongoing situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the CGD Group.

***The CGD Group could be adversely affected by changes to tax legislation and to other laws or regulation***

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

***Minimum Requirement for own funds and Eligible Liabilities could have a material effect on the CGD Group***

The Financial Stability Board has issued a standard on Total Loss-Absorbing Capacity ("TLAC"), which sets corresponding requirements for G-SIBs. CGD is currently not considered a G-SIB. The TLAC requirement will be phased-in starting from 1 January 2019. However, there is currently work ongoing in the EU to implement the TLAC standard in EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework, as an extension of the own funds requirements and as part of the Proposals (as defined below). Although TLAC only applies to G-SIBs, in the Proposals, the European Commission has proposed that other banks, like CGD, be subject to a firm-specific minimum requirement for own funds and eligible liabilities ("MREL") regime, under which they would be required to issue a sufficient amount of eligible instruments to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof.

In accordance with Article 145-Y of the RGICSF, financial institutions will be required to meet a MREL requirement. The actual size of CGD's MREL has not yet been set. CGD expects that the Single Resolution Board ("SRB") together with the Bank of Portugal, will decide and notify it, during 2018, of what its MREL should be, as well as the timing for its implementation. The expectation is that CGD will be granted a period of several years (to be confirmed by the SRB once its MREL requirement is known) to comply with

its MREL requirement. In order to comply with this requirement, CGD may be requested, in the future, to issue own funds and additional liabilities which will be eligible to count toward the MREL requirement.

On 23 November 2016, the European Commission published legislative proposals (the "Proposals") for amendments to the CRR, the CRD IV, the BRRD and the Single Resolution Mechanism Regulation, and also proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt. The Proposals cover multiple areas, including the definitions of capital, the Pillar 2 framework, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. In addition, the European Commission announced a binding 3 per cent. leverage ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) using stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. Under the Proposals, the leverage ratio requirement is set at 3 per cent. (calculated by dividing a bank's tier one capital by its total leverage exposure measure) and is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments.

In particular, it is proposed that MREL – which should be expressed as a percentage of the total RWA and of the leverage exposure measure of the relevant institution – should be determined by the resolution authorities at an amount that allows banks to absorb losses expected in resolution and to recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure sufficient market confidence in the entity post-resolution. These higher levels are expected to take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to restrictions on the ability to make distributions (the "maximum distributable amount").

The Proposals are still to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced during the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect the CGD Group or holders of the Notes. More information on the most recent developments on the SRB MREL Policy is available at https://srb.europa.eu/sites/srbsite/files/20171120_6th_industry_dialogue_item_2_mrel_dominique_laboureix.pdf

***Strong competition is faced by the CGD Group across all the markets in which it operates***

The CGD Group faces strong competition across all the markets in which it operates, from both local and international financial institutions.

In Portugal, the principal competitors of the CGD Group in the banking sector (ranking in terms of assets as of 31 December 2016) are the Millennium BCP Group, the Novo Banco Group (the former Banco Espírito Santo, S.A. ("BES") following the resolution measures applied by the Bank of Portugal to BES on 3 August 2014), the Santander/Totta Group and the BPI Group. The competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. The CGD Group expects competition to intensify as continued merger activity in the financial industry produces larger, better-capitalised companies capable of offering a wider array of products and services, at competitive prices. If the CGD Group is unable to provide attractive and profitable product and service offerings, it may lose market share or incur losses on some or all activities.

While CGD believes it is in a position to effectively compete with these competitors, there can be no assurances that existing or increased competition will not adversely affect CGD in one or more of the markets in which it operates.

***Potential impact of recovery, resolution measures, Non-viability Loss Absorption Measure and public support measures on CGD Group's activity***

Decree-Law no. 31-A/2012, of 10 February, introduced the legal framework for the adoption of resolution measures into the RGICSF. Such framework was further amended by Decree-Law no. 114-A/2014,

of 1 August, Decree- Law no. 114-B/2014, of 4 August and by Law no. 23-A/2015, of 26 March, which transposed the BRRD into the Portuguese framework.

The provisions set out in the RGICSF aim at harmonising the resolution procedures of, among other institutions, credit institutions of the European Union Member States and at providing the authorities of such Member States with tools to prevent a failure or, when a failure occurs, to mitigate its adverse effects, by maintaining the systemically key functions of those same institutions.

The RGICSF provides for three stages of intervention by the resolution authority:

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

- Early intervention: if a credit institution breaches or is likely to breach the legal and regulatory requirements applicable to its activity, the resolution authority has the power to *inter alia*: (i) limit or modify exposure to risk; (ii) require additional information; (iii) set restrictions or prohibitions on certain activities and changes to group structures; (iv) restrict or prohibit the distribution of dividends to shareholders or the payment of interest to holders of additional tier 1 instruments; (v) replace managers or directors; and (vi) require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution.

- Resolution measures: resolution measures may consist of the following, which may be implemented individually or in conjunction.

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

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

  (iii) Asset separation tool: transfer, by virtue of a decision of the resolution authority, of rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of an institution under resolution or of a bridge institution to one or more asset management vehicles, without the consent of the shareholders of the institutions under resolution or that of any third party other than the bridge institution. The asset management vehicles are legal persons owned in full or in part by the relevant resolution fund. This measure cannot be used individually but only in conjunction with another resolution measure; and

  (iv) Bail-in tool: write down or conversion by the resolution authority of certain obligations of an institution under resolution, as defined under the applicable law, with the exception, for instance, of covered deposits and secured obligations. In exceptional circumstances, when the bail-in tool is implemented, the resolution authority may exclude or partially exclude certain liabilities from the application of the write down or conversion powers. This exception shall apply when it is strictly necessary and proportionate and shall fall under the specific requirements provided by law.

In accordance with the RGICSF (as amended, including for transposing the BRRD into Portuguese law), resolution measures may be applied to institutions if the resolution authority considers that the relevant institution meets the following conditions ("Resolution Conditions"): (a) such institutions are failing or likely to fail, (b) there is no reasonable prospect that such failure will be avoided within a reasonable timeframe by the adoption of any measures by the relevant institutions, the application of early intervention measures or through the write down or conversion of relevant capital instruments, (c) a resolution action pursues any of the public interests listed below (and (d) which, in accordance with the RGICSF, would not be pursued more

effectively by the commencement of winding-up proceedings against the relevant institution). In accordance with the RGICSF, such public interests mentioned under (c) above are the following:

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

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

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

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

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

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

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

- the resolution authority determines that an institution or such institution's group meets any of the Resolution Conditions and no resolution measure has been applied yet;

- the resolution authority determines that an institution or such institution's group will no longer be viable unless the relevant capital instruments (such as the Notes) are written-down or converted; or
- extraordinary public support is required and without such support the institution would no longer be viable.

Finally, for the purposes of improving a credit institution's financial strength and subject to (i) State Aid rules, (ii) the Capital Regulations and (iii) the principles of adequacy, necessity and proportionality in terms of return on investment and the assessment of investment risk, Law 63-A/2008, of 24 November 2008, as amended (the "Public Capitalisation Act") provides that the Portuguese State may also, recapitalise institutions, on a temporary basis, so that they comply with any required own funds ratios. Any such capital injections should be provided in exchange for shares or other instruments eligible as own funds in the relevant institution. This extraordinary public support shall only be provided to an institution that is a credit institution (such as CGD) incorporated in Portugal if: (a) it has insufficient own funds, as determined by the competent authority following the carrying out of stress tests, asset quality reviews or other equivalent tests; (b) none of the Resolution Conditions or the Non-viability Loss Absorption Tool Conditions apply to it; (c) it is solvent; (d) the public support is not provided for the purposes of covering losses declared or likely to be declared by the relevant institution; and (e) public support is required in order to preserve the financial stability and to prevent or correct a serious disturbance in the Portuguese economy. The provision of public support requires that any insufficiency of own funds is first resolved by way of the application of a Non-viability Loss Absorption Measure to the relevant institution so that (i) recapitalisation by the Portuguese State is not needed or is reduced to a minimum or (ii) public funds benefit from a more favourable regime in terms of subordination. The instruments issued by the relevant institution to be fully or partially written-down or converted into equity shall be determined by an order ("*despacho*") of the Portuguese Ministry of Finance, which has the powers of a resolution authority for this purpose.

The powers of the resolution authority set out in the RGICSF following the implementation of the BRRD have an impact on the manner in which institutions are managed as well as, in certain circumstances, on the rights of their creditors. Creditors of an institution may also be affected by the provision of public support by the Portuguese State under the Public Capitalisation Act. Noteholders may be subject to write down or conversion into equity on any application of the general bail-in tool or a Non-viability Loss Absorption Measure, which may result in the Noteholders losing some or all of their investment. The exercise of any resolution power under the RGICSF, any write down on conversion into equity preceding a potential recapitalisation of CGD under the Public Capitalisation Act and/or any suggestion of such exercise or such write down or conversion in connection with a recapitalisation could, therefore, materially adversely affect the rights of any Noteholders, the price or value of their investment in the Notes and/or the CGD's ability to satisfy their obligations under the Notes.

***Risks relating to changes in legislation on deferred tax assets could have a material effect on the CGD Group***

The CRR requires that Deferred Tax Assets ("DTA") be deducted from CET1 capital.

However, Article 39 of the CRR contains an exception for DTA that do not rely on future profitability, foreseeing that such DTA are not deducted from CET1 capital. For such purposes, DTA are deemed not to rely on future profitability when:

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

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

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

The deduction of DTA from CET1 capital would thus have an impact on credit institutions established in Member States where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses – namely, Italy, Spain and Portugal.

In this regard, the Italian and Spanish Governments enacted, in 2011 (Italy) and 2013 (Spain, with retroactive effects to 2011), amendments to national tax law that allow for the conversion of DTA into tax credits, with the aim of fulfilling the requirements for non-deductibility of DTA from CET1 capital of resident credit institutions.

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

This Law foresees that any DTA arising from the abovementioned items, accounted in taxable periods starting on or after 1 January 2015, or registered in the taxpayer's accounts in the last taxable period prior to that date, may be converted into tax credits when the taxpayer: (i) reports an annual accounting loss when the institution's annual financial statements are formally approved by the competent corporate bodies; or (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body. The amount of DTA to be converted into tax credits corresponds to the ratio between (i) the amount of the annual accounting loss, and (ii) the total amount of equity minus the amount in (i) above, and is declared by the Corporate Income Taxpayers in their annual Corporate Income Tax return, to be submitted within the five-month period after the year-end. The amount of the declared tax credit must subsequently be confirmed by the tax authorities through a tax audit procedure to be initiated within the three-month period following the expiry of the annual corporate income tax return submission deadline abovementioned.

The tax credits obtained with the conversion of DTA may be offset against any State taxes on income and on assets payable by the taxpayer or by any companies included in the same tax group or in the same group for purposes of prudential consolidation under the CRR.

However, the conversion of DTA entails the constitution of a special non-distributable reserve, equivalent to the amount of the tax credit obtained increased by 10 per cent., and conversely, the issuance of symmetric warrants to the Portuguese Republic. The warrants entitle the Portuguese Republic (i) to demand the increase of CGD's share capital through conversion of the special reserve and subsequent issue and delivery of ordinary shares representing CGD's share capital or (ii) to freely dispose of them, including by sale to third parties, which may subsequently demand such increase of CGD's share capital. To mitigate the effects of possible shareholding dilution resulting thereof, this Law grants that, at the date of issuance of the warrants, existing shareholders are automatically vested statutory entitlements that allow them to purchase the warrants from the Portuguese Republic.

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

As at 30 June 2017, the CGD Group had in its accounts €2,486.7 million DTA, of which €29 million related to reported losses and €2,457.7 million related to temporary mismatches. Of these, €1,285.6 million are dependent on future profitability and €1,172.1 million are protected under the Portuguese fiscal regime. Given that CGD has reported an accounting loss in its individual annual financial statements for the year 2016, which constitutes a trigger to the application of Law no. 61/2014, of 26 August 2014, it is expected that an amount of €446.1 million DTA will be converted into tax credits, reducing in that amount the DTA that are protected under the Portuguese fiscal regime. An additional reserve of €728.1 million will be constituted with this conversion. An adverse development could result if part of these DTA's are not recovered and consequently impact on the profitability and equity of CGD and the CGD Group.

The DTA related to reported losses are deducted from regulatory capital, and the DTA related to temporary mismatches that depend on future profitability are partially deducted to capital (the portion that exceeds the threshold of 10 per cent. of CET1) and partially weighed at 250 per cent. Finally, the DTA related to temporary mismatches protected by the Portuguese fiscal regime are weighed at 100 per cent. Eventual changes to the Portuguese fiscal regime could negatively affect the protected DTA (that would eventually be converted into DTA related to temporary mismatches that depend on future profitability). However, at this point, there are no expected changes in the fiscal regime that could negatively affect the calculation of DTA on capital ratios but CGD cannot assure that the expected changes will take place.

***The Strategic Plan imposes CGD to reduce the level of its non-performing exposures***

One of the priorities set by the Single Supervisory Mechanism ("SSM") for the banks under its supervision was a significant reduction of their stock of NPLs and of assets received in recovery processes, particularly real-estate, along with an increase in the coverage ratio from provisions and impairments.

This priority is set in the last SREP Decision issued by the ECB for the CGD Group through the establishment of reporting duties on a quarterly basis for this type of assets along with a request for the CGD Group to submit an operational plan by 28 February 2017 (which has been timely submitted) that would allow, within a reasonable and viable time frame, a reduction in the level of non-performing exposures (loans and foreclosed assets).

Recovery efforts as identified in the plan submitted by the CGD Group, in particular the enforcement of guarantees and asset sales, as well as reference amounts and deadlines, are set under the assumption that the CGD Group will recover the DTA registered and, as a consequence, preserve its regulatory capital.

The stated assumption is based on draft legislation under review by the Portuguese authorities, which will establish the tax regime for loan impairments for 2017 and thereafter. This draft legislation, which is expected to be enacted within the next few months, aims to converge the accounting and fiscal treatment of loan impairments, which is expected to significantly minimise new DTA's generated by time mismatch. On the other hand, it allows for a rather long transition period (of at least 15 years) with pre-set percentages for reductions in tax deductions related to DTA in existence at the end of December 2016, which may be deductible within the new regime.

In the event that the fiscal treatment of loan impairments is different from current expectations, the CGD Group may have to readjust its reduction plan for non-performing exposures, in particular asset sales, so that its level of capital is not affected by the removal of DTA that totalled €2,502,566,234 at the end of 2016 and that will be reduced to €2,071,924,416 after conversion in tax deferrals, under Law no. 61/2014, of 24 August.

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

On 3 August 2014, the Bank of Portugal announced the decision to apply a resolution measure to Banco Espírito Santo ("BES") consisting of a transfer of most of its business to a bridge bank, Novo Banco, specifically set up for this purpose. Novo Banco is subject to the Bank of Portugal and the ECB's supervision and is obliged to comply with all legal and regulatory rules applicable to Portuguese banks. The by-laws of Novo Banco were also approved by the Bank of Portugal.

Novo Banco's share capital, in the amount of €4.9 billion, was fully underwritten by the resolution fund (the "Resolution Fund") created by Decree-Law no. 31-A/2012 of 10 February 2012, amending the RGICSF. Of this, €3,900 million (the "2014 Portuguese State Loan") resulted from a loan granted by the Portuguese State to the Resolution Fund. The remaining amount was funded by the Resolution Fund's own funds and by loans granted by the credit institutions, including CGD, participating in the Resolution Fund, in the total amount of €700 million (the "Participants Loan"). CGD's share of this loan was and remains at €174.0 million.

On 29 December 2015, the Bank of Portugal announced that a number of decisions clarifying and completing the resolution measure applicable to BES, had been approved. In addition, the Bank of Portugal decided to transfer back to BES the obligations and liabilities arising from certain issuances of non-subordinated debt securities placed with institutional investors. The aggregate outstanding principal amount of the debt securities transferred back to BES totalled €1,941 million and had a book-value of €1,985 million. In addition to the measures mentioned above, the Bank of Portugal made a final adjustment to the perimeter of the assets, liabilities, off-balance sheet items and assets under management transferred to Novo Banco.

CGD's pro rata share in the Resolution Fund will vary from time to time according to CGD's liabilities and own funds, when compared to the other participating institutions. Contributions to the Resolution Fund are adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution. Given the relative size and composition of its balance sheet, CGD estimates that its current participation in the Resolution Fund should range between 20 per cent. and 25 per cent of the Resolution Fund. However, this number varies over time and it is very difficult to determine its exact participation at a given point in time. If only CGD's share of €174.0 million, of the €700 million loan, granted by the credit institutions to the Resolution Fund to capitalise Novo Banco, is considered, CGD's participation would be in the region of 24.9 per cent.

Notice 1/2013 (as amended), issued by the Bank of Portugal, establishes that the periodic contributions to the Resolution Fund required from each participating institution shall be determined by applying a contribution rate to an amount corresponding to (i) the average monthly balance of the total liabilities of each participating institution, minus (ii) such institution's own funds and liabilities for deposits covered by the Portuguese Guarantee Scheme ("Fundo de Garantia de Depósitos"). The applicable contribution rate is determined based on a base rate adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution.

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

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

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

According to the information contained in the statement of the Bank of Portugal regarding the sale of Novo Banco, which may be consulted at www.bportugal.pt, and in the European Commission's press release, which may be consulted at http://europa.eu/rapid/press-release_IP-17-3865_en.htm, the agreed conditions for the sale of Novo Banco include a contingent capital mechanism, under which the Resolution Fund, as shareholder, undertakes to make capital injections of up to €3.89 billion in case certain cumulative conditions materialise related to: (i) the performance of an identified set of assets of Novo Banco; and (ii) the evolution of Novo Banco's capitalisation levels. The possible capital injections to be made under this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made under the terms of the transaction and are subject to a maximum absolute limit. On the date hereof, any amounts which the Resolution Fund may need to disburse under the contingent capital mechanism described in the paragraph above cannot be estimated, and accordingly any impact which any such disbursements could have on the Resolution Fund and its resources and on the credit institutions which are contributing participants of the Resolution Fund, including CGD, can also not be estimated.

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

The recapitalisation plan assumed that Banif would enter a restructuring plan that was never agreed with DG Comp. As a consequence, in December 2015 the Portuguese Ministry of Finance informed the Bank of Portugal that Banif would be sold in the context of a resolution, as described below.

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

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

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

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

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

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

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

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

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

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

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

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

***CGD is required to make financial contributions under the EU single resolution mechanism***

Council Regulation (EU) No. 1024/2013, of 15 October 2013, established the Single Supervisory Mechanism composed of the ECB and the national competent authorities ("NCAs") of participating Member States. The Single Supervisory Mechanism is further regulated by Regulation (EU) No. 468/2014, of the ECB, of 16 April 2014. The ECB is responsible for the prudential supervision of credit institutions in the Euro area, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the EU and each Member State, with full regard and duty of care for the unity and integrity of the internal market. Regulation (EU) No. 806/2014, of the European Parliament and of the Council, of 15 July 2014, established uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms within the framework of a Single Resolution Mechanism (comprised of the Single Resolution Board and the national resolution authorities) and a Single Resolution Fund (the "SRM Regulation").

Following the implementation of the Single Resolution Mechanism (a) the initial and periodic contributions from the participating institutions falling within the scope of the SRM Regulation have been transferred to the Single Resolution Fund (by reference to the date of the implementation of the BRRD in Portugal), and (b) contributions raised from such institutions after 1 January 2016 shall be transferred by the Bank of Portugal to the Single Resolution Fund. CGD is an institution falling within the scope of the SRM Regulation and is required to contribute to the Single Resolution Fund in accordance with the SRM Regulation and its implementing regulations. Any contributions made by CGD to the Resolution Fund after 1 January 2016 shall be made only for the purposes of funding the costs of any resolution measures applied until 31 December 2014.

If a resolution measure is applicable to any other institution established in Portugal falling within the scope of the SRM Regulation and the resources then available to the Single Resolution Fund are not sufficient to provide the financial assistance required by such resolution measure, CGD (and other participating institutions) may be required to make special contributions to the Single Resolution Fund, in an amount determined in accordance with the criteria set out in the SRM Regulation: the amount of these special contributions shall not in any event exceed three times the amount of the annual contributions to the Single Resolution Fund then required from the participating institutions. For 2017, CGD's annual contribution to the Single Resolution Fund totalled €38.8 million. If payment of such special contributions affects the financial position of a participating institution, the board of the Single Resolution Mechanism may agree to suspend such payment of such participating institution for a period of up to 180 days, extendable at the request of the relevant participating institution.

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

On 3 July 2014 Directive 2014/49/EU, providing for the establishment of deposit guarantee schemes (the "recast DGSD") introduced harmonised funding requirements (including risk-based levies), protection for certain types of temporary high balances, a reduction in pay-out deadlines, the harmonisation of eligibility categories (including an extension of scope to cover deposits by most companies, regardless of size) and new disclosure requirements, and the harmonisation of the deposit guarantee systems throughout the EU. The recast DGSD was transposed in Portugal through Law no. 23-A/2015, of 27 March 2015, as amended from time to time.

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

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

***The CGD Group's business is significantly affected by 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 great part of the CGD Group's business. Adverse changes in the credit quality of the CGD Group's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in the financial systems, could affect the recovery and value of the CGD Group's assets and require an increase in loan impairments and other impairments. Accordingly, the CGD Group is subject to credit risk, i.e. the risk that the CGD Group's clients and other counterparties are unable to fulfil their payment obligations.

The CGD Group is exposed to many different counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement, and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks and investment banks. Many of these relationships expose the CGD Group to credit risk in the event of default of a counterparty or client. In addition, the CGD Group's credit risk may be exacerbated when the collateral it holds cannot be realised, or liquidated, at prices sufficient to recover, the full amount of the loan or derivative exposure it is due to cover. Many of the hedging and other risk management strategies utilised by the CGD

Group also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of the CGD Group's hedging and other risk management strategies, which could in turn have a material adverse effect on the Group's financial condition and results of operations.

Although the CGD Group regularly reviews its exposure to its clients and other counterparties, as well as its exposure to certain economic sectors and regions which the CGD Group believes to be particularly critical, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, the collateral and security provided to the CGD Group may be insufficient to cover the exposure or the obligations of others towards it, for example, due to sudden market declines that reduce the value of the collateral. Accordingly, if a major client or other significant counterparty were to default on its obligations, this could have a material adverse effect on the CGD Group's financial condition and results of operations.

The CGD Group actively manages credit risk and analyses credit transactions. Expectations about future credit losses may, however, be incorrect for a variety of reasons. An unexpected decline in general economic conditions, unanticipated political events or a lack of liquidity in the economy may result in credit losses which exceed the amount of the CGD Group's provisions or the maximum probable losses envisaged by its risk management models. As the CGD Group's operations are mostly concentrated in Portugal, it is particularly exposed to the risk of a general economic downturn or other events which affect default rates in Portugal. An increase in the CGD Group's impairment for loan losses or any loan losses in excess of these impairments could have a material adverse effect on the CGD Group's financial condition and results of operations.

The level of NPLs remains high in the Portuguese banking system, presenting an average rate of 8.13 per cent. as at 30 June 2017 (according to the Bank of Portugal). In addition, as at 30 June 2017, NPLs in the corporate sector represented 14.60 per cent., in the consumer credit sector it was 5.50 per cent., and in the mortgage credit sector 2.20 per cent. This situation is expected to continue to have a negative impact on the CGD Group's profitability.

As of 31 December 2015, the amount of credit impairments booked in its account decreased 0.6 per cent., as compared to the end of the previous year, from €5,230 million to €5,198 million; as of 31 December 2016, CGD reinforced the amount of credit impairments booked in its account by 8.4 per cent., as compared to the end of the previous year, from €5,198 million to €5,633 million; as of 30 June 2017, the amount of credit impairments booked in its account decreased 13.2 per cent., as compared to the 31 December 2016, from €5,633 million to €4,891 million. In the first half of 2017, overdue loans (defined as those loans in default for more than 90 days) represented 7.2 per cent. of the total credit portfolio and the overdue loans coverage ratio (being the ratio between such overdue loans and the respective impairments) stood at 103.9 per cent.. The coverage ratio on credit at risk stood at 103.9 per cent. and 79.0 per cent. as of 31 December 2015 and 31 December 2016, respectively.

CGD cannot assure potential investors that its level of provisions for possible impairments and other reserves will be adequate or that CGD will not have to take additional provisions for possible impairment losses in future periods. Amongst other aspects, failure by CGD to have an adequate level of provisions and other reserves or CGD's need to take additional provisions for possible impairment losses in future periods may have a material adverse effect on CGD's business activities, financial condition and results of operations.

***Changes in the rules governing the accounting treatment of impairments and provisions may adversely impact CGD***

The Bank of Portugal has established minimum provisioning requirements that apply to the individual accounts 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, such as IFRS 9 or policies, including as a result of choices made by CGD, could have a material adverse effect on the results of operations of CGD. The adoption of IFRS 9 that replaces IAS39, changes the accounting treatment that applied to the consolidated financial statements. CGD already had in place an impairment model with similarities to IFRS 9, namely the three stages approach and the lifetime measurement for stage II and has now a compliant IFRS 9 model. The inclusion of the forward looking approach and changes to the assessment of significant credit risk deterioration, as per the regulation, could lead to an impact on CGD's business activities, financial condition or results of operations. The impact is related to the potential increase in the value of provisions, and the higher sensitivity of the value of provisions based on CGD's assumptions on the future economical outcome.

***Exposure to specialised funds in credit recovery***

The CGD Group has entered into a series of transactions through which it sold assets, namely credits to customers and to funds specialised in credit recovery, in exchange for units of those funds.

In this type of specialised funds in credit recovery, the CGD Group, as any other participant, does not have the possibility to request the reimbursement of its units during the life of the funds. On the other hand, there is no secondary market for these units which makes their sale unlikely.

These units are held by several banks in the market, which are the transferors of the credits, in percentages that vary throughout the life of the funds, but which require that no bank, individually, holds more than 50 per cent. of the fund at any time.

The funds have a specific management structure, entirely independent from the participant banks, whose purpose is to ensure the implementation of recovery measures of the assets.

The CGD Group has a total exposure to these specialised funds in credit recovery of €771.8 million as at 30 June 2017, with impairments totalling €240.5 million. Thus, the CGD Group's net exposure to specialised funds in credit recovery was €531.3 million, as at 30 June 2017.

A possible deterioration in the recovery expectations of the disposed credits to specialised funds in credit recovery may result in a devaluation of the Net Asset Value of the units held by the CGD Group, which could require the establishment of additional impairments.

***Credit concentration risks may adversely affect CGD***

The CGD Group has significant credit exposure to certain groups of clients. The CGD Group has a well-diversified loan portfolio, with the top 10 exposures representing 7.5 per cent., top 30 exposures representing 12.1 per cent. and top 100 exposures representing 18.3 per cent. of its loan portfolio and with no industry representing more than 32.6 per cent. of corporate loans (in each case, as at 30 June 2017). However, if any of these groups defaults, such defaults may lead to a material increase in impairment charges, which could have an adverse effect on CGD Group's results and asset quality.

***The CGD Group is exposed to the Portuguese real estate market***

The CGD Group is exposed to the Portuguese real estate market, either directly, through assets related to its operations or obtained in lieu of payments, or indirectly, through real estate that secure loans or by financing of real estate projects, which makes it vulnerable to any depression in the housing market. The CGD Group's loan portfolio, of which 65 per cent. is collateralised, has an average LTV in the mortgage portfolio of 64.1 per cent. (in each case, as at 30 June 2017). As of 31 December 2016, the amount of real estate assets held by CGD's pension fund totalled €431.7 million, representing 17.3 per cent. of the value of the pension fund's assets.

Any significant devaluation of Portuguese real estate market prices could result in impairment losses on the assets held directly by CGD, as well as on the assets held by CGD's pension fund, and cause a decrease in the coverage of credit exposures of real estate collateral, as well as on the coverage of the pension fund's liabilities by its assets, thereby adversely affecting the financial condition and results of the CGD Group.

***CGD may be subject to an exception regime for the protection of mortgage lenders in serious economic failure***

As a result of the economic environment in the recent past, non-performing loans have increased; the segment that experienced greater impact in this respect were residential mortgage loans.

In this context, legislation has been passed to facilitate the restructuring of mortgage loans, ensure a closer monitoring of potential default situations and implement measures aimed at avoiding immediate enforcement of mortgage loans. The implementation of any such legislative measures, and of any other regulatory or self-regulatory initiatives that may be passed in the future, could lead to limitations in the level of spreads and commissions charged, as well as to an increase in CGD's credit impairments. Any exception regime that may be adopted, including the possibility that any such rules may require that, in some cases, credit institutions will be obliged to accept the repossession of assets as a way to settle clients' debts, could have a material adverse effect on CGD's business activities, financial condition and results of operations.

***The CGD Group is exposed to risks associated with changes in interest rates, exchange rates, commodity prices, equity prices and other market risks***

The most significant market risks faced by the CGD Group are those related to interest rates, foreign exchange rates and bond and equity prices. 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 derived from foreign exchange dealings. The performance of financial markets may cause changes in the value of the CGD Group's investment and trading portfolios. The CGD Group has implemented risk management methods to mitigate and control these and other market risks to which the CGD Group is exposed and exposures are constantly measured and monitored. However, it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on the CGD Group's financial condition and results of operations.

***The CGD Group is exposed to the risks associated with the value of certain financial instruments being determined using financial models that incorporate assumptions, judgments and estimates that may change over time***

The CGD Group uses internally developed models to support some of its activities, including, but not limited to, scoring models used to assess clients' (individuals and corporates) capacity to repay loans granted by the Group. Even though the CGD Group works continually to upgrade its internal models and to adapt them to constantly changing market conditions, these models do not exclude the possibility of the Group incurring losses associated with factors not foreseen or contemplated in the model's respective parameters or methodology.

***CGD may generate lower revenues from commissions and fee-based businesses***

Market downturns are likely to lead to declines in the volume of transactions that CGD executes for its customers and, therefore, to declines in CGD's non-interest revenues. In addition, because the fees that CGD charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of CGD clients' portfolios or increases the amount of withdrawals would reduce the revenues CGD receives from its asset management and private banking and custody businesses and have a material adverse effect on CGD's business activities, financial condition and results of operations. Additionally, regulatory or legislative bodies may pass laws or regulations restricting or conditioning the type and amount of commissions and fees chargeable by credit institutions to its customers, which can further reduce CGD's revenues from commissions and fees.

***CGD is exposed to pension risk***

CGD must pay retirement pensions due to sickness, disability or age of its employees, as well as the survival pensions of employees admitted as of 1 January 1992. Survival pensions of employees admitted prior to 1 January 1992 are paid by the Caixa Geral de Aposentações ("CGA"). For this effect, these employees pay 2.5 per cent. of their remuneration to CGA.

Additionally, according to the current Collective Work Agreement (*Acordo Coletivo de Trabalho Vertical* or "ACTV") for the banking sector, the former Banco Nacional Ultramarino ("BNU") undertook the commitment to pay its employees instalments on account of early retirement and for age, disability or survival related reasons. These instalments consisted of a percentage, which increased with the number of years worked, applied to the salary table that was negotiated annually with bank employee unions. In 2001, as a result of BNU's merger with CGD, the liabilities with respect to the pensions of BNU employees were transferred to CGD. Former BNU employees who were still active at the time of the merger were transferred to CGD's plan for pensions and other benefits. However, the BNU employees who were already retired and receiving pensions at the time of the merger continued to benefit from the pension plan that existed prior to their retirement.

As of 30 November 2004, CGD transferred to CGA all liabilities associated with the retirement pensions of its employees, with reference to the number of years worked until 31 December 2000, under Decree-Law no. 240-A/2004 of 29 December and Decree-Law no. 241-A/2004 of 30 December. The transfer included liabilities related with subsidies for death after normal retirement age, relative to the number of years worked, as referred above.

As a result, CGD's responsibilities with pensions as of 31 December 2016 were the following:

- Liabilities with respect to working employees for services rendered after 31 December 2000;

- For those retired between 1 January 2001 and 31 December 2016, the portion of liabilities corresponding to services rendered during that period;
- Liabilities for retirement and survival pensions of BNU employees, which were already being paid at the time of the merger; and
- Liabilities with respect to subsidies for death, relative to services rendered after 31 December 2000.

Pensions are a function of the number of years worked by employees and their respective contributions at the time of retirement, and are updated based on current retributions per working employee. CGD's pension plan is no longer applicable to current employees hired after 1 January 2006.

CGD annually revaluates whether the actuary assumptions used in the calculation of liabilities remain adequate. As of 31 December 2016, liabilities with retirement pensions amounted to €2,540.5 million. These liabilities were computed by an external actuary based on the following assumptions: a discount rate of 2.125 per cent. (for a duration of approximately 20 years), a salary growth rate of 1 per cent. and a pension growth rate of 0 per cent. for 2017 and of 0.5 per cent. for subsequent years. CGD ensures the necessary contributions to cover its pension liabilities through a pension fund that was established in December 1991. As at 31 December 2016, this pension fund had 14,066 beneficiaries.

As at 31 December 2016, the value of the pension fund's assets was €2,497.5 million, which includes an extraordinary contribution of €138.6 million corresponding to a coverage of 98.3 per cent. of pension related liabilities.

As a defined benefits plan, the nature of the CGD's contributions has two sources: (i) one related to the annual cost of working employees and (ii) extraordinary contributions resulting from actuarial or financial losses (e.g. mortality deviations, salary growth rate, discount rate).

The most significant factors contributing to an increase in contributions are the reduction of the discount rate (a reduction of 0.125 per cent. implies an increase of about €60.4 million in pension liabilities) and financial losses of the fund's assets related to adverse market conditions. In 2016, the fund registered a return of close to 0.89 per cent.

Another factor that may influence the levels of contributions is the mortality table used in the calculation of liabilities. CGD has adapted the mortality tables used in computing retirement pensions in order to adjust for life expectancy by gender. The deviation of the actuarial assumptions is revised annually.

In the event of a shortfall in its pension liabilities, the CGD Group may be required or may choose to make additional payments to the CGD Group's pension schemes which, depending on the amount, could have a material adverse effect on the CGD Group's financial condition, results of operations and prospects.

***The CGD Group is exposed to IT, data protection, management of confidential/personal information and cybercrime risks***

The CGD Group's ability to remain competitive depends in part on its ability to upgrade the CGD Group's information technology on a timely and cost-effective basis. The CGD Group must continually make significant investments and improvements in its information technology infrastructure to remain competitive. Any failure to effectively improve or upgrade the CGD Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.

The CGD Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on the CGD Group's ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The CGD Group takes protective measures and continually monitors and develops its systems to protect the Group's technology infrastructure and data from misappropriation or corruption. However, the CGD Group's systems, software and networks may nevertheless be vulnerable to unauthorised access, misuse, computer viruses or other malicious code, and other events that could have an impact on security levels. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that the CGD Group will not suffer material losses from operational risk in the future, including that relating to cyber-attacks or other

such security breaches. Furthermore, as cyber-attacks continue to evolve, the CGD Group may incur significant costs in its attempt to modify or enhance its protective measures or to investigate or remediate any vulnerabilities.

On 25 May 2018, the General Data Protection Regulation (Regulation (EU) No. 2016/679) becomes enforceable. Being a regulation, it is directly effective in all Member States without the need for the implementation of additional national legislation. The implementation and compliance with this regulation (and any additional national legislation passed in the context of the General Data Protection Regulation) is complex and entails significant costs and time, given that the General Data Protection Regulation introduces substantial and ambitious changes. Additionally, non-compliance with the General Data Protection Regulation may cause reputational damages and the application of very significant fines. The final impact on and costs arising for the CGD Group from the implementation and compliance with the General Data Protection Regulation cannot be anticipated.

***CGD's activity is subject to reputational risk***

CGD is exposed to reputational risk understood as the probability of occurrence of negative impacts for CGD resulting from an unfavourable perception of its public image, whether proven or not, from customers, suppliers, analysts, employees, investors, media and any other bodies with which CGD may be related, or even by public opinion in general.

CGD continually monitors this risk by means of, among other things, policies that govern the procedures that allow CGD: (i) to minimise the probability that reputational risk may occur; (ii) to identify this risk, report to CGD's Board of Directors and overcome situations that may involve this risk; (iii) to ensure follow up and control of any impacts of this risk; and (iv) to provide evidence, if necessary, that CGD has reputation risk amongst its main concerns and has available the organisation and means required to foresee acts and facts that may lead to this risk and, should it be the case, the ability to overcome it. In any event, CGD cannot assure potential investors that it will be able to foresee and mitigate the impacts of this risk if the same occurs and should that be the case any failure to execute CGD's reputational risk policies successfully could materially adversely affect CGD's business activities, financial condition and results of operations.

***The auditors' reports scheduled to the audited consolidated financial statements of CGD in respect of the financial years ended 31 December 2015 and 31 December 2016 and the limited review report in respect of the first semester of 2017 contain emphases***

The auditors' report scheduled to the audited consolidated financial statements of CGD in respect of the financial year ended 31 December 2015 contains the following emphasis:

"As explained in Note 41, at 31 December 2015 CGD was in compliance with the minimum capital requirements applicable to its operations, which include the regulatory minimum of 7 per cent. ("Common Equity Tier I"), as well as other capital reserves established by the European Central Bank, in its current legal framework. Considering the increasing regulatory capital requirements, including the additional requirement of 1 per cent. as from 1 January 2017 announced by the Bank of Portugal in December 2015, CGD may need additional capital in 2016. The plans which in principle will be necessary for this will be analysed and subject to approval by the shareholder, the European Central Bank and the Directorate-General for Competition of the European Commission. The financial statements for the year ended 31 December2015 were prepared in accordance with the applicable International Financial Reporting Standards, which take into account the current expectations and intentions of the Board of Directors regarding the management and future holding of Caixa's assets, namely in the determination of their impairment. In this respect, the financial statements referred to do not take into account the impact of changes in those expectations and intentions or other aspects which may result from measures to be implemented under the conditions that may be established for approval of the plans.".

In order to comply with the increasing capital requirements, the Portuguese State, as CGD's sole shareholder, and the DG Comp approved the 2017 Recapitalisation Plan. For further information see – Description of the CGD Group – Recapitalisation Plan.

The auditors' report scheduled to the audited consolidated financial statements of CGD in respect of the financial year ended 31 December 2016 contains the following emphasis:

"As explained in Note 1, in order to ensure compliance with the increasing regulatory capital requirements applicable to Caixa, the Portuguese Government, as sole shareholder, and the Directorate-

General for Competition of the European Commission ("DGComp") approved in March 2017 a recapitalisation plan for Caixa ("Recapitalisation Plan").

The Recapitalisation Plan includes a strategic plan to be implemented by Caixa until the end of 2020, which sets out measures aimed at promoting its long-term profitability. These measures include, among other aspects, decreases in headcount and in the number of branches and the disposal or closing of some Group entities. In this context, on 31 December 2016 the Group's holding in Mercantile Bank Holdings Limited was classified in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", with an impairment of €18,000,000 (Note 13) being recorded. Caixa's Management considered that the requirements set forth in the IFRS in order to record the other estimated costs related to the implementation of the strategic plan in the consolidated financial statements as of 31 December 2016 were not met.

Under the Recapitalisation Plan, Caixa's Management performed a review of the valuation for the main asset classes and high risk exposures ("Management Assessment of Asset Value" – MAAV), using the criteria and assumptions that a new significant private investor would use, as agreed with DGComp as a condition for not qualifying CGD's recapitalisation as state aid. In this context, in the quantification of impairment losses Caixa's Management considered several factors and assumptions, including its intentions regarding the future management of assets, namely of non-performing exposures ("npe"). A more accelerated divestment strategy was assumed for those exposures, which had impacts, among others, on the valuation of credit collateral and real estate repossessed through credit recovery and on the impairment for a set of loan exposures for which a sale perspective was assumed. In developing these estimates, Management also considered some of the criteria for the determination of impairment and classification of credits set out in recent documents published by the European Central Bank and the European Banking Authority ("EBA"). The MAAV review and the changes in expectations, intentions and underlying assumptions contributed significantly to the amount of provisions and impairment losses for loans and other assets recorded in 2016, which totalled €3,016,942,000.

As described in Note 43, on 4 January 2017 Caixa's share capital was increased by €1,444,144,000 through the conversion of hybrid financial instruments eligible as Core Tier 1 capital and the delivery of shares representing 49 per cent. of the share capital Parcaixa, SGPS, S.A.. On 30 March 2017, the share capital was further increased by €2,500,000,000 in cash, following the issuance of Additional Tier I securities in the amount of €500,000,000. These operations enabled Caixa to resume compliance with the capital requirements defined by the regulator, which was not occurring on 31 December 2016. Under the Recapitalisation Plan, Caixa shall also issue additional subordinated debt instruments amounting to €430,000,000 within 18 months after the date of this first issue".

CGD's Recapitalisation Plan includes a strategic plan to be implemented between 2017 and 2020. The strategic plan builds upon four strategic pillars and includes a set of targets, validated by DG Comp. These targets relate to each of the four pillars and are described in more detail in the section "Description of the CGD Group – Strategic Plan". CGD will work to achieve the proposed targets by implementing a set of initiatives described under each pillar. In case the defined targets are not achieved a new set of initiatives will have to be taken by CGD.

The limited review report in respect of the first half of 2017 contains the following emphasis: "Without modifying our conclusion, we draw attention to the following situations:

- As described in Note 1 to the condensed consolidated financial statements, in March 2017, a recapitalisation plan for CGD was approved, based on a four year strategic plan (2017-2019), which comprised two phases of recapitalisation that were concluded on January 4, 2017 and March 30, 2017. These operations enabled the Group to comply with the regulatory capital requirements as at June 30, 2017. Additionally, in accordance with the recapitalisation plan, CGD will be required to issue additional subordinated debt instruments for an amount of €430,000,000 by September 2018.
- The strategic plan foresees a set of restructuring measures to be implemented during the period 2017 to 2020. As described in Note 21 of the condensed consolidated financial statements, the provisions recorded as at June 30, 2017 for the partial execution of these measures amounts to €383,000,000."

CGD is closely monitoring the implementation of the Strategic Plan, evaluating the necessity of additional measures in case the targets defined under this plan are not met.

***The CGD Group is subject to infrastructure risks***

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

***The CGD Group is exposed to operational risks***

In the course of its activities, the CGD Group may face operational risks including, but not limited to, the risk of losses resulting from inadequacies or procedural faults, caused by persons and information systems, or due to external events. The operational risk management within the CGD Group is based on analysis by processes (end-to-end) supported by a set of guidelines, methodologies and regulations recognised as good practice.

The CGD Group has adopted, on a consolidated basis, the standard method in the calculation of own funds requirements.

According to the Standard Method and on a consolidated basis, own funds requirements to hedge operating risk was at €252 million as at 31 December 2016. Increases to this amount may have a negative impact on the CGD Group's capital ratios.

***The CGD Group is subject to the risk that liquidity may not always be readily available; this risk is exacerbated by current conditions in global financial markets***

Liquidity risk arises from the present or future inability to pay liabilities as they mature. Banks, principally by virtue of their business of providing long-term loans and receiving short-term deposits, are subject to liquidity risk. Over the last few years many banks have resorted to obtaining funds from market sources instead of from their traditional sources (retail deposits).

The maintenance of sufficient customer deposits to fund the CGD Group's loan portfolio is subject to certain factors outside the CGD Group's control, such as depositors' concerns relating to the economy in general, the financial services industry or the CGD Group in particular, ratings downgrades (including any downgrade of other financial institutions or the Republic of Portugal), significant further deterioration in economic conditions in the Republic of Portugal and the existence and extent of deposit guarantees. Any of these factors, on their own or combined, could lead to a reduction in the CGD Group's ability to access customer deposit funding on appropriate terms in the future and could result in deposit outflows, both of which would have an impact on the CGD Group's ability to fund its operations and meet its minimum liquidity requirements, and may require the CGD Group to increase its use of sources other than deposits, if available, to fund its loan portfolio.

The CGD Group's liquidity could also be impaired by an inability to access debt markets, to sell assets or redeem its investments, as well as other outflows of cash or collateral deterioration. These situations may arise due to circumstances that the CGD Group is unable to control, such as continued general market disruption, loss in confidence in the financial markets, uncertainty and speculation regarding the solvency of market participants, credit rating downgrades or operational problems that affect third parties. Access to the financial markets has been limited since the 2007 disruptions in the credit markets. Funding in the interbank markets or via the capital markets has been very difficult, especially since 2010, for banks from EU periphery economies. Even a perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution.

The CGD Group also holds an investment portfolio which has a material exposure to Portuguese government bonds, other sovereign and corporate bonds and equity. Such investment portfolio may fluctuate in value and have a materially negative impact on CGD's capital position.

The CGD Group also borrows from the ECB. Thus, any adverse change to the ECB's lending policy or any changes to the funding requirements set by the ECB, including changes to collateral requirements (particularly those with retroactive effects), could significantly affect the CGD Group's results of operations, business and financial condition.

The ECB establishes the valuation and eligibility criteria that eligible securities must meet in order to be used on repo transactions with financial institutions. Downgrades of Portugal's credit rating or of Portuguese companies, or changes to the alluded valuations or eligibility criteria, can have a negative impact on the portfolio of securities eligible for that purpose and reduce the liquidity lines available from the ECB. Additionally, downgrades of Portugal's credit rating or of Portuguese companies can result in an increase in haircuts to any eligible collateral or in the non-eligibility of such assets, thereby decreasing the total amount of eligible portfolio. As the Portuguese Government elected not to negotiate a precautionary programme at the end of the adjustment programme, the eligibility of Portuguese public debt will depend on the maintenance of an "investment grade" rating by at least one rating agency. Until recently, DBRS was the only rating agency that attributed an "investment grade" rating to Portugal. As of the date hereof, three rating agencies attribute "investment grade" rating to Portugal (DBRS, S&P and Fitch). If Portugal fails to have at least one "investment grade" rating attributed, this would result in the non-eligibility of Portuguese public debt for financing with the ECB.

The curtailment or termination of liquidity operations by the ECB, including the end of the ECB's longer-term refinancing operations programme without a substitute or transitional measure, would force the CGD Group to substitute its financing with the ECB with alternative sources of funding which may only be available, if at all, at unfavourable conditions or force CGD to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations and could significantly increase its funding costs.

In March 2016, in pursuing its price stability mandate, the ECB announced additional measures in addition to the decrease of its main refinancing rate from 0.05 per cent. to 0.00 per cent. and the change of the deposit facility rate for banks from minus 0.20 per cent. to minus 0.40 per cent., the ECB also announced three major decisions:

- launch of a new series of targeted longer-term refinancing operations ("TLTRO II"), starting in June 2016, each with a maturity of four years. Banks participating in TLTRO-II can borrow an amount up to 30 per cent. of their outstanding loans to businesses and consumers;
- expand the monthly purchases under the asset purchase programme ("APP") from €60 billion to €80 billion as well as increase the issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks from 33 per cent. to 50 per cent.. As of 2 January 2017, the APP was further amended. In addition to the extension of the programme, the following parameters will be adjusted:
  - the maturity range of the public sector purchase programme ("PSPP") will be broadened by decreasing the minimum remaining maturity for eligible securities from two years to one year; and
  - purchases of securities under the APP with a yield to maturity below the interest rate on the ECB's deposit facility will be permitted to the extent necessary. The implementation details will be worked out by the relevant committees; and
- include investment-grade euro denominated bonds issued by non-bank corporations established in the euro area in the list of assets that are eligible for regular purchases under a new corporate sector purchase programme ("CSPP").

In December 2016, the ECB announced it would continue its APP until year-end 2017, at the least, but would scale back the monthly amount of purchases to €60 billion from April 2017 onwards.

On 26 October 2017 the ECB's Governing Council decided that net purchases would be reduced from the monthly pace of €60 billion to a new monthly pace of €30 billion from January 2018 until the end of September 2018. The intention is for securities purchases to be carried out until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2 per cent. over the medium term.

Although the CGD Group puts significant efforts in its liquidity risk management and focuses on maintaining a liquidity surplus in the short term, the CGD Group is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be suitable to eliminate liquidity risk.

***The international financial markets crisis may affect the CGD Group's business***

Several constraints and challenges remain in the Euro Area. Some of these may result from political factors and other geopolitical developments. In addition to the uncertainties surrounding the United Kingdom's exit from the European Union following the referendum of 23 June 2016, which saw the country vote to leave the European Union, the outcome of elections held in other EU countries in 2017 and scheduled for 2018 may have unpredictable consequences in the international financial markets. The possibility of terrorist attacks may also disrupt international financial markets for undetermined periods of time. The CGD Group's activities and funding ability may therefore be affected by such developments.

***United Kingdom's Exit from the European Union may adversely affect the CGD Group's business***

On 23 June 2016, the United Kingdom (the "UK") held the UK referendum, the result of such referendum's vote was to leave the EU, which creates several uncertainties within the UK, and regarding its relationship with the EU. On 29 March 2017, the UK served notice in accordance with article 50 of the Treaty on European Union of its intention to withdraw from the EU. The notification of withdrawal started a two-year process during which the terms of the UK's exit will be negotiated, although this period may be extended in certain circumstances.

The result and the resulting negotiations are likely to generate further increased volatility in the markets and economic uncertainty which could adversely affect one or more of the parties involved in the issue of the Notes (including CGD). Until the terms and timing of the UK's exit from the EU are confirmed, it is not possible to determine the full impact that the referendum, the UK's departure from the EU and/or any related matters may have on general economic conditions in the UK.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of CGD to satisfy its obligations under the Notes.

***Litigation and Conduct risks***

The CGD Group faces various issues that may give rise to the risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest, legal, and regulatory requirements, ethical issues, and conduct by companies in which the CGD Group holds strategic investments or joint venture partnerships, which could increase the number of litigation claims and the amount of damages asserted against the CGD Group, or subject the CGD Group to regulatory enforcement actions, fines and penalties. Any material legal proceedings, or publicity surrounding such legal or regulatory proceedings, may adversely impact on the CGD Group's business, reputation and results of operations.

***CGD's relationship with the Dealers and their ongoing investment and trading activities***

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 for, CGD and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of CGD or CGD's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with CGD routinely hedge their credit exposure to CGD consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. Certain of the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## Risk factors relating to the Notes

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

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

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

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

(iv) thoroughly understand the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. Prospective investors in the Notes should verify the credit ratings of CGD and the Notes at all times. 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. In addition, rating agency methodologies, and therefore the ratings themselves (particularly as these specifically relate to Tier 2 capital instruments, such as the Subordinated Notes), may change without warning at any time. 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. See also the risk factor headed "The CGD Group's borrowing costs and liquidity levels may be negatively affected by further downgrades of Portugal's sovereign rating".

*Unsolicited credit ratings could have a negative impact*

Unsolicited credit ratings are based only on public available information, not considering information obtained directly from the analysed entity. As such, these ratings may be lower than a rating assigned on the basis of a credit report that has followed all the normal procedures including a substantial due diligence necessary for the evaluation of the creditworthiness of the relevant Issuer. Consequently, an unsolicited credit rating of CGD could impact investors' assessment and could affect CGD's cost of borrowing.

*Notes subject to optional redemption by the relevant Issuer; and Subordinated Notes may be redeemed upon the occurrence of certain events*

Subordinated Notes may, under the circumstances set out, and subject to that provided in Condition 6(c) (*Redemption for Taxation Reasons*), 6(d) (*Redemption at the Option of the Issuer*) and 6(e) (*Redemption due to a change in Regulatory Capital Treatment*), be redeemed early at the option of the relevant Issuer. Any other Notes may also be redeemed early by the relevant Issuer at its sole option as set out, and subject to that provided, in the Conditions.

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

The relevant Issuer may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally 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.

*Notes issued at a substantial discount or premium*

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

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

The relevant Issuer's obligations under Subordinated Notes will be unsecured and subordinated. In the event of the bankruptcy or winding-up of the relevant Issuer, the relevant Noteholders' claims shall be subordinated in right of payment to the claims of all unsubordinated creditors of the relevant Issuer. Accordingly, no payments of amounts due under the Subordinated Notes will be made to the Noteholders in the event of bankruptcy or winding-up of the relevant Issuer (to the extent permitted by the applicable law) except where all sums due from the relevant Issuer in respect of the claims of all unsubordinated creditors of the relevant Issuer are paid in full, as more fully described in Condition 3(b). Although the Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a significant risk that an investor in the Subordinated Notes will lose, all or some of its investment should the relevant Issuer become insolvent, while investors in other comparable but not subordinated notes may not lose or lose less of its investment in such event.

*Risks related to withholding tax applicable to the Notes*

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("Interbolsa"), as management entity of the Portuguese Centralised System (*Central de Valores Mobiliários*), held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime approved by Decree-Law 193/ 2005 of 7 November, as amended, ("Decree-Law 193/2005"), may benefit from an up-front withholding tax exemption, provided that certain procedures and certification requirements are complied with (see "Taxation – Portugal" for these procedures and certification requirements). In order to benefit from this regime it is mandatory that the Book Entry Notes be integrated in and held through (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in an EU Member State other than Portugal 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) in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of Decree-Law 193/2005. Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 25 per cent. (in case of legal persons), of 28 per cent. (in case of individuals) or of 35 per cent. (in case of payments to (i) omnibus accounts without disclosure of the effective beneficiary or to (ii) legal persons or individuals domiciled in blacklisted jurisdictions as defined in Ministerial Order 150/2004 of 13 February, as amended from time to time, as the case may be, or, if applicable, in reduced withholding tax rates (to which a 5, 10, 12 or 15 per cent. rate may apply), pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see "Taxation – Portugal").

*Risks related to procedures for collection of Noteholders' details*

It is expected that the direct registering entities (*entidades registadoras directas*), the participants and the clearing systems will follow certain procedures to facilitate collection from the effective beneficiaries of the Notes ("Noteholders") of the information referred to in "Risks related to withholding tax" above required to comply with the procedures and certifications required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting proof from the Noteholders of their non-Portuguese resident status and of the fulfilling the other requirements for the exemption rests with the direct registering entities (*entidades registadoras directas*) the participants and the entities managing the international clearing systems. A summary of these procedures is set out in "Taxation – Portugal". Such procedures and certifications may be revised from time to time, in accordance with applicable Portuguese laws and regulations, further clarification

from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems. While the Notes are registered by Interbolsa, or by an applicable international clearing system under Decree-Law 193/2005, Noteholders must rely on and comply with such procedures in order to receive payments under the Notes free of any withholding, if applicable. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the relevant Issuers, the Arranger, the Dealers, the paying agents or the direct registering entities (*entidades registadoras directas*), or the clearing systems, their management entities or participants, assume any responsibility in this regard.

*The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes*

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "Subsequent Reset Rate"). The Subsequent Reset Rate for any Reset Period can be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

*Subordinated Notes, Remedies for Non-Payment*

The sole remedy against the relevant Issuer available to the Trustee or to any Noteholder or Couponholder for the recovery of amounts owed in respect of any payment of principal or interest in respect of any Subordinated Notes will be the institution of proceedings for the winding up of the relevant Issuer and/or proving in any winding up of the relevant Issuer. As such, the remedies available to holders of Subordinated Notes are more limited than those typically available to holders of senior-ranking securities, including Senior Notes, which may make enforcement more difficult.

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

*No limitation on issuing senior or pari passu securities*

There is no restriction on the amount of securities or other liabilities that the relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, any other issue of Subordinated Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders upon a winding-up or insolvency of the CGD Group.

*Modification, waivers and substitution*

The Terms and Conditions of the Notes and the Trust Deed, particularly Conditions 10 and 11, contain provisions for calling meetings of Noteholders to consider matters generally affecting their interests. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

*The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks*

So-called benchmarks such as the Euro Interbank Offered Rate ("EURIBOR") and other indices which are deemed "benchmarks" (each a "Benchmark" and together, the "Benchmarks"), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the relevant benchmarks to perform differently than in the past, or have other consequences which may have a material adverse effect on the value of and the amount payable under the Notes.

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

Pursuant to article 20 of the Benchmark Regulation and to Regulation (EU) 2016/1368, EURIBOR and LIBOR have each been considered a critical benchmark, and are therefore subject to mandatory administration, in accordance with article 21 of the Benchmark Regulation. Accordingly, the administrator for each of EURIBOR and LIBOR shall be part of the register of benchmark administrators referred to in article 36 of the Benchmark Regulation.

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

LIBOR, EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

For example, on 27th July, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the interest provisions of the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes and the fallback provisions relating to Reset Notes whose interest rates are linked to such benchmark which may, depending on the manner in which the benchmark is to be determined under the terms and conditions, result in the effective application of a fixed rate based on the rate which applied in the previous period when the benchmark was available). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

*Implementation of legislation relating to taxation could have a material adverse effect on the Notes*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the jurisdiction where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon the tax section contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, disposal and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

*Mandatory Automatic Exchange of Information could have a material adverse effect on the Notes*

EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), required EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid or secured by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in another Member State. A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, Member States had entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Meanwhile, further measures in the field of information exchange were adopted at the EU-level, namely with the approval by the European Council Directive no. 2014/107/EU of 9 December 2014, which amended EU Council Directive no. 2011/16/EU (the "Administrative Cooperation Directive") to extend the mandatory automatic exchange of information to a wider range of income, including financial income, in line with the Standard for Automatic Exchange of Financial Account Information in Tax Matters issued by Organisation for Economic Co-operation and Development in July 2014 and with the bilateral exchange agreements between the United States of America and several other countries to implement the United States' Foreign Account Tax Compliance Act ("FATCA").

On 10 November 2015, the European Council approved Directive no. 2015/2060, repealing the EU Savings Directive with effect from 1 January 2016 (and from 1 January 2017 in case of Austria), though certain provisions will continue to apply for a transitional period. The repeal of the EU Savings Directive aimed at preventing overlap between the EU Savings Directive and the new automatic exchange of information regime to be implemented under the Administrative Cooperation Directive (as amended by EU Council Directive no. 2014/107/EU).

Portugal has implemented the EU Savings Directive into Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended. Accordingly, it is expected that Decree-Law no. 62/2005, of 11 March 2005, will be revoked.

Portugal has implemented the Administrative Cooperation Directive (as amended by the EU Council Directive no. 2014/107/EU) into Portuguese law through Decree-Law no. 64/2016, of 11 October 2016 ("Portuguese CRS Law"), which has introduced amendments to the Decree-Law no. 61/2013, of 10 May 2015, in this regard. Under the Portuguese CRS Law, the first exchange of information was due by 31 July 2017 for information related to the calendar year 2016. For calendar year 2017 and the subsequent years, exchange of information is due by 31 July 2018 and 31 July of the following years.

Prospective investors resident in Portugal should consult their own legal or tax advisers regarding the consequences of the Administrative Cooperation Directive and the FATCA regulations in their particular circumstances.

*The Notes may be subject to Financial Transaction Tax ("FTT")*

On 14 February 2013, the European Commission adopted a proposal (the "Commission's Proposal") for a Directive on a common FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia (the "Participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, 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 the 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 Portuguese Government has been granted with an authorization from the Portuguese Parliament (in the State Budget Law for 2013, in the State Budget Law for 2014 and in the State Budget Law for 2015) to create the FTT. However, the authorization was granted before the proposal for a Directive for a common financial transaction tax being approved and it is not expected that the FTT is created in Portugal before the above mentioned Directive is approved and then enters into force.

The proposed FTT proposal remains subject to negotiation between the Participating Member States (excluding Estonia), and its scope remains uncertain. It may therefore be altered prior to any implementation, the timing of which remains uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

*Changes in regulatory US Foreign Account Tax Compliance Withholding can affect adversely the Notes*

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 ("FATCA") impose a reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-US financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-US financial institution. Whilst the Notes are held within the CSD, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the CSD and the Issuer has therefore no responsibility for any amount thereafter transmitted through the CSD and custodians or intermediaries. Prospective investors should refer to the section Taxation – Foreign Account Tax Compliance Act.

*Judicial decision and change of law may impact after the issue of the relevant Notes*

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

*CGDFB may be subject to local insolvency legislation*

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the "Assembly") in case of the opening in France of an accelerated preservation procedure (*procédure de sauvegarde accélérée*), an accelerated financial preservation procedure (*procédure de sauvegarde financière accélérée),* a preservation procedure (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the relevant Issuer (subject to certain statutory conditions being satisfied in a judicial reorganisation procedure (*procédure de redressement judiciaire*) or a preservation procedure (*procédure de sauvegarde*)), in order to defend their common interests.

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

The Assembly deliberates on the draft accelerated preservation plan (*projet de plan de sauvegarde accélérée),* the draft accelerated financial preservation plan *(projet de plan de sauvegarde financière accélérée),* the draft preservation plan *(projet de plan de sauvegarde)*) or the draft judicial reorganisation plan (*projet de plan de redressement*) applicable to CGDFB, and may notably agree to:

– reschedule and/or partially or totally write-off their receivables;

– establish a differentiated treatment between holders of debt securities (including the Noteholders) if their difference of situations so justifies; and/or

– decide to convert debt securities (including the Notes) into shares.

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

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

*Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes so that its holding amounts to a minimum Specified Denomination.

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

**Risks related to the market generally**

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

*The secondary market generally*

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

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

*Exchange rate risks and exchange controls*

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

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

*Interest rate risks*

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

*Legal considerations may restrict certain investments*

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

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the Base Prospectus of the Issuers dated 15 January 2016, the Base Prospectus of the Issuers dated 24 October 2014, the Base Prospectus of the Issuers dated 21 October 2013, the Base Prospectus of the Issuers dated 28 June 2012 and the Base Prospectus of the Issuers dated 20 February 2008 and the audited annual financial statements of CGD for the financial years ended 31 December 2015 and 2016 together, in each case, with the audit report thereon, the unaudited consolidated financial statements of CGD for the six months ended 30 June 2017, the unaudited consolidated financial statements of CGD for the first nine months ended 30 September 2017, and the unaudited consolidated financial results of CGD for the financial year ended 31 December 2017, which have been previously published or are published simultaneously with this Prospectus and which have been filed with the CSSF. Such documents shall be incorporated by reference in and form part of this Prospectus, save that (i) any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) and (ii) any document which is incorporated by reference therein shall not constitute part of this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any non-incorporated part of a document referred to herein is either not relevant for an investor or is otherwise covered elsewhere in this Prospectus.

In addition, such documents will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Issuer confirms that the financial information incorporated by reference from the "Press Release Financial Results at 31 December 2017" has not been audited and is substantially consistent with the final figures to be published in the next annual audited consolidated financial statements.

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 Regulation (EC) No. 809/2004 as amended. The information incorporated by reference above is available as follows:

| ***Information incorporated by reference*** | ***Reference*** |
|---|---|
| **Caixa Geral de Depósitos, S.A. audited annual consolidated financial statements for the year ended 31 December 2015** | 2015 Annual Report ("2015 AR") |
| Consolidated Balance Sheet | 149 |
| Consolidated Income Statement | 150 |
| Consolidated Statement of Comprehensive Income | 151 |
| Consolidated Cash Flow Statement | 152 |
| Consolidated Statement of Changes in Shareholders' Equity | 153 |
| Notes to the Consolidated Financial Statements | 154-325 |
| Audit Reports and Opinions on the Consolidated Financial Statements | 336-348 |
| **Caixa Geral de Depósitos, S.A. audited annual consolidated financial statements for the year ended 31 December 2016** | 2016 Annual Report ("2016 AR") |
| Consolidated Balance Sheet | 160 |
| Consolidated Income Statement | 161 |
| Consolidated Statement of Comprehensive Income | 162 |
| Consolidated Cash Flow Statement | 163 |
| Consolidated Statement of Changes in Shareholders' Equity | 164 |
| Notes to the Consolidated Financial Statements | 165-356 |

| *Information incorporated by reference* | *Reference* |
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| Audit Reports and Opinions on the Consolidated Financial Statements | 370-395 |
| **Caixa Geral de Depósitos, S.A. unaudited consolidated financial statements for the six months ended 30 June 2017** | Board of Directors Report 1st Half 2017 ("2017 BoDR") |
| Unaudited Consolidated Balance Sheet | 2017 BoDR 64 |
| Unaudited Consolidated Income Statement | 2017 BoDR 65 |
| Unaudited Consolidated Statement of Comprehensive Income | 2017 BoDR 66 |
| Unaudited Consolidated Cash Flow Statement | 2017 BoDR 67 |
| Unaudited Consolidated Statement of Changes in Equity | 2017 BoDR 68 |
| Notes to the Consolidated Financial Statements | 2017 BoDR 69-204 |
| Report on Limited Review of Condensed Consolidated Financial Statements | 2017 BoDR 211-212 |
| **Caixa Geral de Depósitos, S.A. unaudited consolidated financial results for the nine months ended 30 September 2017** | Financial Results at 30 September 2017 ("2017 CGD") |
| Unaudited Consolidated Balance Sheet | 2017 CGD 12 |
| Unaudited Consolidated Income Statement | 2017 CGD 13 |
| **Caixa Geral de Depósitos, S.A. unaudited consolidated financial results 2017** | Press Release Financial Results at 31 December 2017 ("PR 2017 CGD") |
| Unaudited Consolidated Balance Sheet | PR 2017 CGD 15 |
| Unaudited Consolidated Income Statement | PR 2017 CGD 16 |
| **Base Prospectus of Caixa Geral de Depósitos dated 15 January 2016** | |
| Terms and Conditions of the Notes | Prospectus of the Issuers dated 15 January 2016, pages 46-75 |
| **Base Prospectus of Caixa Geral de Depósitos dated 24 October 2014** | |
| Terms and Conditions of the Notes | Prospectus of the Issuers dated 24 October 2014, pages 44 to 74 |
| **Base Prospectus of Caixa Geral de Depósitos dated 21 October 2013** | |
| Terms and Conditions of the Notes | Prospectus of the Issuers dated 21 October 2013, pages 34 to 63 |
| **Base Prospectus of Caixa Geral de Depósitos dated 28 June 2012** | |
| Terms and Conditions of the Notes (other than Publicly Offered Book Entry Notes) | Prospectus of the Issuers dated 28 June 2012, pages 41 to 71 |
| Terms and Conditions of the Publicly Offered Book Entry Notes | Prospectus of the Issuers dated 28 June 2012, pages 77 to 102 |
| **Base Prospectus of Caixa Geral de Depósitos dated 20 February 2008** | |
| Terms and Conditions of the Notes | Prospectus of the Issuers dated 20 February |

| *Information incorporated by reference* | *Reference* |
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| | 2008, pages 30-60 |

## PROSPECTUS SUPPLEMENT

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

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

## *AVAILABLE INFORMATION*

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

## FORWARD-LOOKING STATEMENTS

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

## GENERAL DESCRIPTION OF THE PROGRAMME

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

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| **Issuers** | Caixa Geral de Depósitos, S.A. ("CGD")<br>CGD may also issue Notes through its French branch, Caixa Geral de Depósitos, S.A. ("CGDFB")<br>As at the date of this Prospectus, CGD will not issue syndicated Notes until (i) an appropriate resolution has been passed by its Board of Directors (or Executive Committee) and (ii) the Dealers have been provided with a legal opinion from CGD's external legal advisers in Portugal. For non-syndicated issues, see "General Information" below. |
| **Description** | Euro Medium Term Note Programme. |
| **Size** | Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. |
| **Arranger** | Merrill Lynch International |
| **Dealers** | Bayerische Landesbank<br>BNP PARIBAS<br>Caixa-Banco de Investimento, S.A.<br>Caixa Geral de Depósitos, S.A.<br>Commerzbank Aktiengesellschaft<br>Deutsche Bank AG, London Branch<br>HSBC Bank plc<br>J.P. Morgan Securities plc<br>Mediobanca - Banca di Credito Finanziario S.p.A.<br>Merrill Lynch International<br>Mizuho International plc<br>Morgan Stanley & Co. International plc<br>MUFG Securities EMEA plc<br>NATIXIS<br>Nomura International plc<br>Société Générale<br>The Royal Bank of Scotland plc (trading as NatWest Markets)<br>UBS Limited<br>UniCredit Bank AG<br>The Issuers may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches. |
| **Trustee** | Citicorp Trustee Company Limited |
| **Issuing and Paying Agent in respect of Notes other than Book Entry Notes** | Citibank N.A., London Branch |
| **Portuguese Paying Agent in respect of Book Entry Notes** | Caixa Geral de Depósitos, S.A. |

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| **Method of Issue** | The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document (the "Final Terms"). |
| **Issue Price** | The Final Terms will specify the Issue Price. Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. |
| **Form of Notes** | The Notes (other than Book Entry Notes) may be issued in bearer form ("Bearer Notes", which expression includes Notes which are specified to be Exchangeable Bearer Notes), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only. Each Tranche of Bearer Notes will initially be represented by either a Temporary Global Note or a Permanent Global Note which will be deposited (a) in the case of Notes issued in NGN form, on or prior to the original issue date to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) in the case of Notes issued in CGN form, on the Issue Date, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or (c) in the case of a Tranche intended to be cleared through a clearing system other than Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the relevant Issuer, the Trustee, the Issuing and Paying Agent, Paying Agent, any other agents and the relevant Dealer(s). No interest will be payable in respect of a Temporary Global Note except as described under "Summary of Provisions Relating to the Notes while in Global Form". Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if so stated in the relevant Final Terms, for Definitive Notes but, if TEFRA D (as defined below under "Selling Restrictions") apply to such Tranche, only after the date falling 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership, or (in the case of Exchangeable Bearer Notes) for Registered Notes (as described below). Interests in Permanent Global Notes will be exchangeable for Definitive Notes in bearer form or (in the case of Exchangeable Bearer Notes) for Registered Notes in the limited circumstances described under "Summary of Provisions Relating to the Notes while in Global Form".<br><br>Registered Notes of each Tranche of a Series which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by interests in an Unrestricted Global Certificate, without interest coupons, deposited with a nominee for, and registered in the name of a common depositary of, Clearstream, Luxembourg and Euroclear on its Issue Date. Registered Notes of such Tranche sold in the United States to qualified institutional buyers |

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| | pursuant to Rule 144A ("Restricted Notes") will initially be represented by a Restricted Global Certificate, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any Restricted Global Certificate and any individual Definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under "Transfer Restrictions".<br><br>In addition, CGD may issue Book Entry Notes that will be integrated in and held through Interbolsa, if so specified in the relevant Final Terms. The terms and conditions of each series of Book Entry Notes shall be the terms and conditions set out in this Prospectus, as supplemented, as necessary by a supplement to this Prospectus, and/or the relevant Final Terms. The Book Entry Notes are constituted by a deed poll given by CGD in favour of holders Book Entry Notes dated 23 February 2018 (the "Instrument"). |
| **Clearing Systems** | Clearstream, Luxembourg and Euroclear for Bearer Notes, Clearstream, Luxembourg, Euroclear and DTC for Registered Notes and Interbolsa, Clearstream Luxembourg and Euroclear for Book Entry Notes. In relation to any Tranches, Notes may be cleared through such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. |
| **Initial Delivery of Notes other than Book Entry Notes** | On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes issued in NGN form will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes issued in CGN form will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, the Unrestricted Global Certificate representing Unrestricted Notes will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear and the Restricted Global Certificate representing Restricted Notes will be deposited with a custodian for DTC. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems. |
| **Currencies** | Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers except Book Entry Notes, which may only be issued in euros or such other currencies accepted by Interbolsa for registration and clearing. |
| **Maturities** | Such maturities as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations |

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| | applicable to the relevant Issuer or the relevant Specified Currency. At the date of this Prospectus, the minimum maturity of all Notes is one month except in the case of Subordinated Notes, where the minimum maturity is five years and one day.<br><br>Book Entry Notes shall not be issued with maturity of less than 398 (three hundred and ninety-eight) days.<br><br>Under the Luxembourg Law dated 10 July, 2005 relating to prospectuses for securities, as amended which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law. |
| **Denomination** | Notes (including Book Entry Notes) will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms, save that, in respect of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in other currencies).<br><br>Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of section 19 of the Financial Securities and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies). Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, in each case subject to compliance with all legal and/ or regulatory requirements applicable to the Specified Currency. |
| **Fixed Rate Notes** | Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms. |
| **Reset Notes** | Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Terms and Conditions. |
| **Floating Rate Notes** | Floating Rate Notes will bear interest determined separately for each Series as follows:<br><br>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or |

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| | (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.<br>Interest periods will be specified in the relevant Final Terms. |
| **Zero Coupon Notes** | Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest. |
| **Interest Periods and Interest Rates** | The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms. |
| **Redemption** | Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Any early redemption of a Subordinated Note will be subject to the prior consent or approval of the Competent Authority.<br>Unless previously redeemed, purchased and cancelled, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount, which shall be at least equal to its nominal amount. |
| **Cash Bonds** | Notes may qualify as cash bonds (*obrigações de caixa*) under the terms of Decree Law No. 408/91 of 17 October 1991 (as amended), provided that certain requirements set out therein are met, including that (i) such Notes have a maturity of not less than two years, (ii) the relevant Issuer is not entitled to acquire such Notes before two years have elapsed since the relevant Issue Date and (iii) the Noteholders may not choose to redeem such Notes before one year has elapsed since the relevant Issue Date. |
| **Optional Redemption** | The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, although this will not apply in any event to Subordinated Notes save for in the limited circumstances set out in Condition 6(b), (c), (d) and (e). |
| **Substitution** | The Trustee and the relevant Issuer are permitted to agree to the substitution in place of the relevant Issuer (or any previous substitute) as principal debtor in respect of the Notes of any other wholly-owned Subsidiary of CGD, subject to the fulfilment of certain conditions, as more fully set out in Condition 11(c) and the Trust Deed. |
| **Status of the Senior Notes** | The Senior Notes and the relative Coupons (if any) will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the relevant Issuer and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the relevant Issuer, save for those that have been accorded by law preferential rights. |

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| **Status of the Subordinated Notes** | The Subordinated Notes issued by CGD or CGDFB and the relative Coupons (if any) will constitute direct, unsecured and subordinated obligations of CGD or CGDFB, as the case may be, will rank *pari passu* among themselves and, without prejudice to the foregoing, the Subordinated Notes issued by CGD or CGDFB and the relative Coupons (if any) will, in the event of the bankruptcy or the winding-up of CGD or CGDFB, as the case may be, (to the extent permitted by the applicable law) be subordinated in right of payment in the manner provided in the Trust Deed or, in the case of Book Entry Notes, the Instrument. |
| **Negative Pledge** | Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Negative Pledge". |
| **Cross Default** | Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Events of Default". |
| **Limited Rights of Acceleration** | The Trustee's rights to accelerate Subordinated Notes are limited to insolvency or winding-up type events only. See "Terms and Conditions of the Notes – Events of Default". |
| **Early Redemption** | Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax or, in the case of Subordinated Notes, regulatory capital treatment reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options". |
| **Withholding Tax** | All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of France (in the case of Notes issued by CGDFB) and Portugal (in the case of CGD or CGDFB) as the case may be, subject to customary exceptions, all as described in "Terms and Conditions of the Notes – Taxation" and "Taxation – Portugal". At present, payments of interest and other revenues to be made by CGD directly to non-resident entities of Portugal would be subject to Portuguese withholding tax at a rate of 25 per cent. (in case of legal persons), of 28 per cent. (in case of individuals) or of 35 per cent. (in case of payments to (i) omnibus accounts without the disclosure of the effective beneficiary or to (ii) legal persons or individuals domiciled in blacklisted jurisdictions as defined in Ministerial Order 150/2004 of 13 February as amended from time to time ), as the case may be, or, if applicable, to reduced withholding tax rates between 5 and 15 per cent., pursuant to the general rules and to tax treaties signed by Portugal, except in the case of Book Entry Notes assuming certain procedures and certification requirements are complied with. All payments of interest and other investment income arising from Notes (in the case of Notes issued by CGD) made to individuals resident for tax purposes in Portugal will be subject to withholding tax at a rate of 28 per cent. or 35 per cent., whenever the investment income is paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third party unless the relevant beneficial owner(s) of the income is/ are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply. In this case, the Portuguese resident individual, unless if deriving such income in the capacity of an entrepreneur with organised accounts, may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, |

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| | the said income will be subject to personal income tax according to the relevant tax brackets, up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000.<br><br>All payments of interest and other investment income arising from Notes (in the case of Notes issued by CGD) paid to legal persons resident for tax purposes in Portugal and to non-resident legal persons with a permanent establishment in Portugal to which the income is attributable are subject to withholding tax at a rate of 25 per cent. (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), or 35 per cent., whenever the investment income is paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply. (See "Taxation – Portugal"). |
| **Governing Law** | English, save that Condition 3(b) and Clauses 3.2 and 6.9.2 to 6.9.6 of the Trust Deed and Clause 5 of the Instrument will be governed by and construed in accordance with Portuguese law and save that, with respect to Book Entry Notes only, the form (*representação formal*), and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, are governed by, and shall be construed in accordance with, Portuguese law. |
| **Listing and Admission to Trading** | Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be listed and admitted to the Official List and to be admitted to trading on the Market and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted. |
| **Selling Restrictions** | United States, Public Offer Selling Restriction under the Prospectus Directive, United Kingdom, France, Portugal, the Netherlands and Japan. See "Subscription and Sale".<br><br>Each Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.<br><br>Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) ("TEFRA D") unless (i) the relevant Final Terms states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (" TEFRA C") or (ii) Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. |

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

## TERMS AND CONDITIONS OF THE NOTES

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

The Notes (other than Notes in book entry form) are constituted by an amended and restated trust deed dated 23 February 2018 (as amended or supplemented as at the date of issue of the Notes (the "Issue Date"), the "Trust Deed") between the Issuer, the other issuer named in it and Citicorp Trustee Company Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. Notes in book entry form ("Book Entry Notes") are constituted by registration in the Interbolsa book-entry system and governed by these conditions and a deed poll given by the Issuer in favour of the holders of Book Entry Notes dated 23 February 2018 (the "Instrument"). An amended and restated agency agreement dated 23 February 2018 (as amended or supplemented as at the Issue Date, the "Agency Agreement") has been entered into in relation to the Notes between the Issuer, the other issuer named in it, the Trustee, Citibank, N.A. as initial issuing and paying agent in respect of notes other than Book Entry Notes, registrar, transfer agent, exchange agent in respect of notes other than Book Entry Notes, and calculation agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Issuing and Paying Agent", the "Paying Agents" (which expression shall include the Issuing and Paying Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar) and the "Exchange Agent". "Calculation Agent" means Citibank N.A. in respect of Notes other than Book Entry Notes and Caixa Geral de Depósitos in respect of Book Entry Notes. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents and the Transfer Agents. In the case of Book Entry Notes, CGD will be the paying agent and Calculation Agent in respect of Book Entry Notes in Portugal (the "Portuguese Paying Agent and Calculation Agent in respect of Book Entry Notes").

The Noteholders, the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed or, in the case of holders of Book Entry Notes, the Instrument and those provisions of the Trust Deed applicable to them, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

Where square bracketed provisions together with a corresponding reference number appear in these Conditions, those reference numbers shall indicate the relevant provisions contained in the square brackets apply, or do not apply, as follows: square bracketed provisions denoted by (1) will only apply to Notes issued by CGD and square bracketed provisions denoted by (2) will only apply to Notes issued by CGDFB.

### 1 Form, Denomination and Title

#### *(a) Notes issued by Caixa Geral de Depósitos, S.A. acting through its France branch ("CGDFB")*

The Notes are issued in bearer form ("Bearer Notes", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on

a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

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

*Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.$200,000 and integral multiplies of U.S.$1,000 in excess thereof.*

This Note is a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note, a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Final Terms.

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

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

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

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

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

The Notes are issued in dematerialised book-entry (*forma escritural*) and registered (*nominativas*) form in the specified denomination provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Union or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes) as indicated in the applicable Final Terms.

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

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

Title to the Notes passes upon registration in the relevant individual securities accounts held with an affiliated member of Interbolsa. Any Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust

or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Noteholder.

This Note is a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note, a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Final Terms.

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

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

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

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

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

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

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

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

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

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(f)) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in

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

***(e) Exchange Free of Charge***

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

***(f) Closed Periods***

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

## 3 Status

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

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

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

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

In the event of the bankruptcy or winding-up of the Issuer, the claims of the holders of the Subordinated Notes and the relative Coupons (if any) against the Issuer in respect of payments pursuant to such Notes and Coupons (to the extent permitted by Portuguese law) will: (i) be subordinated in the manner described in these Conditions to the claims of all Senior Creditors, (ii) rank at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute Tier 2 Capital of the Issuer or otherwise by law rank, or by their terms are expressed to rank, *pari passu* with the Subordinated Notes and/or the Tier 2 Capital of the Issuer and (iii) rank senior to: (1) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer, (2) the claims of holders of all other securities of the Issuer which by law rank, or by their terms are expressed to rank, junior to the Subordinated Notes and/or the Tier 2 Capital of the Issuer and (3) the claims of holders of all share capital and/or preference shares of the Issuer.

For the purposes of this Condition 3:

"Senior Creditors" means creditors of the Issuer: (a) who are depositors and/or other unsubordinated creditors of the Issuer and (b) whose claims are subordinated to the claims of other creditors of the Issuer, other than those creditors: (i) whose claims relate to obligations which constitute Tier 1 Capital of the Issuer or Tier 2 Capital of the Issuer or (ii) whose claims by law rank, or by their terms are expressed to rank, *pari passu* with, or junior to, the claims of holders of the Subordinated Notes.

"Tier 1 Capital" and "Tier 2 Capital" each have the respective meanings given to such terms under Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013, as amended from time to time (the "CRR").

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

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

## 4 Negative Pledge in relation to the Senior Notes

### *(a) Restriction*

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

### *(b) Relevant Debt*

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

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

## 5 Interest and other Calculations

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

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

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

### *(b) Interest on Reset Notes*

(i) Rates of Interest and Interest Payment Dates

Each Reset Note bears interest:

(A) from (and including) the Interest Commencement Date specified in the applicable Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the date(s) so specified in the applicable Final Terms on which interest is payable in each year (each, an "Interest Payment Date") and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the amount of interest (the "Interest Amount") payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount, in accordance with the provisions for calculating amounts of interest in Condition 5(g) and, for such purposes, references in Condition 5(a) to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and Condition 5(a) shall be construed accordingly.

(ii) Fallbacks

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined as if the relevant Mid-Market Swap Rate Quotations remained as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, as at the Interest Commencement Date.

For the purposes of this Condition 5(b)(ii) "Reference Banks" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(iii) Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Issuing and Paying Agent and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day (where a "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter. So long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg

Stock Exchange of any reset Rate of Interest and relevant Interest Amount(s) no later than the first day of each Reset Period.

(iv) Determination or Calculation by Trustee

If for any reason the Calculation Agent defaults in its obligation to determine the First Reset Rate of Interest, a Subsequent Reset Rate of Interest or to calculate any Interest Amount in accordance with this Condition 5(b), the Trustee (or an agent appointed by it on its behalf) shall determine the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5 and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee (or its agent) shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(v) 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 5(b), whether by the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Noteholders or the Couponholders shall attach to either the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

***(c) Interest on Floating Rate Notes***

(i) Interest Payment Dates

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

(ii) Business Day Convention

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

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA

Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) ISDA Determination

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

(x) the Floating Rate Option is as specified in the Final Terms;

(y) the Designated Maturity is a period specified in the Final Terms; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

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

(B) Screen Rate Determination

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the 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 Final Terms.

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

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

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

(C) Linear Interpolation

Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Applicable Maturity" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

***(d) Zero Coupon Notes***

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

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

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

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

(i) If any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

***(g) Calculations***

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

*For the avoidance of doubt, any amount of interest calculated and due on the Subordinated Notes will not be amended pursuant to these Conditions on the basis of the credit standing of the Issuer.*

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

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and

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

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

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

***(j) Definitions***

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

"Business Day" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "TARGET Business Day"); and/or

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

"Competent Authority" means the ECB, the Bank of Portugal, or such other or successor authority which is responsible for prudential supervision and/or empowered by national law to supervise the Issuer and Group as part of the supervisory system in operation in Portugal.

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

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

"$D_1$" is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30;

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

"$D_1$" is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case $D_2$ will be 30;

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

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

(vii) if "**Actual/Actual-ICMA**" is specified in the Final Terms,

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

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

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

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

where:

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

"Determination Date" means the date(s) specified as such in the Final Terms or, if none is so specified, the Interest Payment Date(s).

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

"First Margin" means the margin specified as such in the applicable Final Terms.

"First Reset Date" means the date specified in the applicable Final Terms.

"First Reset Period" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date.

"First Reset Rate of Interest" means, in respect of the First Reset Period and subject to Condition 5(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin.

"Initial Rate of Interest" has the meaning specified in the applicable Final Terms.

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

"Interest Amount" means:

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

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

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the Final Terms.

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

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the applicable Final Terms.

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the Final Terms.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.

"Mid-Market Swap Rate" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent).

"Mid-Market Swap Rate Quotation" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate.

"Mid-Swap Floating Leg Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

"Mid-Swap Rate" means, in relation to a Reset Determination Date and subject to Condition 5(b)(ii), either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent.

"Rate of Interest" means, in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable, and in any other case, the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

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

"Reference Rate" means the rate specified as such in the Final Terms.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms.

"Reset Date" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the applicable Final Terms) in accordance with Condition 5(a) as if the relevant Reset Date was an Interest Payment Date.

"Reset Determination Date" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period.

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be.

"Second Reset Date" means the date specified in the applicable Final Terms.

"Specified Currency" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

"Subsequent Margin" means the margin specified as such in the applicable Final Terms.

"Subsequent Reset Date" means the date or dates specified in the applicable Final Terms.

"Subsequent Reset Period" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (or to the Maturity Date, if there is no succeeding Subsequent Reset Date).

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 5(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

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

### *(k) Calculation Agent*

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

## 6 Redemption, Purchase and Options

### *(a) Final Redemption*

Unless previously redeemed, purchased and cancelled as provided below, each Senior Note or Subordinated Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount. Subordinated Notes will have a minimum maturity of at least five years. For the avoidance of doubt, no payments of principal under the Notes will be made in instalments.

### *(b) Early Redemption*

*(i) Zero Coupon Notes*

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

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

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

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

*(ii) Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount (together with any accrued interest).

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

The Notes (other than Subordinated Notes) may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8(b) as a result of any change in, or amendment to, the laws or regulations of [France][(2)][Portugal][(1)] or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (in the case of Notes other than Book Entry Notes) or the Portuguese Paying Agent (in the case of Book Entry Notes) a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee or the Portuguese Paying Agent, as the case may be, shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.

Subordinated Notes may, subject to the prior consent or approval thereto having been obtained from the Competent Authority, be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8(b) as a result of any change in, or amendment to, the laws or regulations of [France][(2)][Portugal][(1)] or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (in the case of Notes other than Book Entry Notes) or the Portuguese Paying Agent (in the case of Book Entry Notes) a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee or the Portuguese Paying Agent, as the case may be, shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.

Until five years have elapsed since the Issue Date, and in the case of Subordinated Notes only, this Condition 6(c) shall only apply, as provided for in the CRR, if (i) the circumstance that entitles the Issuer to exercise such right of redemption was not reasonably foreseeable at the Issue Date and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the circumstance involves a material change in tax treatment.

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

If Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such

redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

In the case of Subordinated Notes, such redemption is also subject to prior consent or approval thereto having been obtained from the Competent Authority and only after five years from the relevant Issue Date.

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

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

***(e) Redemption due to a Change in Regulatory Capital Treatment***

Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to prior consent or approval to redeem having been obtained from the Competent Authority, at any time (but which shall be on an Interest Payment Date if this Subordinated Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (together with interest accrued to the date fixed for redemption) 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, if the Subordinated Notes are to be redeemed before five years have elapsed since the Issue Date, both the following conditions apply:

(i) the Competent Authority considers the referred change to be sufficiently certain; and

(ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the regulatory classification was not reasonably foreseeable at the Issue Date.

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

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

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

***(g) Purchases***

The Issuer and any of its Subsidiaries may purchase Notes (provided that all unmatured Coupons (if any) comply with any applicable laws and unexchanged Talons (if any) relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

In respect of the Subordinated Notes and in each case only with the prior consent or approval of the Competent Authority, the Issuer, any of its Subsidiaries and any undertaking in which the Issuer has participation in the form of ownership, direct or by way of control, of 20 per cent., or more of the voting rights or capital of that undertaking, may purchase Subordinated Notes (provided that all unmatured Coupons (if any) comply with any applicable laws and unexchanged Talons (if any) relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

### *(h) Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons (if any) and all unexchanged Talons (if any) to the Issuing and Paying Agent or in accordance with Interbolsa regulations in the case of Book Entry Notes and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons (if any) and unexchanged Talons (if any) attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7 Payments and Talons

### *(a) Bearer Notes and Book Entry Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(i)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

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

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

(a) is or falls before the due date for payment of principal and/or interest; and

(b) is a TARGET Settlement Day.

### *(b) Registered Notes*

*(i) Payments of Principal*

Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

*(ii) Payments of Interest*

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

*(iii) Payment Initiation*

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

relevant Certificate has not been surrendered at the specified office of any Transfer Agent, on a day on which the Paying Agent is open for business and on which the relevant Certificate is surrendered.

*(iv) Payments Through The Depository Trust Company*

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

*(v) Delay in Payment*

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

*(vi) Payment Not Made in Full*

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

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

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

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

Save as provided in Condition 8, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws to which the Issuer or the Paying Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### *(e) Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are

listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed, as approved by the Trustee, and (vii) an Exchange Agent in relation to Registered Notes.

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

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

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

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons (if any) relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon (if any) relating to such Note (whether or not attached) shall become void and no Coupon (if any) shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons (if any) are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons (if any), and where any Bearer Note is presented for redemption without any unexchanged Talon (if any) relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) Other than in respect of Book Entry Notes if the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

***(g) Talons***

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

***(h) Non-Business Days***

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

## 8 Taxation

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

All payments of principal and interest in respect of the Notes, and the Coupons (if any) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within [France][(2)] [Portugal][(1)] or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

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

[All payments of principal, interest and other revenues by CGDFB in respect of Notes issued by CGDFB shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law].[(2)]

***(b) Additional Amounts***

If applicable law should require that payments of principal or interest in respect of the Notes and the Coupons be subject to deduction or withholding in respect of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or within [France][(2)][Portugal][(1)] or any political subdivision or any authority therein or thereof having power to tax, in respect of payments of principal and interest in the case of Senior Notes, or in respect of payments of interest (but not principal or any other amount) in the case of Subordinated Notes, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them (in respect of payments of interest only, in the case of Subordinated Notes) had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

*(i) Other connection*

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

*(ii) Lawful avoidance of withholding*

(aa) To, or to a third party on behalf of, the effective beneficiary of the Notes in respect of whom the information and documentation (which may include certificates) required in order to comply with Decree-Law 193/2005, of 7 November 2005, and any implementing legislation, is not received before the Relevant Date; or

(bb) To, or to a third party on behalf of, the effective beneficiary of the Notes (i) in respect of whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received before the Relevant Date, and (ii) who is resident in one of the contracting states; or

(cc) To, or to a third party on behalf of, the effective beneficiary of the Notes resident for tax purposes in a country, territory or region subject to clearly a more favourable tax regime included in the list approved by Ministerial Order n. 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública n. 150/2004) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of (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 force with Portugal; or

(dd) To, or to a third party on behalf of (i) a effective beneficiary of the Notes who is a Portuguese resident legal entity subject to Portuguese corporation tax with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal acting with respect to the holding of the Notes through a permanent establishment in Portugal except whenever benefits from a Portuguese withholding tax waiver; or

(ee) presented for payment by or on behalf of a Noteholder where the income on the Notes is paid to accounts opened in the name of one or several accountholders acting on behalf of undisclosed third entities; or

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

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

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

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

## 9 Prescription

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

## 10 Events of Default

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

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

*(i) Non-Payment*

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

*(ii) Breach of Other Obligations*

The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 20 business days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee; or

*(iii) Cross-Default*

(A) Any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries (as defined below) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(B) Any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or

(C) The Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided, in every case, that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds the higher of U.S.$20,000,000 (or its equivalent in other currencies) or 1 per cent. of the Shareholders' Equity of CGD; or

*(iv) Enforcement Proceedings*

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

*(v) Security Enforced*

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

*(vi) Cessation of Business*

The Issuer or any Principal Subsidiary shall cease to carry on the whole or in the opinion of the Trustee substantially the whole of its business except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

*(vii) Insolvency*

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

*(viii) Winding-up*

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries cease or through an official action of its board of directors threaten to cease to carry on all or (in the opinion of the Trustee) a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

*(ix) Authorisation and Consents*

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

*(x) Illegality*

It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

*(xi) Analogous Events*

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

provided that, except in the case of paragraphs (i) and (viii) (in the case of winding-up or dissolution), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of these Conditions:

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

"Group" means CGD and its Subsidiaries;

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

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

(ii) whose turnover (as shown by its latest audited profit and loss account of such Subsidiary and attributable to the Issuer) constitutes at least ten per cent. of the consolidated turnover of the Group (as shown in the latest Accounts),

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

Subsidiary shall be construed as a reference to the then most recent audited consolidated balance sheet of such Subsidiary and its consolidated subsidiaries.

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

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

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

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

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

(i) bankruptcy or insolvency proceedings are commenced by a court against the Issuer or the Issuer institutes such proceedings; or

(ii) if otherwise than on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed by the Issuer's shareholders for the winding-up of the Issuer,

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

Without prejudice to Conditions 10(b)(i) and 10(b)(ii) above, if the Issuer breaches any of its obligations under the Trust Deed or the Subordinated Notes or relative Coupons of the relevant series (other than any payment obligation of the Issuer under or arising from the Trust Deed or the Subordinated Notes or relative Coupons of the relevant series, including, without limitation, payment of any principal or interest in respect of the Subordinated Notes or relative Coupons and any damages awarded for breach of any obligations) then the Trustee, may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceeding, be obliged to pay any sum sooner than the same would otherwise have been payable by it. However, nothing in this Condition 10(b) shall prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer in respect of any payment obligations of the Issuer pursuant to or arising from the Subordinated Notes, the Coupons relating thereto, or the Trust Deed (including any damages awarded for breach of any such obligation).

*For the sake of clarity, the provisions of these Conditions governing the Subordinated Notes do not give the Trustee the right to accelerate the future scheduled payments of interest or principal, other than in the case of Conditions 10(b)(i) or 10 (b)(ii), as provided for in Article 63(l) of the CRR.*

For the purpose of this Condition 10(b) only, notwithstanding the Trustee having given notice that the Subordinated Notes are immediately due and repayable, the Issuer may only redeem such Notes prior to maturity with the prior consent or approval of the Competent Authority.

*There can be no assurance that the Competent Authority will give its consent or approval to any such redemption; Noteholders should be aware of the fact that the consent or approval of the Competent Authority will depend on the capital adequacy of the Issuer at the relevant time.*

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

(i) The Trustee shall be bound to take action as referred to in paragraphs (a) and/or (b) above only if (a) it shall have been so requested in writing by Noteholders holding not less than one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (b) it shall have been indemnified or secured (whether by payment in advance or otherwise) to its satisfaction.

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

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

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

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

*These Conditions may be completed in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.*

***(b) Modifications***

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is (in the opinion of the Trustee) of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. In the case of Subordinated Notes, such modifications may only be made with the prior consent, approval or permission of the Competent Authority. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so

requires, such modification shall be notified to the Noteholders as soon as practicable. The Trustee may agree, without the consent of the Noteholders or Couponholders, on or after the Specified Date (as defined below) to such modifications to the Notes, the Coupons and the Trust Deed in respect of redenomination of the Notes in euro and associated reconventioning, renominalisation and related matters in respect of the Notes as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions and to provide for redemption at the euro equivalent of the sterling principal amount of the Notes). For these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community or otherwise participates in European economic and monetary union in a manner with an effect similar to such third stage.

***(c) Substitution***

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

***(d) Entitlement of the Trustee***

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

## 12 Enforcement

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

## 13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

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

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

require. Mutilated or defaced Notes, Certificates, Coupons or Talons (if any) must be surrendered before replacements will be issued.

## 15 Further Issues

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

## 16 Notices

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

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

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

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

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

## 18 Governing Law and Jurisdiction

### *(a) Governing Law*

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

***(b) Jurisdiction***

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons (if any) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons (if any) or Talons (if any) ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed or the Instrument, as the case may be, irrevocably submitted to the jurisdiction of such courts.

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

The Issuer has irrevocably appointed Caixa Geral de Depósitos, S.A., London representative office at its offices presently located at The Monument Building, 11 Monument Street, London EC3R 8AF as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

***(d) Waiver of Immunity***

The Issuer hereby irrevocably and unconditionally waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

***(e) Statutory Loss Absorption Power***

Notwithstanding any other term of the Notes or any other agreements, arrangements, or understanding between the Issuer and any Noteholder, by its acquisition of the Notes, each Noteholder (which, for the purposes of this Condition 18(e), includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(i) the effect of the exercise of any Portuguese Bail-in Power by the Relevant Resolution Authority, which exercise may result in any of the following, or some combination thereof: (a) the write down or cancellation of all, or a portion, of the Amounts Due on the Notes; (b) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, other securities or other obligations of the Issuer, the Group or another person (and the issue to or conferral on the Noteholder of such shares, securities or obligations); and

(ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of the Portuguese Bail-in Power by the Relevant Resolution Authority.

Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of any Portuguese Bail-in Power with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Portuguese Bail-in Power nor the effects on the Notes described in this Condition 18(e).

The exercise of the Portuguese Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an event of default and the Conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations, including the Institutions Act and the SRM Regulation, relating to the resolution of credit institutions, investment firms and/or the Group incorporated in Portugal.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Portuguese Bail-in Power to the Notes.

The exercise of the Portuguese Bail-Power by the Relevant Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in the Republic of Portugal is not dependent on the application of this Condition 18(e).

For the purposes of this Condition 18(e):

"Amounts Due" means the outstanding principal amount, together with any accrued but unpaid interest and additional amounts payable pursuant to Condition 8(b), if any, due on the Notes. References to such amounts

will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Portuguese Bail-in Power by the Relevant Resolution Authority;

"BRRD" means Directive 2014/59/EU of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions, as amended or superseded from time to time;

"Institutions Act" means the "*Regime Geral das Instituições de Crédito e Sociedades Financeiras*" approved by Decree-Law 298/92, of 31 December 1992, as amended or superseded from time to time, laying down the Portuguese legal regime governing certain aspects of incorporation, organisation and operation of credit institutions, financial companies and investment firms;

"Portuguese Bail-in Power" is any statutory write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements relating to the resolution of credit institutions and investment firms incorporated in the Republic of Portugal, in effect and applicable to the Issuer, including the laws, regulations, rules or requirements relating to (i) the transposition of the BRRD (including but not limited to, Law no. 23-A/2015, of 26 March 2015, which amended the Institutions Act), (ii) the SRM Regulation, and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a credit institution or investment firms (or other affiliate of such entities) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such credit institutions or investment firms or any other person (or suspended for a temporary period);

"Relevant Resolution Authority" means any authority with the ability to exercise the Portuguese Bail-in Power; and

"SRM Regulation" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or superseded from time to time.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES CLEARED THROUGH EUROCLEAR OR CLEARSTREAM WHILE IN GLOBAL FORM

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

### Initial Issue of Notes

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

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

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depositary or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. The relevant clearing system will be notified whether or not the relevant Notes are intended to be held in a manner which would allow Eurosystem eligibility.

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

### Relationship of Accountholders with Clearing Systems

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

### Exchange

### 1 Temporary Global Notes

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

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive

Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

In relation to any issue of Notes which are represented by a Temporary Global Note which is expressed to be exchangeable for definitive Bearer Notes at the option of Noteholders, such Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

## 2 Permanent Global Notes

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

2.1 if the Permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and

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

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

## 3 Permanent Global Certificates

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

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

3.1 if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

3.2 if principal in respect of any Notes is not paid when due or 3.3 with the consent of the Issuer, provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

## 4 Partial Exchange of Permanent Global Notes

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

## 5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or, if the Global Note is an NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form 42 set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

## 6 Exchange Date

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

### Amendment to Conditions

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

## 1 Payments

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

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

## 2 Prescription

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

## 3 Meetings

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

## 4 Cancellation

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

## 5 Purchase

Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

## 6 Issuer's Option

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

## 7 Noteholders' Options

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

## 8 NGN nominal amount

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

## 9 Trustee's Powers

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

## 10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and so long as the Notes may be listed on any other stock exchange, notices will be published in such manner as the rules of that stock exchange may require.

## 11 Registered Notes

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

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

## BOOK ENTRY NOTES HELD THROUGH INTERBOLSA

### General

Securities cleared through Interbolsa are held through a centralised system ("*sistema centralizado*") composed by interconnected securities accounts, through which such securities (and inherent rights) are created, held and transferred, and which allows Interbolsa to control at all times the amount of securities so created, held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Notes held through Interbolsa.

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

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

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

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

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

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

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

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

owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

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

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

## USE OF PROCEEDS

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

# DESCRIPTION OF THE CGD GROUP

## History and Introduction

Caixa Geral de Depósitos, S.A. ("CGD") was created as a state bank by the legislative charter ("*Carta de Lei*") of 10 April 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. CGD was converted into a state owned joint stock company ("*Sociedade Anónima de Capitais Exclusivamente Públicos*") on 20 August 1993, by Decree-law no. 287/93, when its name was also changed to Caixa Geral de Depósitos, S.A. CGD is a full service bank. Its objects consist of the provision of banking and investment services pursuant and subject to its articles of association and the limitations set out in the legislation applicable to Portuguese credit institutions and investment firms.

CGD's registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (tel: +351 21 795 30 00 /+351 21 790 50 00). CGD is registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

During the first quarter of 2017, CGD implemented its 2017 Recapitalisation Plan in two phases, as further described below.

## Ownership

CGD is a public limited company ("*sociedade anónima*") and is wholly owned by the Portuguese State. As such, it is also regulated by the legislation applicable to public limited companies, in addition to legislation applicable to Portuguese credit institutions and investment firms. The Portuguese State ownership of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD is fully autonomous from the Portuguese State in respect of administrative and financial matters.

## Recapitalisation Plan

*2017 Recapitalisation Plan*

CGD has posted losses after 2012, mostly due to subdued growth in the Portuguese economy that affected credit concession by banks, but also due to the impact of provisions and impairments related to non-performing loans ("NPLs").

In order to be able to continue its activities and also to comply with increasing capital requirements, the Portuguese State, as CGD's sole shareholder, approved the 2017 Recapitalisation Plan, the different steps of which are described below. In order not to trigger State Aid rules, as per the agreement with the European Commission, the 2017 Recapitalisation Plan needed to meet two conditions:

- CGD being able to sell the issue of subordinated debt instruments to private investors; and
- CGD implementing a strategic plan between 2017 and 2020, designed to improve CGD's profitability and sustainability and to create value for the shareholder on similar terms to those which would be demanded by private investors in current market circumstances (the "Strategic Plan").

The 2017 Recapitalisation Plan and the Strategic Plan were approved by both the European Commission and the Portuguese State without triggering State Aid rules, as confirmed by a public communication issued on 10 March 2017 by the European Commission. Accordingly, no State Aid or other similar restrictions apply to CGD or the CGD Group in the context of the 2017 Recapitalisation Plan.

*Completion of First Part of the 2017 Recapitalisation Plan*

The first part of the 2017 Recapitalisation Plan was concluded with the sole shareholder's resolution on 4 January 2017 with an increase in CGD's share capital from €5,900,000,000 to €7,344,143,735, through the issuance of 288,828,747 new ordinary shares with a nominal value of €5.00 each to be fully subscribed for and paid up by the Portuguese State, as follows:

- €945,148,185 through the transfer of contingent convertible bonds subscribed for by the Portuguese State in 2012, with a nominal value of €900,000,000 plus accrued unpaid interest of €45,148,185.

- €498,995,550, (corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A.), through the transfer in-kind of 490,000,000 equity shares.

In addition, the following steps were taken:

- The use of the free reserves and legal reserve amounting to a total of €1,412,460,251 to cover the same amount of retained losses carried forward from past years.

- A reduction of CGD's share capital by an amount of €6,000,000,000, to €1,344,143,735, through the extinguishing of 1,200,000,000 shares with a nominal value of €5.00 each, to cover the retained losses of €1,404,506,311 and to set up a free reserve for the amount of €4,595,493,689.

Moreover, on 31 January 2017, eight members of the Board of Directors of CGD were elected for a new term of office of four years, one as a non-executive member and seven as executive members. On 17 March 2017, four members of the Board of Directors of CGD were elected as non-executive members for the 2017-2020 term.

*Second Part of the 2017 Recapitalisation Plan*

- The second part of the 2017 Recapitalisation Plan, which comprised (i) the issue of deeply subordinated notes ("AT1 instruments**"**) in the amount of €500 million, and (ii) the €2,500 million cash injection by the Portuguese State, which both took place on 30 March 2017. The €2,500 million cash injection was accounted for as share capital and led to an increase in CGD's share capital and common equity tier 1 capital from €1,344,143,735 to €3,844,143,735. The share capital increase has increased *pro tanto* CGD's Common Equity Tier 1 ("CET1**"**) capital but will have no impact on CGD's distributable items (as such items are defined in Regulation (EU) No 575/2013; the Capital Requirements Regulation or "CRR"; "Distributable Items").

- In compliance with the applicable legislation in relation to the incurrence of financial indebtedness by the Portuguese State, the Portuguese Government has been specifically authorised by the Portuguese Parliament under Article 118(5) of the 2017 Budget Act (approved by Law no. 42/2016 of 28 December 2016) to incur financial indebtedness of up to €2,700 million for the purposes of making the cash injection as contemplated by the 2017 Recapitalisation Plan.

Under the 2017 Recapitalisation Plan, as per the agreement with the European Commission, additional subordinated debt instruments in the amount of €430 million are intended to be issued by CGD to investors not related to the Portuguese State or Portuguese State Entities within 18 months following the issue of the AT1 instruments.

**Strategic Plan**

The Strategic Plan outlines CGD's strategy until 2020. The following section contains an overview of the Strategic Plan. There can be no assurances that CGD will be able to fully implement and meet all of the targets of the Strategic Plan. The factors that may impact the ability of CGD to fully implement all of the targets in the Strategic Plan are not solely in the control of CGD. The targets described below are not forecasts and are not indicative of any expectation of performance by CGD. Some of the key background assumptions to the Strategic Plan are as follows:

- The Strategic Plan is based on a prudent macroeconomic scenario, namely with negative interest rates through 2020;

- The Strategic Plan assumes no fundamental changes in market share or launches of new lines of activity, so there is little dependence on growth assumptions which the management team may be less in control of;

- The Strategic Plan assumes there is significant restructuring of the operational platform, which corresponds to levers under control of the management team;

- The restructuring of the international footprint, based on criteria of economic and strategic rationale, will simplify and de-risk CGD's subsidiary portfolio;

- The Strategic Plan includes an enhancement of the CGD Group's risk management practices, aimed at aligning CGD with market best practices;
- The re-evaluation of the loan and securities book will allow for the operation of normalised cost of risk; and
- Governance and remuneration conditions have been reviewed to allow for CGD to compete as a market player.

The goal of the measures contained in the Strategic Plan is to improve the overall performance of CGD in order to ensure its long-term sustainability and the creation of value for its shareholder. As such, it builds on the following principles:

- Maintaining CGD's current leading position in the Portuguese market without fundamentally changing its current business model as a global bank;
- Increasing the operational efficiency of its domestic operations, combining it with the simplification of the Group structure and the restructuring of the international portfolio;
- Targeting attractive average returns for the shareholder (greater than 5 per cent. as of 2018 and 9 per cent. as of 2020);
- Strengthening the CGD Group's solvency levels to aim for CET1 above 12 per cent. as of 2018 and above 14 per cent. as of 2020 on a consolidated basis;
- Maintaining an independent and accountable governance and management model.

The Strategic Plan builds upon four strategic pillars which are described below. Associated with each pillar are selected metrics. These are targets and they are not forecasts. The targets are part of the Strategic Plan that was validated by the Directorate-General for Competition ("DG Comp") and was one of the conditions required to be met in order for the 2017 Recapitalisation Plan not to be considered State Aid.

CGD will ensure that the full and correct implementation of the Strategic Plan is continually monitored by an independent auditing institution and, on a quarterly basis, CGD will provide a report to DG Comp (which will also be validated by such independent auditing institution) covering the financial and operational drivers of the Strategic Plan and an overview of CGD's performance compared with the targets. If any of the targets are not met, CGD is committed to taking all necessary measures (including, but not limited to, pricing adjustments, further cost cutting or divestment of additional foreign assets) to ensure those targets are achieved.

*Pillar 1*

The first pillar of the Strategic Plan is based on the restructuring of CGD's asset portfolio and on the strengthening of its risk management model with the aim of improving the solvency and resilience of the balance sheet.

Pillar 1 of the Strategic Plan is to be carried out through a set of initiatives aimed at ensuring that the risk management of CGD corresponds to the highest international and regulatory standards and that a cost efficient business model regarding risk management is put in place. For these purposes, the following measures shall be implemented:

- Integrating finance and business priorities with risk management, including in the context of strategy/risk appetite, budgeting and performance management;
- Implementing a full "three-lines-of-defence" risk management model;
- Upgrading the compliance and audit infrastructure;
- Revising all the risk management processes;
- Improving the quality of capital measurement models;
- Improving the legacy assets management; and
- Strengthening credit monitoring and recovery.

The process of turning these initiatives into short and medium-term actions has already been started. In particular, a detailed set of underwriting and NPL operational plans have been drawn up.

Furthermore, CGD will explore the possibility of creating a separate unit with dedicated management to oversee legacy real estate assets. If this unit goes ahead, it should lead to a more efficient recovery process and allow CGD's management team to focus on CGD's ongoing strategy and operations.

Based on the set of initiatives described above, CGD is targeting the following:

- A non performing exposure ratio from 16 per cent. in 2016 to a level at or below 12 per cent. by the end of 2018 and 8 per cent. by 2020. This ratio is determined by calculating non-performing exposures as a proportion of total portfolio. Non performing exposures are material exposures which are more than 90 days past-due, including on-balance sheet and off-balance sheet exposures. The total portfolio includes debt instruments at amortised cost and irrevocable off-balance sheet exposures.

- A texas ratio at or below 80 per cent. by the end of 2018 and 70 per cent. by 2020. This ratio is determined by calculating non-performing exposures as a proportion of the aggregate of tangible equity and impairments in the balance sheet.

- A cost of risk ratio at or below 0.6 per cent. by the end of 2018 and 2020.

For the sake of clarity, the above are mere targets, which may not be met due to a number of different factors.

As a result of the measures described above, CGD is targeting an improvement in its risk assessment procedures, which in turn will result in a lower expected cost of risk for new loans. It is expected that the additional coverage for non-performing loans reflected in the 2016 provisions and impairments will allow CGD to bring the average cost of risk down more quickly.

*Pillar 2*

The second pillar of the Strategic Plan focuses on the adjustment of the domestic operational infrastructure of CGD to increase efficiency.

The key initiatives to be implemented in order to adjust the operational infrastructure focus on:

- Adjusting the branch network by reducing the number of branches by 170 (to below 550 by the end of 2018 and below 480 by 2020) and maintaining a market share of branches of around 14 per cent.;

- Reducing headcount by 2,200 by 2020 (to below 7,750 by the end of 2018 and below 6,650 by 2020) in addition to the early retirement program put in place in October 2016;

- Reducing the external service expenses;

- Improving the management of human resources, including training; and

- Improving service levels and customer service through process digitalisation.

Based on the set of initiatives described above, CGD is targeting the following:

- To reduce domestic operational costs from €834 million in 2016 to a level below €780 million by the end of 2018 and below €720 million by 2020 (an overall reduction of 20 per cent.); and

- To reduce the domestic cost-to-income ratio from 82 per cent in 2016 to a level at or below 58 per cent. by the end of 2018 and 43 per cent. by 2020.

*Pillar 3*

Pillar 3 is centered on the restructuring of the international portfolio with the aim of focusing on selected geographies.

Based on the approach described above, CGD is targeting the following:

- To reduce the number of international entities (including branches and subsidiaries) from 28 to a maximum of 15 by 2020;

- To reduce assets related to international activity from €23 billion in 2016 to a level at or below €12 billion by 2020;
- To reduce the cost to income related to international activity from 52 per cent. in 2016 to a level at or below 50 per cent. by the end of 2018 and 45 per cent. by 2020; and
- To increase the return on equity of the international activity from 13 per cent. in 2016 (not considering non recurrent results and portfolios to be transferred to Portugal) a minimum of 15 per cent. by the end of 2018 and a minimum of 15 per cent. by 2020.

To date, CGD's international portfolio has been mainly composed of nine subsidiaries and nine branches. Within the overarching principle of reducing international risk and focusing on core geographies with business affinity to Portugal, CGD will carry out a focused approach, ensuring a review of the business and governance models of assets to keep and sell and divest assets in non-core geographies.

*Pillar 4*

Pillar 4 of the Strategic Plan focuses on the modernisation of the commercial franchise of domestic operations to ensure sustainability. The key initiatives of this pillar include:

- The revision of the segmentation and upgrade of the retail offer;
- Digitalisation of the customer experience;
- Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
- The definition of a plan to improve share of wallet in small and medium sized enterprises, capturing treasury and/or cash-management fees;
- The introduction of a risk- and capital- adjusted performance management system; and
- Credit process optimisation.

Based on the set of initiatives described above, CGD is targeting the following for the activities in Portugal:

- Maintaining its business market share at around 24 per cent.;
- To increase net interest income from €635 million in 2016 to a level at or above €900 million by the end of 2018 and €1.1 billion by 2020;
- To increase net interest margin from 0.6 per cent. in 2016, to above 0.8 per cent. by the end of 2018 and above 1.1 per cent. by 2020;
- To increase commissions as a percentage of total deposits and credit from 0.35 per cent. to a level at or above 0.40 per cent. by the end of 2018 and 0.45 per cent. by 2020; and
- To increase operating income as a percentage of the business volume (loans and deposits, excluding non-recurring items), from 1 per cent. in 2016 to above 1.3 per cent. by the end of 2018 and above 1.5 per cent. by 2020.

In terms of net interest income and expense, market shares are assumed to be stable across most products and years, consistent with the overarching view of the Strategic Plan that CGD will remain a universal bank focused on the retail market. The plan projects modest increases in CGD's market share in areas where its current share is significantly below where it would expect to be (for example consumer credit and lending to small and medium enterprises ("SMEs"). The plan also anticipates selected deleveraging in large corporate exposures and real estate.

The increase in net interest income is expected to come mainly from three different sources: (i) a reduction in the cost of retail funding, as term deposits are refinanced at much lower rates; (ii) a reduction in the cost of wholesale funding, as some capital markets transactions issued in the last four years, with higher interest rates, are expected to mature without the need to be refinanced, therefore reducing their weight in the overall cost of funding; and (iii) the increase of operations in segments with a higher interest margin, such as SMEs and consumer loans, where CGD expects to increase its market share.

## Corporate Governance

The current corporate governance model has been in place since 31 August 2016 and ensures effective separation between management and oversight functions. CGD's corporate bodies are the General Meeting (*Assembleia Geral*), the Board of Directors (*Conselho de Administração*), the Supervisory Board (*Conselho Fiscal*), the Statutory Auditor Firm (*Sociedade de Revisores Oficiais de Contas*) and the Secretary (*Secretário*).

The General Meeting is conducted under the direction of a General Meeting Board (*Mesa da Assembleia Geral*). The members of the General Meeting Board, Board of Directors, Supervisory Board and the Statutory Audit Firm are elected by the General Meeting. As the Portuguese State holds the entire share capital of CGD, all such members are selected by the Portuguese State. The Secretary is, however, appointed by the Board of Directors.

The Members of CGD's corporate bodies are appointed for a period of four years and may be re-elected. The maximum number of successive terms of office of the members of the Board of Directors cannot exceed four terms in accordance with CGD's articles of association.

The Board of Directors is responsible for the management, administration and representation of CGD. The Board of Directors appoints the Executive Committee to which the Board of Directors delegates wide management powers and the day-to-day management of CGD.

The oversight functions are entrusted to the Supervisory Board, whose powers include, supervising the management, ensuring compliance with the law and with CGD's articles of association, verifying the accounts, supervising the procedure for preparing and disclosing financial information and the examination and auditing of CGD's financial statements as well as supervising the independence of the statutory auditor firm whose primary function is to examine and certify the accounts.

## Board of Directors

The following members of the Board of Directors of CGD were elected, for the 2017 to 2020 term. The Board of Directors elected has appointed the Executive Committee, which is composed of the executive members of the Board of Directors identified below.

The members of the Board of Directors of CGD are the following:

| | |
|---|---|
| Non-executive chairman: | Emílio Rui da Veiga Peixoto Vilar |
| Vice-chairman and chief executive officer ("CEO"): | Paulo José de Ribeiro Moita de Macedo |
| Executive member: | Francisco Ravara Cary |
| Executive member: | João Paulo Tudela Martins |
| Executive member: | José António da Silva de Brito |
| Executive member: | José João Guilherme |
| Executive member: | Maria João Borges Carioca Rodrigues |
| Executive member: | Nuno Alexandre de Carvalho Martins |
| Executive member: | Carlos António Torroaes Albuquerque |

Except as provided below, the members of the Board of Directors were elected on 31 January 2017 and took up office on 1 February 2017. Mrs. Maria João Borges Carioca Rodrigues was elected on 31 January 2017 and took up office on 6 March 2017. Mr. Carlos António Torroaes Albuquerque was elected on 2 August 2017 and took up office on that same date.

In addition, on 17 March 2017, the following members of the Board of Directors of the CGD were elected as non-executive members for the 2017 to 2020 term, with effect as from 20 March 2017, except for Mr. Alberto Souto de Miranda who did so on 1 August 2017 and Mr. Hans-Helmut Kotz who was elected on 19 October 2017. Maria dos Anjos Capote was also elected on 17 March 2017 as non-executive member for the 2017 to 2020 term, with effect as from 20 March 2017 and has resigned on 30 November 2017.

| | |
|---|---|
| Non-executive member: | Ana Maria Machado Fernandes |
| Non-executive member: | João José Amaral Tomaz |

| | |
|---|---|
| Non-executive member: | José Maria Monteiro de Azevedo Rodrigues |
| Non-executive member: | Alberto Souto de Miranda |
| Non-executive member: | Hans-Helmut Kotz |

The business address of each of the members of the Board of Directors is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon.

**Position in other companies of the Group**

| Name | Position | Companies |
|---|---|---|
| Paulo José de Ribeiro Moita de Macedo | Chairman and Chairman of the Executive Committee(1) | Fundação Caixa Geral de Depósitos - Culturgest |
| Francisco Ravara Cary | Member of the Board of Directors | Banco Caixa Geral – Brasil, S.A. |
| | Member of the Board of Directors(1) | Banco Caixa Geral, S.A. |
| | Member of the Board of Directors | Banco Comercial e de Investimentos, S.A. |
| | Member of the Board of Directors | Fidelidade – Companhia de Seguros, S.A. |
| José António da Silva de Brito | Member of the Board of Directors | Caixa – Participações, SGPS, S.A. |
| | Member of the Board of Directors | Caixa Geral de Aposentações |
| José João Guilherme | Member of the Board of Directors(1) | Banco Caixa Geral, S.A. |
| | Member of the Board of Directors | Banco Comercial e de Investimentos, S.A. |
| | Member of the Board of Directors | Banco Nacional Ultramarino, S.A. |
| | Member of the Board of Directors | Fidelidade – Companhia de Seguros, S.A. |
| | Member of the Board of Directors | Parbanca, SGPS |
| Maria João Borges Carioca Rodrigues | Member of the Board of Directors | Caixa Geral de Aposentações |
| | Member of the Board of Directors | Wolfpart, SGPS, SA |
| João José Amaral Tomaz | Member of the Board of Directors | Caixa Geral de Aposentações |

Note:

(1) The undertaking of this position is still waiting for the approval from the competent authorities.

**Relevant activities outside the Group**

| Name | Position | Companies |
|---|---|---|
| Emílio Rui da Veiga Peixoto Vilar | Chairman of the Advisory Board[(1)] | Instituto Português de Oncologia |
| | Vice-chairman of the Board of Curators | Museu Nacional de Arte Antiga |
| | Chairman of the Advisory Board[(1)] | Conselho Consultivo das Fundações |
| | Non-executive member of the Board of Directors | Fundação Calouste Gulbenkian |
| | Non-executive member of the Board of Directors | Partex Oil & Gas (Holdings) Corporation |
| | Member of Higher University Council | Universidade Católica Portuguesa |
| | Chairman of the Advisory Board[(1)] | Associação dos Amigos do Hospital de Santa Maria |
| Paulo José de Ribeiro Moita de Macedo | Member of the Board of Directors | Associação Portuguesa de Bancos |
| Francisco Ravara Cary | Member of the Board of Directors | Locarent – Comp. Portuguesa Aluguer de Viaturas, S.A. |
| João Paulo Tudela Martins | Not applicable* | Not applicable* |
| José António da Silva de Brito | Not applicable* | Not applicable* |
| José João Guilherme | Member of the Board of Directors | Câmara de Comércio e Indústria Luso-Chinesa |
| Maria João Borges Carioca Rodrigues | Member of the Board of Directors | SIBS Forward Payment Solutions, S.A. |
| | Member of the Board of Directors | SIBS SGPS, SA |
| Nuno Alexandre de Carvalho Martins | Not applicable* | Not applicable* |
| Carlos António Torroaes Albuquerque | Not applicable* | Not applicable* |
| Ana Maria Machado Fernandes | Not applicable* | Not applicable* |
| João José Amaral Tomaz | Co-opted member | Conselho de Prevenção da Corrupção |
| | Member of the Board of Directors | Conselho de Especialidade de Colégio de Especialidades de Economia e Gestão Empresariais da Ordem dos Economistas |
| Alberto Souto de Miranda | Chairman of the Board of Directors | Fundiestamo, SGFII, S.A. |

| Name | Position | Companies |
|---|---|---|
| | Member of the Board of Directors | Fundação Eng. António Pascoal |
| José Maria Monteiro de Azevedo Rodrigues | Chairman of the Board | Portuguese Institute of Statutory Auditors since 2012 |
| | Statutory Auditor | ABC - Azevedo Rodrigues, Batalha, Costa & Associados, SROC, Lda |
| | Associated Professor | ISCTE-IUL Instituto Universitário de Lisboa |
| Hans-Helmut Kotz | Responsible | SAFE Policy Center, Universidade Goethe (Frankfurt) |
| | Senior Consultor | McKinsey & Co |
| | Independent Member of the Board of Directors | Eurex Clearing AG (Zurich) |
| | Member of the Advisory Board | Konstanz Seminar on Monetary Theory (Bona) |
| | Member of the Orientation Board | Revue d'Économie Financière (Paris) |
| | Member of the Scientific Council | Credit and Capital Markets |
| | Member of the Scientific Council | Centre Cournot por la Recherche en Économie |
| | Member of the Scientific Council | Hamburg World Economic Institute |
| | Member of the Scientific Council | Fondation de la Banque Centrale du Luxembourg |

Notes:

"Not applicable*" means no activities outside the CGD Group.

(1) This mandate has ended, but he is still undertaking this position.

**General Meeting Board**

The following are the members of the General Meeting Board of CGD appointed for the 2017 to 2020 term, the business address of which is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon:

| | |
|---|---|
| Chairman | Paulo Mota Pinto |
| Vice-chairman | Elsa Roncon Santos |
| Secretary | José Lourenço Soares |

**Supervisory Board**

The following are the members of the Supervisory Board of CGD, appointed for the 2016 to 2019 term, the business address which is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon:

| | |
|---|---|
| Chairman: | Guilherme Valdemar Pereira de Oliveira Martins |
| Members: | António Luis Traça Borges de Assunção |
| | Manuel Lázaro Oliveira de Brito |
| Alternative member: | Nuno Filipe Abrantes Leal da Cunha Rodrigues |

The members of the General Meeting Board and the Supervisory Board do not have any positions in other companies of the Group.

**Relevant activities of the members of the General Meeting Board and Supervisory Board outside the Group**

| Name | Position | Companies |
|---|---|---|
| Paulo Mota Pinto | Chairman of the Supervisory Board | Sistema de Informações da República Portuguesa |
| | Chairman of the Fiscal Board | Nos, SGPS |
| Elsa Roncon Santos | General Manager of the Treasury of Finance | Ministry of Finance |
| | Member of the Board of Directors | EIB – European Investment Bank |
| | Chairman | Comissão conjunta do Fundo Português de Apoio ao Investimento em Moçambique |
| | Chairman of the General Meeting Board | Parpublica – Participações Públicas SGPS |
| | Member of the Advisory Board in representation of the Ministry of Finance | Conselho Consultivo das Fundações |
| | Chairman of the General Meeting Board | Lusa – Agência de Notícias de Portugal, S.A. |
| | Representative of the State Corporate Sector | Conselho Económico e Social |
| | Chairman of the Executive Board | Fundo de Reabilitação e Conservação Patrimonial |
| José Lourenço Soares | Not applicable* | Not applicable* |
| Guilherme Valdemar Pereira de Oliveira Martins | Chairman of the Board | Centro Nacional de Cultura |
| | Member of the Executive Board | Fundação Calouste Gulbenkian |
| | Corresponding Member | Academia das Ciências de Lisboa |
| | Full Member | Academia da Marinha |
| | Academic Merit | Academia Portuguesa da História |
| | Professor | Universidade Lusíada |
| | Professor | Instituto Superior de Ciências Sociais e Políticas da Universidade Técnica de Lisboa (ISCSP) |
| António Luis Traça Borges de Assunção | Manager | Altauto Fahren (AF), Lda |
| | Manager | VLX, Lda |
| | Manager | Sinvegere, Lda |

| | | |
|---|---|---|
| | Teacher | Universidade Católica, Lisboa |
| Manuel Lázaro Oliveira de Brito | Manager | DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda |
| Nuno Filipe Abrantes Leal da Cunha Rodrigues | Associated Professor | University of Lisbon School of Law |
| | Vice – Chairman | European Institute of the University of Lisbon School of Law |
| | Vice – Chairman | Institut for Economic, Financial and Tax Law of the University of Lisbon School of Law |
| | Full member | Cientific Council of the University of Lisbon School of Law |
| | Deputy advisor for the legal affairs | Representative of the Republic for the Autonomous Region of Madeira |

**External Auditor Firm and Statutory Auditor**

During the year 2016 the statutory auditor firm was: Oliveira Rego & Associados, SROC, while the external auditors were Deloitte & Associados, SROC, S.A.

Further to the entering into force of the new auditing legal regime, CGD appointed, on 18 May 2017, Ernst and Young Audit & Associados - SROC, S.A. as statutory auditor and external auditors, for the 2017 to 2020 term. As external auditors, Ernst and Young Audit & Associados - SROC, S.A. have issued a report on limited review of the condensed consolidated financial statements regarding the Issuer's 30 June 2017 accounts.

**Conflicts of Interest**

There are no potential conflicts of interest between any duties to CGD by any of the members of either the Board of Directors, the Executive Committee or the Supervisory Board in respect of their private interests and/or other duties.

**Relationship with the Portuguese State**

Pursuant to Decree-law 287/93 of 20 August 1993, as amended, CGD must remain owned by the Portuguese State at all times. CGD may, on a contractual basis, undertake special functions considered to be of national interest.

CGD provides the Portuguese Government with banking and investment services in competition with other banks. CGD is also able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese State as shareholder are exercised by a representative appointed in accordance with a regulation issued by the Portuguese Minister of Finance.

CGD and its sole shareholder are required to comply with the principles of corporate governance established under Decree Law 133/2013, of 3 October, as lastly amended by Law 42/2016, of 28 December, which aims to establish best practices of corporate governance in state-owned companies and to ensure that the control exercised by the Portuguese State is not abused.

These rules, amongst other things: (i) provide that the exercise of the Portuguese State's rights as shareholder should observe high standards of transparency and therefore the members of the Government who exercise the shareholding rights of the Portuguese State shall be clearly identified; (ii) provide that the Portuguese State shall establish the strategic guidelines and the targets to be met by CGD and shall actively participate in the general shareholders' meetings; (iii) provide that the Portuguese State shall contribute to the establishment of principles of corporate responsibility and sustainable development and compliance by CGD with these principles should be evaluated annually by the Portuguese State; (iv) provide that the Portuguese State should ensure that CGD has adequate control and evaluation mechanisms, so that the economic and financial information provided is accurate and reflects the actual situation of CGD and that it complies with best international and national corporate governance practices; (v) include rules on the structures of the administration and supervision boards; (vi) include rules on remuneration and other rights; (vii) include rules on conflicts of interest and disclosure of material information; and (viii) provide that the Portuguese State shall act with independence regarding the appointment of executive directors and also when acting as a client or as a service provider whilst taking into consideration market conditions.

Furthermore, the Portuguese State, as the sole shareholder of CGD, is bound to comply with the principles of corporate governance established under the Council of Ministers' Regulation ("*Resolução do Conselho de Ministros*") 49/2007 which also establishes best practices for corporate governance in state-owned companies and to ensure that the control exercised by the Portuguese State is not abused. These rules namely provide that: (i) the exercise of the Portuguese State's rights as shareholder should observe high standards of transparency and therefore the members of the government who exercise the shareholding rights of the Portuguese State shall be clearly identified; (ii) the Portuguese State shall establish the strategic guidelines and the targets to be accomplished by the state-owned company and shall actively participate in the general shareholders' meetings; (iii) the Portuguese State shall contribute to the establishment of principles of social responsibility and sustainable development and compliance by the company with these targets shall be evaluated annually by the Portuguese State; (iv) the Portuguese State shall ensure that the state-owned company has adequate, control and evaluation mechanisms, that the economic and financial information provided is accurate and reflects the actual situation of the company and that it complies with best international and national corporate governance practices; and (v) the Portuguese State shall act with independence regarding the executive directors and when acting as a client or as a service provider shall also act with independence and within market conditions.

CGD discloses annually the level of compliance with these corporate governance principles in an annex to its audited consolidated financial statements in respect of the relevant financial year. For the avoidance of doubt, any such annex is not incorporated by reference into this Prospectus.

## Market Position

The statements in this section relating to the CGD Group´s market position are based on calculations made by CGD using data produced by itself and/or obtained from other entities and that are contained or referred to in the management reports and information disclosed together with CGD's financial statements for the financial year ending 31 December 2016, CGD's financial statements for the six months ending 30 June 2017 and CGD's financial information for the nine months ending 30 September 2017 by adding or subtracting amounts from the figures presented therein. CGD is engaged in all areas of the Portuguese financial sector. It provides customers with a full range of financial products and services, ranging from traditional banking to investment banking, insurance, asset management, venture capital, brokerage, real estate and specialised credit services.

The CGD Group aims to maintain its current position in Portugal. It intends to achieve this through its total network of 1,149 branches (as of 30 June 2017), of which 658 are located in Portugal ("CGD Portugal") and 491 are located abroad. As for its domestic office network, 62 branches were closed in the first half of 2017, and CGD Portugal comprises 590 physical branches, 41 self-service branches and 26 corporate offices.

CGD reinforced its international presence in 2016, with five branches over 2015, having opened two branches in Mozambique, two branches in Macao and two branches in Angola, in conjunction with the closure of one Mercantile Bank branch. Also, there were 12 representative offices.

During the period between 31 December 2016 and the third quarter of 2017, the CGD Group had a leading position in most segments and key products such as the individual domestic customers segment in Portugal, in terms of both deposits made with CGD and mortgages provided.

In respect of CGD's banking operations, it held a market share of 27 per cent. in the client deposits segment and a market share of 31 per cent. in the individual customers segment as at 30 September 2017.

In terms of total assets, the CGD Group had a market share of 25 per cent. in the Portuguese banking system as at 30 June 2017, based upon the statistics for total assets for banks according to the Portuguese Banking Association and sourced from the Bank of Portugal and information from the Portuguese banking system.

CGD's domestic market share of loans and advances to customers, as at 30 September 2017 was 21 per cent. in comparison to 21.8 per cent as at 31 December 2016. CGD's market share of the corporate and individual customer segments was 18 per cent. and 22.4 per cent. respectively as at 30 September 2017 in comparison to 18.7 per cent. and 23.0 per cent. as at 31 December 2016 and its market share of mortgage loans was 26 per cent. as at 30 September 2017 in comparison to 26.1 per cent. as at 31 December 2016. Market shares are calculated taking in consideration the information published in the Monthly Statistical Bulletin available at https://www.bportugal.pt/en/publicacao/statistical-bulletin?mlid=1906

The CGD Group carries out domestic investment banking operations, through its investment bank ("CaixaBI").

Caixagest – Técnicas de Gestão de Fundos, S.A. ("Caixagest"), the CGD Group's asset manager, was active in the fund management sector for both private and institutional customers. According to the Portuguese Association of Investment Funds, Pension Funds and Asset Management ("APFIPP") as of 30 September 2017, considering the total amount of discretionary accounts, Caixagest was the management company with the largest market share, with total net assets achieving €21,777.1 million, representing 38.3 per cent. of the total value. In September 2017, Caixagest held a market share of 30.8 per cent. in the securities investment funds with total net assets of €3,680.3 million, recording the highest net sales with €78.5 million, within net sales of €94.4 million since the beginning of 2017.

In December 2016, the pension funds management, CGD Pensões, Sociedade Gestora de Fundos de Pensões, S.A. ("CGD Pensões") held a market share of 19.1 per cent. as compared to 18.9 per cent. in 2015.

In 2016, the CGD Group's financial leasing company, Caixa Leasing e Factoring ("CLF") had a positive performance in the main business segments in which it operates. As at 31 December 2016, its market shares of property and equipment leasing sales achieved 13.7 per cent. and 17.2 per cent., respectively, and its market share in the factoring market increased to 11.6 per cent. during 2016. Fundger, the CGD Group´s real estate investment fund, held a market share of 10.3 per cent. on total assets under management as at 31 December 2016.

CGD continues to focus on developing its client base, and currently offers a wide range of financial products and services to its customers. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group in the future.

### The Group's Geographic Markets

The CGD Group's international presence is focused on countries with cultural and economic ties to Portugal, mainly in Asia and Africa (Macao, Angola and Mozambique).

The CGD Group operates in international markets, in Europe, such as Spain ("Banco Caixa Geral", with a total of 110 branches, Caixa Banco de Investimento, CGD Spain Branch and Inmobiliária Caixa Geral with one branch each), France (French branch with 48 branches), Luxembourg (2 branches), the United Kingdom (1 branch) and 4 representative offices in Switzerland, Germany and Belgium.

In January 2017, Banco Nacional Ultramarino in Macao expanded its branch office network to mainland China, opening a branch on Hengqin Island. During the first half of 2017, two branches were closed in Angola as well as the representative office in Argélia. In Mozambique, CGD opened two branches in 2016.

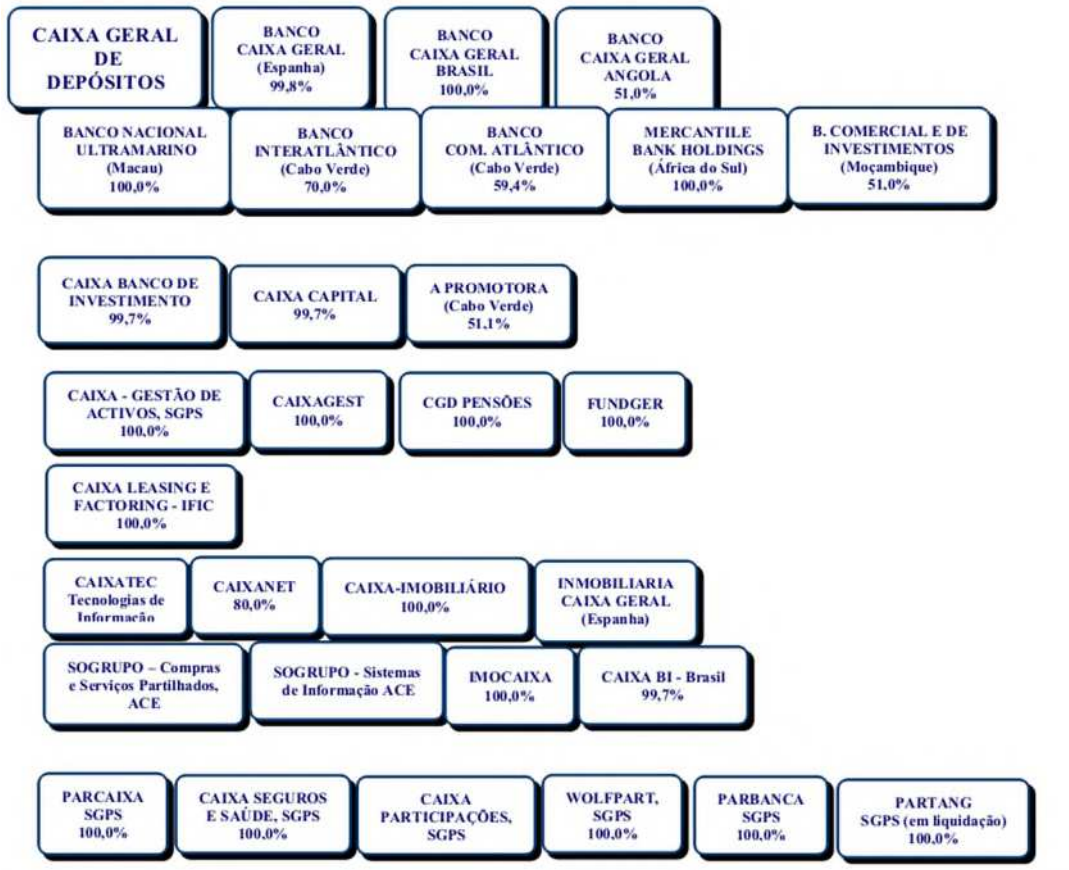
The CGD Group also maintains presence in South Africa, Mercantile Bank (with 13 branches), New York (1 branch), Canada (1 branch), Mexico (1 branch), Brazil (2 branches), Venezuela (2 branches), Xangai (1 branch) Cayman Island (1 branch), Timor (14 branches) and India (2 branches).

Overseas the CGD Group holds a significant position, due to the significant market share or for the recognition of its brand as in Mozambique (BCI with 193 branches), Cape Verde (Banco Interatlântico and BCA with 43 branches in total) or São Tomé and Príncipe (12 branches) and East-Timor (14 branches),

Macao (Banco Nacional Ultramarino with 20 branches and Macao offshore subsidiary with one branch) and Angola (with 40 branches).

## Group Structure

Set out below is a chart detailing the companies within the CGD Group, showing CGD's or its subsidiaries' equity interest where appropriate, as at 30 September 2017.




## Overview of Financial Information

Set out below in summary form are the audited financial statements (balance sheet, income statement and accounts), consolidated for the CGD Group for the years ended 31 December 2015 and 31 December 2016.

For further information please also see the section entitled "*Documents Incorporated by Reference*".

### *Consolidated Balance Sheet*

| | 31 December 2016 | | | 31 December 2015 |
|---|---|---|---|---|
| **Assets** | **Amounts before impairment, amortisation and depreciation** | **Impairment, amortisation and depreciation** | **Net assets** | **Net assets** |
| | | *(Amounts expressed in € thousand)* | | |
| Cash and cash equivalents at central banks..... | 1,840,560 | — | 1,840,560 | 2,879,645 |
| Cash balances at other credit institutions..... | 757,726 | — | 757,726 | 773,163 |
| Loans and advances to credit institutions ..... | 3,224,922 | (7,125) | 3,217,797 | 4,011,515 |
| | 5,823,207 | (7,125) | 5,816,082 | 7,664,323 |
| Financial assets at fair value through profit or | 7,153,925 | — | 7,153,925 | 3,365,877 |

| Assets | 31 December 2016 | | | 31 December 2015 |
|---|---|---|---|---|
| | Amounts before impairment, amortisation and depreciation | Impairment, amortisation and depreciation | Net assets | Net assets |
| | *(Amounts expressed in € thousand)* | | | |
| loss | | | | |
| Available-for-sale financial assets | 7,908,388 | (478,876) | 7,429,512 | 15,620,442 |
| Financial assets with repurchase agreement | 800,419 | (688) | 799,732 | 1,081,166 |
| Hedging derivatives | 9,541 | — | 9,541 | 46,468 |
| Held-to-maturity investments | 433,131 | — | 433,131 | — |
| | 16,305,404 | (479,564) | 15,825,841 | 20,113,953 |
| Loans and advances to customers | 68,500,222 | (5,633,397) | 62,866,825 | 65,759,033 |
| Non-current assets held for sale | 1,948,171 | (522,099) | 1,426,072 | 830,402 |
| Investment properties | 978,263 | — | 978,263 | 1,125,044 |
| Other tangible assets | 1,649,019 | (1,072,516) | 576,503 | 619,370 |
| Intangible assets | 848,837 | (732,659) | 116,178 | 135,032 |
| Investments in associates and jointly controlled entities | 312,338 | — | 312,338 | 277,496 |
| Current tax assets | 41,778 | — | 41,778 | 37,126 |
| Deferred tax assets | 2,545,785 | — | 2,545,785 | 1,473,918 |
| **Other assets** | 3,444,497 | (402,849) | 3,041,648 | 2,865,772 |
| **Total assets** | 102,397,523 | (8,850,210) | 93,547,313 | 100,901,467 |

### *Consolidated Balance Sheet*

| Liabilities and Equity | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | *(Amounts expressed in € thousand)* | |
| Resources of central banks and other credit institutions | 5,799,712 | 5,433,070 |
| Customer resources and other loans | 69,680,130 | 73,426,265 |
| Debt securities | 4,183,729 | 6,700,081 |
| | 73,863,859 | 80,126,345 |
| Financial liabilities at fair value through profit or loss | 1,695,481 | 1,738,597 |
| Hedging derivatives | 2,197 | 10,812 |
| Non-current liabilities held for sale | 693,369 | — |
| Provisions for employee benefits | 613,094 | 642,958 |
| Provisions for other risks | 514,218 | 349,506 |
| Current tax liabilities | 50,784 | 15,864 |
| Deferred tax liabilities | 191,045 | 253,224 |
| Other subordinated liabilities | 2,424,133 | 2,428,925 |
| Other liabilities | 3,816,580 | 3,718,457 |
| Total liabilities | 89,664,472 | 94,717,758 |
| Share capital | 5,900,000 | 5,900,000 |
| Fair value reserves | (38,347) | 258,816 |
| Other reserves and retained earnings | (983,706) | (690,702) |

| Liabilities and Equity | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | *(Amounts expressed in € thousand)* | |
| Net income attributable to the shareholder of CGD | (1,859,523) | (171,453) |
| Equity attributable to the shareholder of CGD | 3,018,424 | 5,296,661 |
| Non-controlling interests | 864,417 | 887,048 |
| **Total equity** | 3,882,841 | 6,183,710 |
| **Total liabilities and equity** | 93,547,313 | 100,901,467 |

***Income Statement (Consolidated)***

| Income Statement (Consolidated) | 31 December 2016 | 31 December 2015 (restated)(1) |
|---|---|---|
| | *(Amounts expressed in € thousand)* | |
| Interest and similar income | 2,628,032 | 2,904,572 |
| Interest and similar expenses | (1,483,164) | (1,819,871) |
| Income from equity instruments | 52,389 | 74,267 |
| NET INTEREST INCOME | 1,197,256 | 1,158,968 |
| Income from services rendered and commissions | 584,068 | 621,565 |
| Cost of services and commissions | (120,489) | (123,408) |
| Results from financial operations | 79,457 | 345,857 |
| Other operating income | (193,141) | (4,172) |
| TOTAL OPERATING INCOME | 1,547,151 | 1,998,810 |
| Employee costs | (705,850) | (803,948) |
| Other administrative costs | (439,615) | (458,302) |
| Depreciation and amortisation | (94,870) | (102,413) |
| Provisions net of reversals | (232,829) | (37,211) |
| Loan impairment net of reversals and recoveries | (2,396,399) | (556,206) |
| Other assets impairment net of reversals and recoveries | (387,714) | (121,987) |
| Results of subsidiaries held for sale | 10,821 | 8,705 |
| Results of associates and jointly controlled entities | 47,480 | 47,099 |
| **Income before Tax and Non-controlling Interests** | (2,651,825) | (25,454) |
| Income tax | | |
| Current | 247,019 | (147,729) |
| Deferred | 579,635 | 91,642 |
| | 826,654 | (56,087) |
| **Consolidated Net Income for the Years, of which:** | (1,825,171) | (81,541) |
| Non-controlling interests | (34,351) | (89,912) |
| **Net Income attributable to the Shareholder of CGD** | (1,859,523) | (171,453) |
| Average number of ordinary shares outstanding | 1,180,000,000 | 1,180,000,000 |
| Earnings per share (in Euros) | (1.58) | (0.15) |

Note:

(1) The December 2015 amounts have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

## *Consolidated Statement of changes in Shareholders' Equity*

| *€ Thousands* | | | Other reserves and retained earnings | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Fair value reserve** | **Other reserves** | **Retained earnings** | **Total** | **Net income for the year** | **Subtotal** | **Non-controlling interests** | **Total** |
| | | | | *(Amounts expressed in € thousand)* | | | | | |
| *Balances at December 31, 2014* | 5,900,000 | 411,810 | 1,814,558 | (2,252,495) | (437,937) | (348,044) | 5,525,829 | 966,931 | 6,492,760 |
| Appropriation of net income for 2014: | | | | | | | | | |
| Transfer to reserves and retained earnings | — | — | 791,276 | (1,139,320) | (348,044) | 348,044 | — | — | — |
| Other entries directly recorded in equity: | | | | | | | | | |
| Gain/(losses) on available-for-sale financial assets | — | (152,994) | (21,568) | — | (21,568) | — | (174,562) | (4,130) | (178,692) |
| Employee benefits - actuarial gains and losses | — | — | 129,659 | — | 129,659 | — | 129,659 | — | 129,659 |
| Foreign currency differences in subsidiaries and branches | — | — | (77,039) | — | (77,039) | — | (77,039) | (82,399) | (159,438) |
| Other | — | — | (17,351) | — | (17,351) | — | (17,351) | 647 | (16,704) |
| Net income for the year | — | — | — | — | — | (171,453) | (171,453) | 89,912 | (81,541) |
| *Total gains and losses for the year recognised in equity* | — | (152,994) | 13,701 | — | 13,701 | (171,453) | (310,745) | 4,030 | (306,715) |
| Written-put over non controlling interests - Partang | — | — | 81,578 | — | 81,578 | — | 81,578 | (64,447) | 17,131 |
| Investments carried out by non-controlling interests | — | — | — | — | — | — | — | (567) | (567) |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | (18,899) | (18,899) |
| Reclassifications between reserves and retained earnings | — | — | (482) | 482 | — | — | — | — | — |
| Balances at December 31, 2015 | 5,900,000 | 258,816 | 2,700,632 | (3,391,333) | (690,702) | (171,453) | 5,296,661 | 887,048 | 6,183,710 |
| Appropriation of net income for 2015: | | | | | | | | | |
| Transfer to reserves and retained earnings | — | — | (171,453) | — | (171,453) | 171,453 | — | — | — |
| Other entries directly recorded in equity: | | | | | | | | | |
| Gain/(losses) on available-for-sale financial assets | — | (297,163) | (14,869) | — | (14,869) | — | (312,032) | (1,437) | (313,469) |
| Employee benefits - actuarial gains and losses | — | — | (128,368) | — | (128,368) | — | (128,368) | — | (128,368) |
| Foreign currency differences in subsidiaries and branches | — | — | 26,073 | — | 26,073 | — | 26,073 | (35,705) | (9,632) |
| Other | — | — | (2,462) | — | (2,462) | — | (2,462) | (5,710) | (8,172) |
| Net income for the year | — | — | — | — | — | (1,859,523) | (1,859,523) | 34,351 | (1,825,171) |
| *Total gains and losses for the year recognised in equity* | — | (297,163) | (119,626) | — | (119,626) | (1,859,523) | (2,276,312) | (8,500) | (2,284,812) |
| Written-put over non-controlling interests - Mercantile | — | — | (1,925) | — | (1,925) | — | (1,925) | — | (1,925) |
| Entry of companies in the consolidation perimeter | — | — | — | — | — | — | — | 668 | 668 |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | (14,799) | (14,799) |
| Reclassifications between reserves and retained earnings | — | — | (1,115,832) | 1,115,832 | — | — | — | — | — |
| Balances at December 31, 2016 | 5,900,000 | (38,347) | 1,291,795 | (2,275,501) | (983,706) | (1,859,523) | 3,018,424 | 864,417 | 3,882,841 |

## *Financial Analysis for the Consolidated Activity for the year ending 31 December 2016*

*Economic Performance*

| | 31 December 2015 (audited) | 31 December 2016 (audited) |
|---|---|---|
| | *(€ million)* | |
| **Income Statement** | | |
| Net interest income incl. income equity instrum[(1)]. | 1,188 | 1,197 |
| Non-interest income[(1)] | 854 | 350 |
| Total Operating Income[(1)] | 2,042 | 1,547 |
| Operating costs[(1)] | 1,392 | 1,240 |
| Net Operating Income before Impairments[(1)] | 650 | 307 |
| Income before tax and non-controlling interests | (21) | (2,652) |
| Net income attributable to the shareholders of CGD | (171) | (1,860) |
| **Balance Sheet** | | |
| Net assets | 100,901 | 93,547 |
| Securities investments[(1)] | 19,649 | 15,581 |
| Loans and advances to customers (gross)[(2)] | 71,376 | 68,735 |
| Customer resources and other loans | 73,426 | 69,680 |
| Debt securities | 6,700 | 4,184 |
| Shareholders' equity | 6,184 | 3,883 |
| **Profit and Efficiency Ratios** | | |
| Gross return on equity - ROE[(1)(3)] | (0.3%) | (46.5%) |
| Net return on equity - ROE[(1)(3)] | (1.3%) | (32.0%) |
| Gross return on assets - ROA[(1)(3)] | 0.0% | (2.7%) |
| Net return on assets - ROA[(1)(3)] | (0.1%) | (1.8%) |
| Total Operating Income/Average net assets[(1)] | 2.1% | 1.6% |
| **Structure Ratios** | | |
| Loan-to-deposits ratio. [(1)(3)] | 90.1% | 90.6% |
| **Leverage and Liquidity Ratios (CRD IV/CRR)** | | |
| Leverage ratio (fully implemented) | 5.7% | 3.3% |
| Liquidity coverage ratio | 143.1% | 177.5% |
| Net stable funding ratio | 135.9% | 134.1% |
| **Branch Office Network and Human Resources** | | |
| Number of branches - CGD Group | 1,253 | 1,211 |
| Number of branches - CGD Portugal | 764 | 717 |
| Number of employees - CGD Group[(4)] | 16,058 | 15,452 |
| Number of employees - CGD Portugal[(4)] | 8,410 | 8,113 |

Notes:

(1) Definition included in the Annex – Alternative Performance Measures.

(2) Includes assets with repo agreements not related to security investments.

(3) Considering the special regime applicable to DTA – Deferred Tax Assets (according to IAS).

(4) Effective staff.

| Income Statement (Consolidated) | 31 December 2015 (audited) | 31 December 2016 (audited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| Interest and similar income | 2,904,572 | 2,628,032 | (276,541) | (9.5) |
| Interest and similar expenses | 1,819,871 | 1,483,164 | (336,707) | (18.5) |
| Net interest income | 1,084,701 | 1,144,868 | 60,166 | 5.5 |
| Income from equity instruments | 74,267 | 52,389 | (21,878) | (29.5) |
| Net interest inc. incl. inc. from eq. invest[(1)]. | 1,158,968 | 1,197,256 | 38,288 | 3.3 |
| Income from services and commissions | 621,565 | 584,068 | (37,497) | (6.0) |
| Costs of services and commissions | 123,408 | 120,489 | (2,919) | (2.4) |
| Results from services and commissions[(1)] . | 498,157 | 463,579 | (34,578) | (6.9) |
| Results from financial operations | 345,857 | 79,457 | (266,400) | (77.0) |
| Other operating income | (4,172) | (193,141) | (188,969) | — |
| Non-interest income[(1)] | 839,842 | 349,895 | (489,947) | (58.3) |
| Total operating income | 1,998,810 | 1,547,151 | (451,659) | (22.6) |
| Employee costs | 803,948 | 705,850 | (98,098) | (12.2) |
| Other administrative costs | 458,302 | 439,615 | (18,687) | (4.1) |
| Depreciation and amortisation | 102,413 | 94,870 | (7,543) | (7.4) |
| Operating costs and depreciation | 1,364,663 | 1,240,336 | (124,328) | (9.1) |
| Net operating income before impairments[(1)] | 634,147 | 306,816 | (327,331) | (51.6) |
| Provisions and impairments of other assets (net)[(1)] | 159,198 | 620,543 | 461,344 | 289.8 |
| Loan impairment net of reversals and recoveries | 556,206 | 2,396,399 | 1,840,193 | 330.8 |
| Provisions and impairments | 715,404 | 3,016,941 | 2,301,537 | 321.7 |
| Results from subsidiaries held for sale | 8,705 | 10,821 | 2,116 | 24.3 |
| Results from associated companies | 47,099 | 47,480 | 381 | 0.8 |
| Net inc. before tax and non-controlling interest | (25,453) | (2,651,825) | (2,626,372) | — |
| Income Tax | 56,087 | (826,654) | (882,741) | (1573.9) |
| Current and deferred | 23,909 | (865,722) | (889,631) | (3720.9) |
| Extraordinary contrib. on the banking sector[(2)] | 32,178 | 39,068 | 6,890 | 21.4 |
| Consolidated net income for year | (81,541) | (1,825,171) | (1,743,631) | — |
| of which: | | | | |
| Non-controlling interest | 89,912 | 34,351 | (55,561) | (61.8) |
| Net income attrib. to CGD's shareholder | (171,453) | (1,859,523) | (1,688,070) | — |

*The December 2015 values have been restated, considering Mercantile Bank Holdings. Ltd. As non-current asset held for sale.*

Notes:

(1) Definition included in the Annex – Alternative Performance Measures.

(2) Please refer to Note 18. Income Tax of the Annual Report 2016 (page 241).

| Operating Costs and Amortization | 31 December 2015 (audited) | 31 December 2016 (audited) | Change Total | Change (%) |
|---|---|---|---|---|
| | *(€ million)* | | | *(%)* |
| Employee costs | 803.9 | 705.9 | (98.1) | (12.2) |
| Other administrative costs | 458.3 | 439.6 | (18.7) | (4.1) |
| Depreciation and amortisation | 102.4 | 94.9 | (7.5) | (7.4) |
| **Total** | 1,364.7 | 1,240.3 | (124.3) | (9.1) |

| Efficiency Ratios | Change 31 December 2015 (audited) | Change 31 December 2016 (audited) |
|---|---|---|
| | *(%)* | |
| Cost-to-income[(1)] | 66.7 | 77.8 |
| Employee costs/total operating income[(1)] | 39.3 | 44.3 |
| Other administrative costs/total operating income | 22.9 | 28.4 |
| Operating costs/average net assets[(2)] | 1.4 | 1.3 |

Notes:

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012.

(2) Definition included in the Annex – Alternative Performance Measures.

| Contribution to Net Operating Income before Impairments | 31 December 2015 (audited) | 31 December 2016 (audited) | Change Total | Change (%) |
|---|---|---|---|---|
| | *(€ million)* | | | *(%)* |
| Domestic commercial banking | 220.3 | 71.3 | (149.1) | (67.7) |
| International activity | 374.9 | 378.4 | 3.6 | 1.0 |
| Investment banking | 19.1 | 25.3 | 6.2 | 32.4 |
| Other | 19.8 | (168.3) | (188.1) | (949.2) |
| Net operating income before impairments | 634.1 | 306.8 | (327.3) | (51.6) |

| Provisions and Impairments | 31 December 2015 (audited) | 31 December 2016 (audited) | Change Total | Change (%) |
|---|---|---|---|---|
| | *(€ million)* | | | *(%)* |
| **Provisions (net)**[(1)] | 37.2 | 232.8 | 195.6 | 525.7 |
| **Loan impairment net of reversals and recoveries** | 556.2 | 2,396.4 | 1,840.2 | 330.8 |
| impairments losses net of reversals | 578.0 | 2,415.6 | 1,837.6 | 317.9 |
| Credit recovery | 21.8 | 19.2 | (2.6) | (11.8) |

| Provisions and Impairments | 31 December 2015 (audited) | 31 December 2016 (audited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| **impairments of other assets**[2] | 122.0 | 387.7 | 265.7 | 217.8 |
| Securities | 48.9 | 145.9 | 96.9 | 198.0 |
| Non-current assets held for sale | 49.9 | 144.5 | 94.7 | 189.9 |
| Non-financial and other assets | 23.2 | 97.3 | 74.1 | 319.6 |
| **Provisions and impairments for period** | 715.4 | 3,016.9 | 2,301.5 | 321.7 |

Notes:

(1) Please refer to Note 23. Provisions and Contingent Liabilities of the Annual Report 2016 (page 252).

(2) Please refer to Note 37. Assets Impairment of the Annual Report 2016 (page 296).

*Balance Sheet*

| CGD's Group Consolidated Net Asset | 31 December 2015 (audited) | | 31 December 2016 (audited) | |
|---|---|---|---|---|
| | Total | Structure | Total | Structure |
| | *(€ million)* | *(%)* | *(€ million)* | *(%)* |
| Caixa Geral de Depósitos[1] | 71,292 | 70.7 | 64,373 | 68.8 |
| Banco Caixa Geral (Spain) | 4,591 | 4.5 | 4,907 | 5.2 |
| Banco Nacional Ultramarino, SA (Macau) | 5,577 | 5.5 | 6,217 | 6.6 |
| Caixa Banco de Investimento | 1,500 | 1.5 | 1,296 | 1.4 |
| Caixa Leasing e Factoring | 2,380 | 2.4 | 2,397 | 2.6 |
| Banco Comercial Investimento (Mozambique) | 2,323 | 2.3 | 1,816 | 1.9 |
| Banco Comercial do Atlântico (Cape Verde) | 707 | 0.7 | 744 | 0.8 |
| Mercantile Lisbon Bank Holdings (South Africa) | 562 | 0.6 | 836 | 0.9 |
| BCG Angola | 1,943 | 1.9 | 1,712 | 1.8 |
| Other companies[2] | 10,027 | 9.9 | 9,249 | 9.9 |
| Consolidated Net Assets | 100,901 | 100.0 | 93,547 | 100.0 |

Notes:

(1) Separate activity.

(2) Includes units consolidated by the equity accounting method.

| Consolidated Balance Sheet | 31 December 2015 (audited) | 31 December 2016 (audited) | Change | |
|---|---|---|---|---|
| | | | 31 December 2016 vs 31 December 2015 | |
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| **Assets** | | | | |
| Cash and cash equivalents with central | 2,880 | 1,841 | (1,039) | (36.1) |

| Consolidated Balance Sheet | 31 December 2015 (audited) | 31 December 2016 (audited) | Change 31 December 2016 vs 31 December 2015 | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| banks | | | | |
| Loans and advances to credit institutions | 4,785 | 3,976 | (809) | (16.9) |
| Loans and advances to customers | 65,759 | 62,867 | (2,892) | (4.4) |
| Securities investments[(2)] | 18,986 | 15,017 | (3,970) | (20.9) |
| Financial assets with repurchase agreement[(3)] | 1,081 | 800 | (281) | (26.0) |
| Non-current assets held for sale | 830 | 1,426 | 596 | 71.7 |
| Investm. in subsid. and associated companies | 277 | 312 | 35 | 12.6 |
| Intangible and other tangible assets | 754 | 693 | (62) | (8.2) |
| Current tax assets | 37 | 42 | 5 | 12.5 |
| Deferred tax assets | 1,474 | 2,546 | 1,072 | 72.7 |
| Other assets[(4)] | 4,037 | 4,029 | (8) | (0.2) |
| **Total assets** | 100,901 | 93,547 | (7,354) | (7.3) |
| **Liabilities** | | | | |
| Central banks' and credit institutions' resources | 5,433 | 5,800 | 367 | 6.7 |
| Customer resources and other loans | 73,426 | 69,680 | (3,746) | (5.1) |
| Financial liabilities at fair value through profit or loss | 1,739 | 1,695 | (43) | (2.5) |
| Debt securities | 6,700 | 4,184 | (2,516) | (37.6) |
| Provisions for employee benefits and for other risks | 992 | 1,127 | 135 | 13.6 |
| Other subordinated liabilities | 2,429 | 2,424 | (5) | (0.2) |
| Other liabilities[(5)] | 3,998 | 4,754 | 756 | 18.9 |
| **Sub-total** | 94,718 | 89,664 | (5,053) | (5.3) |
| **Shareholders' equity** | 6,184 | 3,883 | (2,301) | (37.2) |
| **Total** | 100,901 | 93,547 | (7,354) | (7.3) |

Notes:

(1) Loans and advances to credit institutions include cash balance at other credit institutions and loans and advances to credit institutions.

(2) Securities investments do not include Financial assets with repurchase agreement, i.e. include Financial assets at fair value through profit or loss (€3,365,876,836 and €7,153,925,169, as of December 2015 and December 2016, respectively), Available for sale financial assets (€15,620,441,746 and €7,429,511,767, as of December 2015 and December 2016, respectively) and Assets held to maturity (nil as of December 2015 and €433,130,778 as of December 2016).

(3) Financial assets with repurchase agreement include Securities (€662,300,110 and €564,901,758, as of December 2015 and December 2016, respectively) and Loans (€418,865,610 and €234,829,823, as of December 2015 and December 2016, respectively).

(4) Other Assets include Investment in properties, Hedging derivatives and Other assets, according to the Consolidated Balance Sheet, page 160 of CGD's Annual Report 2016.

(5) Other liabilities include Hedging Derivatives, Current tax liabilities, Deferred tax Liabilities and Other liabilities, according to the Consolidated Balance Sheet, page 160 of CGD's Annual Report 2016.

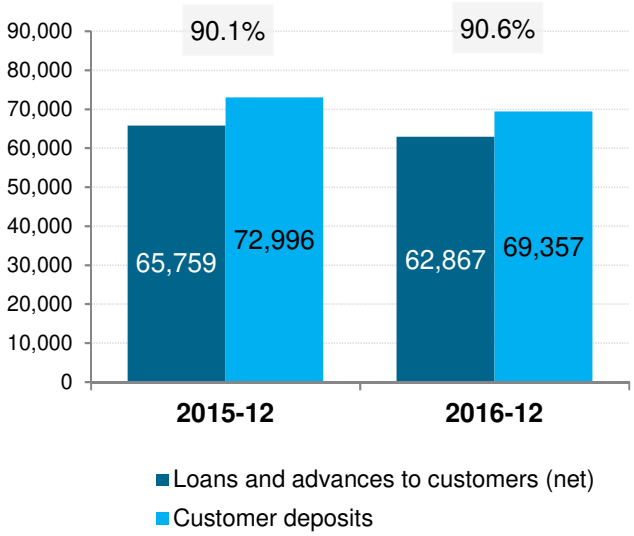
| **Securities Investments (consolidated)[(1)]** | **31 December 2015 (audited)** | **31 December 2016 (audited)** | **Change** | |
|---|---|---|---|---|
| | | | **Total** | |
| | *(€ million)* | | | *(%)* |
| Fin. assets at fair value through profit or loss | 3,366 | 7,154 | 3,788 | 112.5 |
| Available for sale financial assets[(2)] | 16,283 | 7,994 | (8,288) | (50.9) |
| Held-to-maturity investments | 0 | 433 | 433 | — |
| **Total** | 19,649 | 15,581 | (4,067) | (20.7) |

Notes:

(1) After impairment and includes assets with repo agreements and trading derivatives.

(2) Available for sale financial assets include Available for sale financial assets (€15,620,441,746 and €7,429,511,767, as of December 2015 and December 2016, respectively) and Financial assets with repurchase agreement – Securities (€662,300,110 and €564,901,758, as of December 2015 and December 2016, respectively).

**Loan to Deposit Ratio** *(€ million)*




Loans and advances to customers (net) decreased from approximately €65.8 billion in 31 December 2015 to €62.9 billion (minus 4.4 per cent.) in 31 December 2016, while customer deposits[1] decreased from approximately €73.0 billion to €69.4 billion (minus 5.2 per cent.) when compared to the same period. This

[1] Customer deposits correspond to the aggregate balance sheet value of "Customer resources and other loans" and comprise Customer deposits (€69,357.01 million), Loans and Interest on loans (€69.28 million), Cheques and orders payable (€92.79 million), Operations with repurchase agreement (€158.96 million) and Other customer resources (€1.97 million).

means that the loan-to deposit ratio at 31 December 2016 was 90.6 per cent. in comparison to that at 31 December 2015 of 90.1 per cent..

| **Asset Quality (consolidated)** | **31 December 2015 (audited)** | **31 December 2016 (audited)** |
|---|---|---|
| | *(€ million)* | |
| **Total credit**[1] | 70,957 | 68,500 |
| Loans and adv. to customers (not overdue) | 65,562 | 63,552 |
| Overdue credit and interest[1] | 5,395 | 4,949 |
| Of which: more than 90 days overdue[2] | 5,086 | 4,546 |
| Loan impairment[1] | 5,198 | 5,633 |
| Credit net of impairment | 65,759 | 62,867 |
| **Ratios** | | |
| Non-performing credit ratio[3][4] | 9.3% | 8.4% |
| Non-performing credit net/Total credit net[3] | 2.2% | 0.2% |
| Credit at risk ratio[3][4] | 11.5% | 10.5% |
| Credit at risk ratio net/Total credit net[3] | 4.5% | 2.4% |
| Overdue credit/Total credit | 7.6% | 7.2% |
| Cr. overdue for more than 90 days/Total cred. | 7.2% | 6.6% |
| Restructured credit/Total Credit | 10.0% | 9.0% |
| Restr. Cred. Not incl. at risk/Total crd. | 5.6% | 4.2% |
| Non-performing credit coverage[4] | 78.4% | 98.0% |
| Credit at risk coverage[4] | 63.9% | 79.0% |
| Accumulated impairment/Overdue credit | 96.3% | 113.8% |
| Coverage ratio on credit more than 90 days overdue[4] | 102.2% | 123.9% |
| Loan impairment (P&L)/Loans & advances customers (average) | 0.8% | 3.4% |

Notes:

(1) Please refer to Note 12. Loans and Advances to Customers of the Annual Report 2016 (page 218).

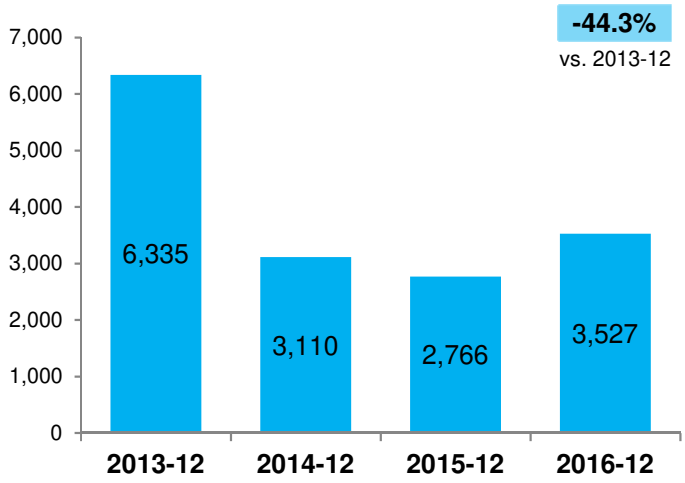
(2) Please refer to Note 12. Loans and Advances to Customers of the Annual Report 2016 (page 220, corresponds to the total of overdue loans and interests minus overdue loans up to three months).

(3) Indicators calculated under the Bank of Portugal Instruction 23/2012.

(4) Definition included in the Annex – Alternative Performance Measures.

**ECB Funding**

*(€ million)*




The CGD Group's financing from the ECB[2] increased by €761 million when comparing the figures from 31 December 2015 to €3,527 million (4 per cent. of the CGD Group's total funding) at 31 December 2016. This increase was complemented by an increase in the eligible assets portfolio included in the Eurosystem pool, which increased from €11,604 million as at 31 December 2015 to €12,347 million as at 31 December 2016.

*Capital Management – Solvency*

| **Shareholder's Equity** | **31 December 2015 (audited)** | **31 December 2016 (audited)** |
|---|---|---|
| | *(€ million)* | |
| Share capital | 5,900 | 5,900 |
| Fair value reserves | 259 | (38) |
| Other reserves and retained earnings | (691) | (984) |
| Non-controlling interests | 887 | 864 |
| Net income | (171) | (1,860) |
| **Total** | 6,184 | 3,883 |

| **Solvency Ratios (Consolidated)[(1)]** | **CRD IV/CRR Regulation** | | |
|---|---|---|---|
| | **31 December 2015** | **31 December 2016** | **1 January 2017[(1)]** |
| | | *(€ million)* | |
| **Phased-in** | | | |
| **Own funds** | | | |
| Common equity tier 1 (CET 1) | 6,551 | 3,858 | 6,741 |
| Tier 1 | 6,551 | 3,859 | 7,286 |
| Tier 2 | 859 | 579 | 597 |

[2] Funds obtained from ECB under the Eurosystem's Open Market Operations in accordance with Bank of Portugal Instruction 3/2015. As of 31 December 2016, CGD's funding from ECB was €3,527 million, of which €3,497 million corresponds to Longer-term Refinancing Operations (TLTRO) and the remaining obtained from the Main Refinancing Operations.

| Solvency Ratios (Consolidated)[1] | CRD IV/CRR Regulation | | |
|---|---|---|---|
| | 31 December 2015 | 31 December 2016 | 1 January 2017[1] |
| | | *(€ million)* | |
| **Total** | 7,410 | 4,437 | 7,883 |
| **Risk weighted assets** | 60,282 | 55,015 | 55,886 |
| **Solvency ratios** | | | |
| CET 1 | 10.9% | 7.0% | 12.1% |
| Tier 1 | 10.9% | 7.0% | 13.0% |
| **Total** | 12.3% | 8.1% | 14.1% |
| **Fully Implemented** | | | |
| **Own funds** | | | |
| Common equity tier 1 (CET 1) | 6,047 | 3,000 | 6,587 |
| **Risk weighted assets** | 60,316 | 54,542 | 55,878 |
| CET 1 ratio | 10.0% | 5.5% | 11.8% |

Note:

(1) Including the two stages of the recapitalisation process in the first quarter of 2017.

The phased-in common equity tier 1 (CET 1) and total ratios calculated under CRD IV/CRR rules were 7.0 per cent. and 8.1 per cent. respectively, for the year ended 31 December 2016.

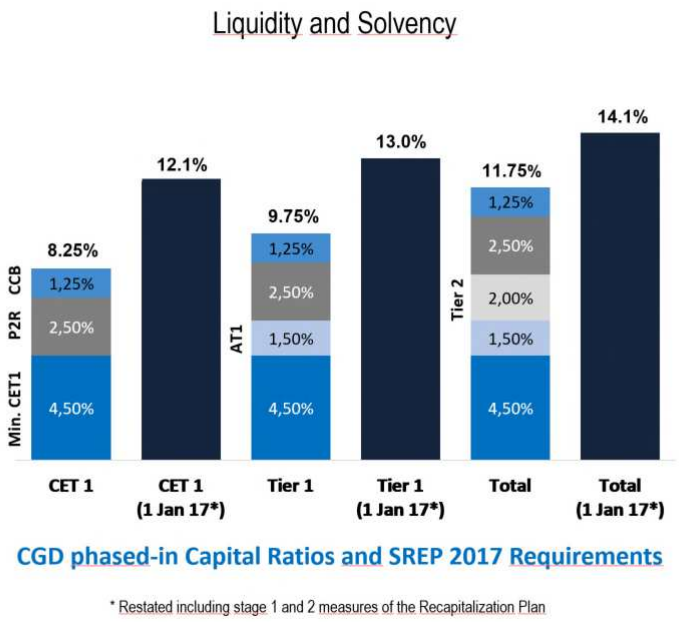
The evolution of CET 1 between 31 December 2015 and 31 December 2016 resulted from the following combined effects:

- The progression, over time, associated with the phased-in capital requirements that lead to regulatory adjustments to several CET 1 components, namely revaluation reserves and non-controlling interests, implying a reduction of around €125.8 million (-21 bps of the phased-in CET 1 ratio);
- The result of CGD's consolidated activity comprising losses of around €1,860 million (-354 bps of the phased-in CET 1 ratio);
- A collection of operations impacting other CET 1 components leading to a reduction of around -11 bps in the phased-in CET 1 ratio.

Considering the recapitalisation operations performed at the beginning of 2017, comprising (i) a share capital increase in kind for the amount of €499 million, corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A, (ii) the conversion of €945.1 million in subordinated contingent convertible bonds and respective interest into share capital, and (iii) the cash share capital increase of €2.5 billion made by the Portuguese State, in addition to the market issuance of AT1 instruments in the amount of €500 million, the values of the phased-in and fully implemented CET 1 ratios at 1 January 2017 stood at 12.1 per cent. and 11.8 per cent., respectively. In turn, CGD's Tier 1 and Total phased-in ratios at 1 January 2017 stood at 13.0 per cent. and 14.1 per cent., respectively.

The ratios achieved after the recapitalisation operations were above the minimum Supervisory Review and Evaluation Process ("SREP") capital requirements for 2017.

*CGD's phased-in Capital Ratios and SREP Requirements 2017*




*ECB's Capital Requirements for 2017*

Based on SREP 2016 results, CGD was notified by the ECB of the minimum capital requirements applicable to it starting on 1 January 2017.

*SREP- Capital Requirements*

On a consolidated basis regarding the activity, the phased-in CET1 capital requirement of 8.25 per cent. to be complied with includes: i) the minimum CET1 capital ratio of 4.5 per cent. required by Pillar 1; ii) the minimum CET1 capital ratio of 2.5 per cent. required by Pillar 2 and iii) the capital conservation buffer ("CCB") of 1.25 per cent.

Pursuant to the Bank of Portugal's notice of 30 November 2017, the Other Systemically Important Institutions ("O-SII") buffer for CGD was set at 0.25 per cent. for 2018, 0.5 per cent. for 2019, 0.75 per cent. for 2020 and 1 per cent. for 2021. The CCB will increase to 2.5 per cent. in 2019.

In addition to the above mentioned CET1 capital requirement, CGD must achieve a minimum consolidated tier 1 ratio of 9.75 per cent. and a total capital ratio of 11.75 per cent. in 2017 on a consolidated basis.

*Domestic and International Activity*

| **Domestic Activity Contribution to Consolidated Profit and Loss[1]** | **31 December 2015 (audited)** | **31 December 2016 (audited)** | **Change** |
|---|---|---|---|
| | *(€ million)* | | *(%)* |
| Net interest income including income from equity investment | 636.0 | 658.5 | 3.5 |
| Results from services and commissions | 366.9 | 349.9 | (4.6) |
| Results from financial operations | 229.1 | (25.5) | — |
| Other operating income | 70.6 | (135.8) | — |

| Domestic Activity Contribution to Consolidated Profit and Loss[1] | 31 December 2015 (audited) | 31 December 2016 (audited) | Change |
|---|---|---|---|
| | *(€ million)* | | *(%)* |
| **Total operating income** | 1,302.7 | 847.0 | (35.0) |
| Employee costs | 585.7 | 497.4 | (15.1) |
| Other administrative costs | 388.3 | 355.4 | (8.5) |
| Depreciation and amortisation | 69.4 | 65.8 | (5.2) |
| **Operating costs** | 1,043.4 | 918.6 | (12.0) |
| Net operating income before impairments | 259.3 | (71.6) | — |
| Provisions and impairments | 579.3 | 2,722.3 | 369.9 |
| Results from associated companies | 46.7 | 46.7 | 0.1 |
| Results from subsidiaries held for sale | (1.6) | 0.0 | — |
| Net Income before tax and non-controlling interest | (275.0) | (2,747.2) | — |
| Tax | 18.7 | (830.3) | — |
| Non-controlling interest | 17.2 | (1.7) | — |
| **Net income** | (310.8) | (1,915.2) | — |

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

*Activity and Financial Information for the first half of 2017*

**Consolidated Income Statement**

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | (%) |
|---|---|---|---|---|
| | *(€ thousand)* | | *Total* | |
| Interest and similar income | 1,351,368 | 1,240,799 | (110,568) | (8.2) |
| Interest and similar expenses | 796,521 | 584,847 | (211,674) | (26.6) |
| Net interest income | 554,847 | 655,952 | 101,105 | 18.2 |
| Income from equity instruments | 29,640 | 23,786 | (5,855) | (19.8) |
| **Net interest inc. incl. inc. from eq. invest[1]** | 584,487 | 679,738 | 95,250 | 16.3 |
| Income from services and commissions | 282,661 | 283,695 | 1,034 | 0.4 |
| Costs of services and commissions | 58,224 | 59,031 | 806 | 1.4 |
| Results from services rendered and commissions | 224,437 | 224,665 | 228 | 0.1 |
| Results from financial operations | (49,253) | 275,514 | 324,768 | — |
| Other operating income | (24,859) | (25,810) | (950) | — |
| **Non-interest income[1]** | 150,325 | 474,369 | 324,045 | 215.6 |
| **Total Operating Income** | 734,812 | 1,154,107 | 419,295 | 57.1 |
| Employee costs | 366,939 | 396,810 | 29,870 | 8.1 |
| Other administrative costs | 213,171 | 192,269 | (20,902) | (9.8) |
| Depreciation and amortisation | 46,497 | 49,108 | 2,611 | 5.6 |

**Consolidated Income Statement**

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | (%) |
|---|---|---|---|---|
| | *(€ thousand)* | | *Total* | |
| Operating costs | 626,608 | 638,187 | 11,579 | 1.8 |
| **Net Operating Income before Impairments**[(1)] | 108,204 | 515,920 | 407,716 | 376.8 |
| Loan impairment net of reversals and recoveries[(1)] | 301,799 | 54,763 | (247,036) | (81.9) |
| Provisions and impairments of other assets (net)[(2)] | 25,898 | 343,744 | 317,845 | 1227.3 |
| **Provisions and impairments** | 327,697 | 398,506 | 70,809 | 21.6 |
| **Net operating income** | (219,493) | 117,414 | 336,907 | — |
| **Income Tax** | (14,364) | 165,961 | 180,325 | — |
| Current[(1)(3)] | 63,822 | 110,433 | 46,611 | 73.0 |
| Deferred [(1)(4)] | (117,884) | 18,662 | 136,545 | — |
| Special contrib. on the banking sector[(1)(5)] | 39,698 | 36,866 | (2,832) | (7.1) |
| **Net operating income after tax and before non-controlling interests** | (205,129) | (48,547) | 156,582 | — |
| Non-controlling interests | 24,619 | 19,683 | (4,936) | (20.0) |
| Results of associates and jointly controlled entities | 19,920 | 11,006 | (8,914) | (44.7) |
| Results of subsidiaries held for sale | 4,585 | 7,300 | 2,715 | 59.2 |
| **Net income attributable to the shareholders of CGD** | (205,243) | (49,925) | 155,318 | — |

Notes:

(1) Definition included in the Annex – Alternative Performance Measures.

(2) Provisions and impairments of other assets (net) include Provisions net of reversals and Other asset impairments net of reversals and recoveries.

(3) Please refer to Note 16. Income Tax of 2017 BoDR (page 123), includes current tax of the year plus prior year adjustments.

(4) Please refer to Note 16. Income Tax of 2017 BoDR (page 123).

(5) Please refer to Note 16. Income Tax of 2017 BoDR (page 126).

As at 30 June 2017 the CGD Group's core net operating income before impairment (sum of net interest income and income from services and commissions deducted of recurrent operating costs)[3] amounted to €303.4 million, up 75.7 per cent. over 30 June 2016 due to growth of net interest income and the reduction of recurrent operating costs.

Net interest income, benefitting from the 26.6 per cent. reduction of €211.7 million in funding costs, was up 18.2 per cent. by €101.1 million as at 30 June 2016 to €656.0 million. A part of this effect (€43.4 million) derives from the cancellation of the contingent convertible ("CoCo") bonds in the context of the recapitalisation measures.

[3] Recurrent operating costs mean Operating costs less Non-recurrent restructuring operating costs. Non-recurrent restructuring operating costs amounted to €61 million in June 2017 and €20 million in June 2016.

| Results from services and commissions – contribution by business areas (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| CGD Portugal | 148.9 | 159.2 | 10.3 | 6.9 |
| International operations | 57.4 | 51.1 | (6.2) | (10.9) |
| Investment banking | 16.8 | 12.0 | (4.8) | (28.6) |
| Asset management | 9.3 | 9.8 | 0.4 | 4.8 |
| Other | (7.9) | (7.4) | 0.5 | — |
| **Total** | 224.4 | 224.7 | 0.2 | 0.1 |

Results of €224.7 million from services and commissions for the six months ended 30 June 2017 were slightly up by 0.1 per cent. over the same period in 2016.

Results from financial operations as at 30 June 2017 amounted to €275.5 million, compared to the losses of €49.3 million made in the first half of 2016. This amount essentially reflects gains from changes in interest rates and the management of risk hedging instruments.

Total operating income, with positive contributions from net interest income and results from financial operations, was up 57.1 per cent. by €419.3 million compared to the six months ended 30 June 2016 to €1,154.1 million.

Operating costs as at 30 June 2017, notwithstanding the reduction of their administrative costs component, were up 1.8 per cent. when compared to the six months ended 30 June 2016, translating the impact of non-recurrent employee costs of €61.0 million (€44.3 million net of tax), in respect of the provisions for the pre-retirements and termination by mutual agreement programmes.

| Operating Costs (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| Employee costs | 366.9 | 396.8 | 29.9 | 8.1 |
| Other administrative costs | 213.2 | 192.3 | (20.9) | (9.8) |
| Depreciation and amortisation | 46.5 | 49.1 | 2.6 | 5.6 |
| **Total** | 626.6 | 638.2 | 11.6 | 1.8 |

Excluding the impact referred to above in respect of non recurrent employee costs, operating costs would have been down 4.9 per cent. for the six months ended 30 June 2017, leading to a reduction of the cost-to-income ratio to 49.5 per cent. for the six months ended 30 June 2017. The cost-to-core income ratio was 65.5 per cent. as at 30 June 2017.

| Efficiency ratios (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) |
|---|---|---|
| | *(%)* | |
| Cost-to-income BdP[2] | 83.0 | 54.8 |
| Cost-to-income[1] [2] [3] | 80.4 | 49.5 |
| Cost-to-core income[1] [4] | 77.8 | 65.5 |
| Employee costs/Total Operating Income[1] [3] | 49.9 | 34.4 |
| Employee costs recurrents[1]/Total operating income[2] | 47.2 | 29.1 |

| Efficiency ratios (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) |
|---|---|---|
| | *(%)* | |
| Other administrative costs/Total Operating Income | 29.0 | 16.7 |

Notes:

(1) Ratios defined by the Bank of Portugal (instruction 23/2012).

(2) Excluding the non-recurrent costs related to the early retirement program and the program of contract termination by mutual agreement, in the amount of €20M and €61M in 30 June 2016 and 30 June 2017, respectively.

(3) Definition included in the Annex – Alternative Performance Measures.

(4) Operating costs / (Net interest income + Results from services and commissions).

Net operating income before impairment of €515.9 million was up €407.7 million in comparison to the first half of 2016. The generalised improvement across all business areas was more significant in the domestic activity, with increases of €270.2 million and €111.7 million in the contribution from the commercial banking and investment banking divisions, respectively.

| Net operating income before impairments contribution (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| Domestic commercial banking | (97.9) | 172.3 | 270.2 | — |
| International activity | 198.2 | 206.7 | 8.6 | 4.3 |
| Investment banking | (13.0) | 98.7 | 111.7 | — |
| Other | 21.0 | 38.2 | 17.2 | 81.7 |
| **Net Operating Income before Impairments** | 108.2 | 515.9 | 407.7 | 376.8 |

In the sphere of international activity, reference should be made to the contributions to net operating income before impairments of the following business units, in the first half of 2017: France Branch (€34.4 million), BNU Macau (€33.8 million), BCG Angola (€36.0 million) and CGD Investimentos, CVC (€52.4 million). Core net operating income before impairment (including net interest income plus results from services and commissions minus recurrent operating costs), amounted to €303.4 million as at 30 June 2017, up 75.7 per cent. when compared with the six months ended 30 June 2016.

Provisions and impairment for the six months ended 30 June 2017 were up 21.6 per cent. compared to the same period of the preceding year to €398.5 million. A particularly important contribution was made by provisions and impairments of other assets (net) of €343.7 million as at 30 June 2017, of which €322.0 million were non-recurrent and related to the restructuring disposal of international activities.

| Provisions and impairment (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| Provisions (net)[1] | (17.4) | 317.8 | 335.2 | — |
| Loan impairment[2] | 301.8 | 54.8 | (247.0) | (81.9) |
| impairments of other financial assets[3] | 44.8 | 36.0 | (8.8) | (19.6) |
| impairments of other assets[4] | (1.4) | (10.1) | (8.6) | — |

| Provisions and impairment (consolidated) | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | |
| | *(€ million)* | | | *(%)* |
| **Provisions and impairments for period** ... | 327.7 | 398.5 | 70.8 | 21.6 |

Notes:

(1) Please refer to Note 21. Provisions and Contingent Liabilities of 2017 BoDR – total of the column Additions and reversals. (page 137).

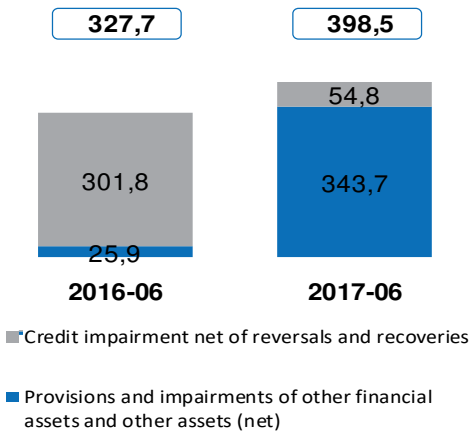
(2) Please refer to Note 34. Assets Impairment of 2017 BoDR (page 168) corresponds to the sum of Additions and reversals and Credit recovery, interest and expenses.

(3) Please refer to Note 34. Assets Impairment of 2017 BoDR (page 168), Impairments of other financial assets comprise: Impairment of other assets (€36.494 million), Impairment of available for sale financial assets: equity instruments (€1.512 million), debt instruments (-€3.885 million) and other instruments (€1.709 million); as of 30 June 2017 there was an amount of €161,000 that are classified as Impairments of other assets that is Impairment of other financial assets; As of June 2016 Impairment of other financial asset comprised Impairment of loans and advances to credit institutions (- €2.369 million), the financial component included in Impairment of other assets (€14.138 million), Impairment of available for sale financial assets: equity instruments (€32 million), debt instruments €489 million) and other instruments (€32.466 million).

(4) Impairments of other assets comprise Impairment of other tangible assets (€2.122 and -€1.961 million, as of December 2015 and December 2016, respectively), impairment of other intangible assets (nul as of December 2015 and-€2.809 million as of December 2016) and Impairment of non-current assets held for sale (-€13.089 million and -€5.129 million, as of December 2015 and December 2016, respectively); as of June 2017 there was an amount of €161,000 that are classified as Impairments of other assets that is Impairment of other financial assets; As of June 2016 Impairment of other asset comprised Impairment of Other tangible assets (€2.122 million), the non-financial component included in Impairment of other assets (€9.535 million), Impairment of non-current assets held for sale (-€13.089 million).

*Provisions and impairments of other financial assets and other assets for the six months ended 30 June 2016 and 30 June 2017*

*€ million*



The cost of credit risk[4] for the six months ended 30 June 2017 of 0.16 per cent., confirms the expected downwards trajectory, following the assessment of the assets value exercise performed at the end of 2016.

Income before tax and non-controlling interests as at 30 June 2017 amounted to €117.4 million in comparison to a negative value of €219.5 million reached in the first half of 2016.

CGD's total tax liability totalled €166.0 million as at 30 June 2017 of which, €36.9 million was due to special banking sector contribution (i.e. special tax imposed on the banking sector).

Considering the evolution described above, the net income for the six months ended 30 June 2017 was minus €49.9 million.

## Balance Sheet

CGD's balance sheet for the six months ended 30 June 2017 was impacted by the already mentioned recapitalisation operations, the financial settlement of which occurred on 30 March 2017 and which was the main reason for the €2,461 million increase of net assets since 31 December 2016.

The increase occurred mainly in cash and claims at the European Central Bank and other central banks and in securities investments, counterbalanced by the reduction in loans and advances to customers.

### CGD Group´s Consolidated Net Assets

| | **Total** | **Structure** | **Total** | **Structure** | **Total** | **Structure** |
|---|---|---|---|---|---|---|
| | **30 June 2016 (unaudited)** | | **31 December 2016 (audited)** | | **30 June 2017 (unaudited)** | |
| | | | *(€ million)* | | | |
| Caixa Geral de Depósitos[(1)] | 69,962 | 70.4% | 64,242 | 68.7% | 67,794 | 70.6% |
| Banco Caixa Geral (Spain) | 4,761 | 4.8% | 4,907 | 5.2% | 4,840 | 5.0% |
| Banco Nacional Ultramarino, SA (Macau) | 5,694 | 5.7% | 6,217 | 6.6% | 5,671 | 5.9% |
| Caixa Banco de Investimento | 1,465 | 1.5% | 1,296 | 1.4% | 1,272 | 1.3% |
| Caixa Leasing e Factoring | 2,452 | 2.5% | 2,397 | 2.6% | 2,357 | 2.5% |
| Banco Comercial Investimento (Mozambique) | 1,845 | 1.9% | 1,816 | 1.9% | 2,101 | 2.2% |
| Banco Comercial do Atlântico (Cape Verde) | 732 | 0.7% | 744 | 0.8% | 752 | 0.8% |
| Mercantile Lisbon Bank Holdings (South Africa) | 662 | 0.7% | 836 | 0.9% | 859 | 0.9% |
| BCG Angola | 1,859 | 1.9% | 1,712 | 1.8% | 1,523 | 1.6% |
| Other companies[(2)] | 9,924 | 10.0% | 9,379 | 10.0% | 8,838 | 9.2% |
| Consolidated net assets | 99,355 | 100.0% | 93,547 | 100.0% | 96,008 | 100.0% |

Notes:

(1) Separate activity.

(2) Includes units consolidated by the equity accounting method.

[4] Definition included in the Annex – Alternative Performance Measures.

## Consolidated Balance Sheet

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change 30 June 2017 vs 30 June 2016 | | Change 30 June 2017 vs 31 December 2016 | |
|---|---|---|---|---|---|---|---|
| | | *(€ million)* | | *Total* | *(%)* | *Total* | *(%)* |
| ASSETS | | | | | | | |
| Cash and equiv. with central banks | 1,503 | 1,841 | 4,438 | 2,936 | 195.4 | 2,598 | 141.1 |
| Loans and advances to credit instit[1] | 3,642 | 3,976 | 3,832 | 190 | 5.2 | (143) | (3.6) |
| Loans and advances to customers | 64,931 | 62,867 | 60,476 | (4,455) | (6.9) | (2,391) | (3.8) |
| Securities investments[2] | 20,137 | 15,017 | 18,202 | (1,935) | (9.6) | 3,185 | 21.2 |
| Financial assets with repurchase agreement | 856 | 800 | 330 | (525) | (61.4) | (469) | (58.7) |
| Non-current assets held for sale | 749 | 1,426 | 1,427 | 678 | 90.4 | 1 | 0.1 |
| Inv. In associates and jointly controlled entities | 267 | 312 | 362 | 95 | 35.6 | 50 | 16.0 |
| Intangible assets and other tangible assets | 707 | 693 | 661 | (46) | (6.4) | (32) | (4.6) |
| Current tax assets | 41 | 42 | 52 | 11 | 27.6 | 10 | 24.3 |
| Deferred tax assets | 1,559 | 2,546 | 2,487 | 928 | 59.5 | (59) | (2.3) |
| Other assets[2] [3] | 4,964 | 4,029 | 3,740 | (1,224) | (24.7) | (289) | (7.2) |
| **Total assets** | 99,355 | 93,547 | 96,008 | (3,347) | (3.4) | 2,461 | 2.6 |
| LIABILITIES | | | | | | | |
| Central banks' and cred. inst. resources | 5,769 | 5,800 | 5,337 | (431) | (7.5) | (462) | (8.0) |
| Customer resources and other loans | 72,442 | 69,680 | 69,915 | (2,527) | (3.5) | 235 | 0.3 |
| Financial liabilities at fair value through profit or loss | 2,262 | 1,695 | 1,266 | (996) | (44.0) | (430) | (25.3) |
| Debt securities | 6,117 | 4,184 | 4,078 | (2,039) | (33.3) | (105) | (2.5) |
| Provisions for employee benefits and provisions for other risks | 896 | 1,127 | 1,465 | 570 | 63.6 | 338 | 30.0 |
| Other subordinated liabilities | 2,400 | 2,424 | 1,470 | (929) | (38.7) | (954) | (39.4) |
| Other liabilities[4] | 3,726 | 4,754 | 4,582 | 856 | 23.0 | (172) | (3.6) |
| **Total liabilities** | 93,610 | 89,664 | 88,113 | (5,497) | (5.9) | (1,551) | (1.7) |
| **Shareholders' equity** | 5,745 | 3,883 | 7,895 | 2,150 | 37.4 | 4,012 | 103.3 |
| **Total** | 99,355 | 93,547 | 96,008 | (3,347) | (3.4) | 2,461 | 2.6 |

Notes:

(1) Loans and Advances to Credit Institutions include Loans and advances to credit institutions (balance sheet) and cash balance at other credit institutions (balance sheet).

(2) Definition included in the Annex – Alternative Performance Measures.

(3) Other Assets include Other assets (balance sheet asset side), Hedging derivatives (balance sheet asset side).

(4) Other Liabilities include Other liabilities (balance sheet, liabilities side), Hedging derivatives (balance sheet, liabilities side), Deferred tax liabilities (balance sheet, liabilities side) and Current tax liabilities (balance sheet, liabilities side and Non-current liabilities held for sale (balance sheet, liabilities side).

Total securities investments, including assets with repurchase agreements and trading derivatives, in June 2017, were up 18.9 per cent. by €2,951 million compared to December last year. This investment resulted from the funds arising from CGD's capital increase (€2,500 million), as well as the AT1 instruments issuance of €500 million, reinforcing the diversification of the securities portfolio.

**Securities Investments (consolidated)[1]**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) |
|---|---|---|---|
| | | *(€ million)* | |
| Fin. assets at fair value through profit or loss | 6,734 | 7,154 | 8,227 |
| Available for sale financial assets[2] | 13,668 | 7,994 | 8,248 |
| Held-to-maturity investments | 238 | 433 | 2,057 |
| **Total** | 20,640 | 15,581 | 18,532 |

Notes:

(1) After impairment.

(2) Available for sale financial assets include Financial assets with repurchase agreements (component not related to loans and advances to customers) totaling €502.9 million (30 June 2016), €564.9 million (31 December 2016) and €330.4 million (30 June 2017).

Loans and advances to customers were down 4.9 per cent. compared to December 2016 to €65,366 million as at 30 June 2017. Lending to companies and individual customers, in the case of CGD's activity in Portugal, were down 8.6 per cent. and 2.3 per cent. respectively when comparing the figures from 31 December 2016 with the six months ended 30 June 2017.

**Loans and Advances to Customers (consolidated)[1]**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change | | Change | |
|---|---|---|---|---|---|---|---|
| | | | | Total | (%) | Total | (%) |
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| Companies | 29,777 | 27,632 | 24,830 | (4,947) | (16.6) | (2,802) | (10.1) |
| General government | 5,499 | 6,839 | 7,089 | 1,590 | 28.9 | 250 | 3.7 |
| Individual customers | 35,398 | 34,264 | 33,447 | (1,951) | (5.5) | (817) | (2.4) |
| Mortgage loans | 32,505 | 31,542 | 30,733 | (1,772) | (5.5) | (809) | (2.6) |
| Other | 2,893 | 2,722 | 2,714 | (179) | (6.2) | (8) | (0.3) |
| Total | 70,674 | 68,735 | 65,366 | (5,308) | (7.5) | (3,369) | (4.9) |

Note:

(1) Before impairment and including repurchase agreements.

The 10.1 per cent. reduction of €2,802 million from 31 December 2016 to 30 June 2017 of the balance on loans and advances to corporate customers expressed the weak demand for bank lending from this segment, as the volume of repayments and settlements was higher than the production of new transactions. The write-offs and the sales of credits also contributed to this decline.

In the same period, the activity sectors most affected were the construction sector and real estate (down 10.6 per cent. by €975 million) and financial activities and others (down 14.0 per cent. by €1,226 million).

**Loans and Advances to Corporates by Sectors of Activity (consolidated)[(1)]**

| | | | | Change | | Change | |
|---|---|---|---|---|---|---|---|
| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Total | (%) | Total | (%) |
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| Agriculture, forestry and fishing | 578 | 572 | 504 | (74) | (12.8) | (68) | (11.9) |
| Mining and manufacturing | 4,108 | 3,443 | 3,282 | (826) | (20.1) | (160) | (4.7) |
| Construction and real estate activities | 10,687 | 9,199 | 8,224 | (2,463) | (23.0) | (975) | (10.6) |
| Electricity, gas and water | 1,351 | 1,373 | 1,132 | (219) | (16.2) | (241) | (17.5) |
| Wholesale and retail trade | 3,240 | 2,581 | 2,637 | (603) | (18.6) | 56 | 2.2 |
| Transports and warehousing | 1,141 | 1,692 | 1,503 | 362 | 31.8 | (188) | (11.1) |
| Financial activities and other | 8,672 | 8,772 | 7,547 | (1,125) | (13.0) | (1,226) | (14.0) |
| Total | 29,777 | 27,632 | 24,830 | (4,947) | (16.6) | (2,803) | (10.1) |

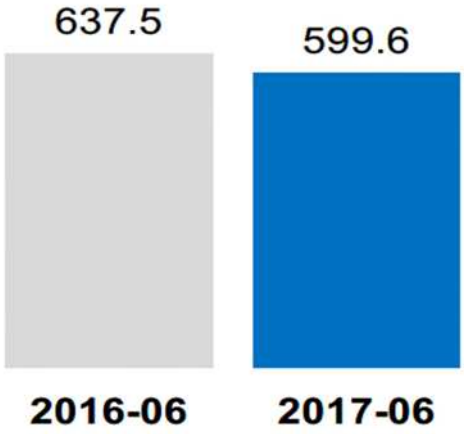
Note:

(1) Before impairment and including repurchase agreements.

As at 30 June 2017, loans and advances to individual customers have decreased 2.4 per cent. by €817 million in comparison to 31 December 2016, totaling €33,447 million as at 30 June 2017, mainly resulting from the reduction of mortgage loans by 2.6 per cent. by €809 million, mainly due to a volume of repayments and settlements that was higher than that of new transactions.

**Mortgage Credit - Branch Office Network (Domestic) - New Operations**

*(€ million)*




Considering CGD's domestic operations, the production of new mortgage loans for the six months ended 30 June 2017 totalled 6,730 operations amounting to €599.6 million (down 6.0 per cent. by €38 million when compared to the six months ended 30 June 2016).

During the six months ended 30 June 2017, there was a positive evolution of CGD's asset quality, with Non-Performing Exposure ("NPE" in accordance with the EBA definition) and Non-Performing Loans ("NPLs", also in accordance with the EBA definition), values decreasing 11 per cent. and 14 per cent. respectively in comparison to December 2016. Therefore, the NPE ratio reduced to 10.6 per cent. and NPL ratio to 13.5 per cent. at 30 June 2017, with the impairment coverage of 51.1 per cent. and 52.0 per cent., respectively. In the domestic market, the coverage level was 54.7 per cent. for NPE and 55.2 per cent. for NPL for the six months ended 30 June 2017.

**Credit quality (consolidated)**

| | **30 June 2016 (unaudited)** | **31 December 2016 (audited)** | **30 June 2017 (unaudited)** |
|---|---|---|---|
| | | *(€ million)* | |
| **Total credit**[1] | **70,321** | **68,500** | **65,366** |
| Loans and adv. to customers (outstanding)[1] | 64,641 | 63,552 | 60,286 |
| Overdue credit and interest[1] | 5,680 | 4,949 | 5,081 |
| Of which: more than 90 days overdue[2] | 5,222 | 4,546 | 4,707 |
| **Loan impairment** | **5,390** | **5,633** | **4,891** |
| **Credit net of impairment** | **64,931** | **62,867** | **60,476** |
| Ratios | | | |
| Non-performing credit ratio[3] [4] | 9.8% | 8.4% | 8.1% |
| Non-performing credit ratio net[3] [4] | 2.3% | 0.2% | 0.6% |
| Credit at risk ratio[3] [4] | 12.2% | 10.5% | 9.8% |
| Credit at risk net/Total credit net[3] [4] | 4.9% | 2.4% | 2.5% |
| Cr. overdue for more than 90 days ratio[3] | 7.4% | 6.6% | 7.2% |
| NPE ratio[5] | 12.0% | 12.1% | 10.6% |
| NPL ratio[6] | 16.6% | 15.8% | 13.5% |
| Non-performing credit coverage | 77.8% | 97.4% | 92.6% |
| Credit at risk coverage | 62.7% | 78.5% | 76.5% |

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) |
|---|---|---|---|
| Coverage ratio on credit more than 90 days overdue ..... | 103.2% | 123.9% | 103.9% |
| NPE coverage by impairment ..... | 45.7% | 52.9% | 51.1% |
| **NPL coverage by impairment** ..... | 46.9% | 52.8% | 52.0% |
| Crd. imp. (P&L) / Loans & adv. custom. (aver.) ..... | 0.86% | 3.42% | 0.16% |

Notes:

(1) Please refer to Note 12. Loans and Advances to Costumers of 2017 BoDR (page 110).

(2) Please refer to Note 12. Loans and Advances to Costumers of 2017 BoDR (page 112, corresponds to the total of overdue loans and interests minus overdue loans up to three months.

(3) Definition included in the Annex – Alternative Performance Measures.

(4) Ratios defined by the Bank of Portugal (instruction 23/2012).

(5) NPE - Non performing exposure - EBA definition.

(6) NPL - Non performing loans - EBA definition.

The restructured credit ratio[5], calculated in accordance with Bank of Portugal criteria stood at 7.8 per cent. as of 30 June 2017, decreasing in comparison to 31 December 2016. The credit at risk ratios, also calculated in accordance with Bank of Portugal criteria, was down to 9.8 per cent., with coverage ratio on credit at risk[6] of 76.7 per cent. (49.2 per cent. and 99.1 per cent. in loans to individuals and to companies, respectively). The credit overdue for more than 90 days ratio was 7.2 per cent. as of 30 June 2017, and the respective impairment coverage was 103.9 per cent..

During the period between 1 January 2017 and 30 June 2017, total liabilities were down 1.7 per cent. by €1,551 million when compared to the year ending 31 December 2016. Special reference should be made to the 39.4 per cent. reduction of €954 million in other subordinated liabilities and the 8.0 per cent. decrease of €462 million in central banks' and other credit institutions' resources.

For the same period, resources from customers were up 0.3 per cent. by €235 million in comparison to the year ending 31 December 2016 to €69,915 million. Reference should be made to the increase of customer deposits from domestic operations, up 2.6 per cent. by €1.397 million.

The loans-to-deposits ratio of 86.9 per cent. as at 30 June 2017, against 90.6 per cent. as at 31 December 2016, reflected CGD's customer retention capacity even in an environment of very low interest rates on deposits.

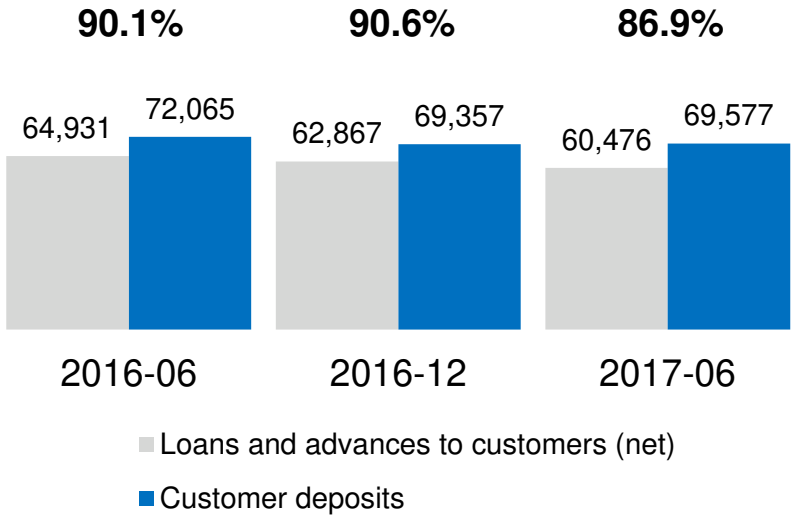
[5] Definition included in the Annex – Alternative Performance Measures.

[6] Definition included in the Annex – Alternative Performance Measures.

*Loans-to-deposits ratio*

The chart below shows the evolution of the ratio between loans and deposits:

*(€ million)*




Total resources taken in the consolidated perimeter were down 1 per cent. by €1,162 million during 2016 to €109,521 million, influenced by the cancellation of CoCo bonds (down €900 million). Special reference should also be made, in the case of balance sheet resources, to the increase in customer deposits in the case of domestic activity (up 2.6 per cent. by €1,397 million in the period from 31 December 2016 to 30 June 2017). In the same period off-balance sheet resources continued to be around €29 billion (up 0.4 per cent.).

Benefiting mainly from the favourable trend for customer deposits, total resources in domestic activity totalled, as at 30 June 2017, €69,532 million, evidencing an increase of 3.4 per cent., in the amount of €2,254, since 31 December 2016.

**Resources Taken (consolidated)**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change Total | Change (%) | Change Total | Change (%) |
|---|---|---|---|---|---|---|---|
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| **Balance sheet** | **86,727** | **82,088** | **80,801** | **(5,926)** | **(6.8)** | **(1,287)** | **(1.6)** |
| Central banks' & Cred. Inst.' resourc. | 5,769 | 5,800 | 5,337 | (431) | (7.5) | (462) | (8.0) |
| Customer deposits | 72,065 | 69,357 | 69,577 | (2,488) | (3.5) | 220 | 0.3 |
| Domestic activity | 55,449 | 53,184 | 54,581 | (868) | (1.6) | 1,397 | 2.6 |
| International activity | 16,616 | 16,173 | 14,996 | (1,620) | (9.7) | (1,177) | (7.3) |
| Covered bonds | 5,412 | 3,854 | 3,805 | (1,608) | (29.7) | (50) | (1.3) |
| Conting. convert. bonds (CoCos) | 900 | 900 | 0 | (900) | (100.0) | (900) | (100.0) |
| EMTN and other securities | 2,204 | 1,854 | 1,744 | (460) | (20.9) | (110) | (5.9) |
| Other | 377 | 323 | 338 | (39) | (10.4) | 15 | 4.5 |

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change | | Change | |
|---|---|---|---|---|---|---|---|
| | | | | Total | (%) | Total | (%) |
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| **Off-balance sheet** ..... | **27,830** | **28,596** | **28,721** | **891** | **3.2** | **125** | **0.4** |
| Investment funds..... | 3,698 | 3,519 | 3,519 | (178) | (4.8) | 0 | 0.0 |
| Real estate investment funds ..... | 1,160 | 950 | 969 | (191) | (16.5) | 19 | 2.0 |
| Pension funds..... | 3,315 | 3,440 | 3,639 | 324 | 9.8 | 198 | 5.8 |
| Wealth management .... | 19,305 | 19,271 | 18,503 | (802) | (4.2) | (768) | (4.0) |
| Treasury bonds ..... | 352 | 1,415 | 2,091 | 1,739 | 494.2 | 676 | 47.8 |
| **Total**..... | **114,557** | **110,683** | **109,521** | **(5,035)** | **(4.4)** | **(1,162)** | **(1.0)** |
| **Total Resources in Domestic Activity**[(1)]..... | **68,421** | **67,278** | **69,532** | **1,112** | **1.6** | **2,254** | **3.4** |

Note:

(1) Includes customer deposits, investment funds, financial insurance, floating rate bonds and other bonds.

## Customers Resources (consolidated)

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change | | Change | |
|---|---|---|---|---|---|---|---|
| | | | | Total | (%) | Total | (%) |
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| Customers deposits..... | 72,065 | 69,357 | 69,577 | (2,488) | (3.5) | 220 | 0.3 |
| Sight deposits..... | 25,070 | 25,031 | 27,179 | 2,109 | 8.4 | 2,148 | 8.6 |
| Term and savings deposits..... | 46,693 | 44,024 | 42,144 | (4,548) | (9.7) | (1,880) | (4.3) |
| Mandatory deposits..... | 302 | 302 | 254 | (48) | (15.9) | (48) | (15.9) |
| Other resources..... | 377 | 323 | 338 | (39) | (10.4) | 15 | 4.5 |
| Total ..... | 72,442 | 69,680 | 69,915 | (2,527) | (3.5) | 235 | 0.3 |

By category, term deposits and savings accounts, as at 30 June 2017, comprised €42,144 million (61 per cent.) of the total customer deposits.

**Debt Securities (consolidated)**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change Total | Change (%) | Change Total | Change (%) |
|---|---|---|---|---|---|---|---|
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| EMTN programme issues[1] | 588 | 329 | 275 | (313) | (53.2) | (54) | (16.3) |
| Covered bonds | 5,411 | 3 853 | 3,803 | (1,607) | (29.7) | (50) | (1.3) |
| Other | 118 | 2 | 0 | (118) | (100.3) | (2) | (120.1) |
| **Total** | **6,117** | **4184** | **4,078** | **(2,039)** | **(33.3)** | **(105)** | **(2.5)** |

Note:

(1) Does not include issuances classified as subordinated liabilities.

Debt securities were down 33.3 per cent. by €2,039 million compared to the six months ended 30 June 2016 to €4,184 million. This downwards trajectory has been in force over the last few years and derived from the fact that several issuances under CGD's Euro Medium Term Note programme have reached their maturity, without the need to refinance them on the capital markets.

**Subordinated Liabilities (consolidated)**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) | Change total | Change (%) | Change Total | Change (%) |
|---|---|---|---|---|---|---|---|
| | | | | 30 June 2017 vs 30 June 2016 | | 30 June 2017 vs 31 December 2016 | |
| | | | | *(€ million)* | | | |
| EMTN programme issues[1] | 1,026 | 1,014 | 1,005 | (21) | (2.0) | (8) | (0.8) |
| Contingent convertible (Coco) bonds | 900 | 900 | 0 | (900) | (100.0) | (900) | (100.0) |
| Other | 473 | 510 | 465 | (8) | (1.8) | (46) | (9.0) |
| Total | 2,400 | 2,424 | 1,470 | (929) | (38.7) | (954) | (39.4) |

Note:

(1) Does not include issuances classified as debt securities.

The outstanding balance of subordinated liabilities decreased by 39.4 per cent. as of 31 December 2016 to €1,470 million, reflecting the cancellation of the CoCo bonds (which had been subscribed by the Portuguese State in 2012) on 4 January 2017.

*Liquidity*

The first half of the year 2017 was marked by CGD's recapitalisation process, based on the plan agreed between the European Commission and the Portuguese State. Consequently, on 24 March 2017 CGD launched and priced a €500 million Reg S dematerialised perpetual non-call five-year temporary write down

Additional Tier One issue, a deeply subordinated bond priced at Ms+1,092.5 bps, at a fixed coupon of 10.75 per cent.. This transaction represents CGD's inaugural AT1 transaction, as part of the 2017 Recapitalisation Plan.

The conditions required for CGD`s capital increase by the Portuguese State were accomplished, with CGD being able to tap the market with the AT1 instruments, which enabled CGD to achieve the second phase of its 2017 Recapitalisation Plan, with the completion of a €2.5 billion capital cash increase (by the Portuguese State). In the beginning of 2017, with the capital increase in kind, CGD cancelled €900 million Coco bonds which had been subscribed by the Portuguese State in 2012.

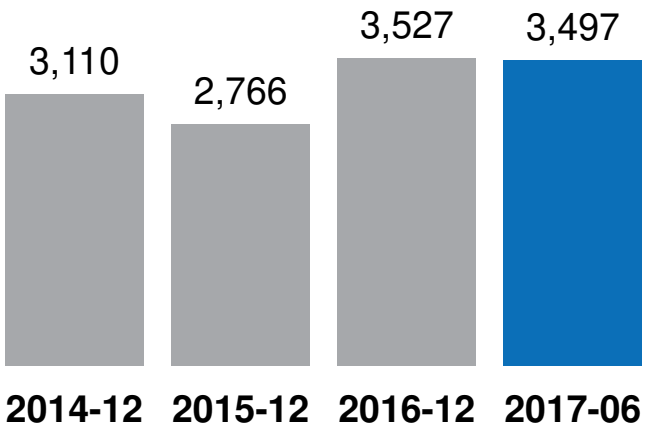
On the basis of the approval of the Strategic Plan submitted by CGD, the European Commission also decided to lift the restriction on discretionary interest payments on subordinated debt, and therefore CGD resumed coupon payments to investors as of March 2017.

The amount of CGD financing from the European Central Bank ("ECB") has remained unchanged at €2 billion since June 2016. The collection of CGD Portugal's assets eligible for the ECB's collateral pool remained stable at €10.6 billion.

The total amount of funding from the ECB (TLTRO) of CGD and its subsidiaries was €3.5 billion as at 30 June 2017, which remained practically unchanged in comparison to 31 December 2016, with only a slight decrease of €30 million in the amount of the eligible assets portfolio in the Eurosystem pool. The CGD's total assets eligible for ECB's collateral pool has remained stable at €12.3 billion.

*ECB Funding*

*(€ million)*




The Liquidity Coverage Ratio ("LCR")[7] at 30 June 2017 was higher than regulatory requirements, at 222 per cent. in comparison to 176 per cent. at 31 December 2016.

Also confirming the CGD Group's liquidity position, the Net Stable Funding Ratio ("NSFR")[8] was 137 per cent. at 30 June 2017 (compared to 131 per cent. at 31 December 2016).

*Capital Management*

Consolidated shareholders' equity, reflecting the two implemented phases of the 2017 Recapitalisation Plan agreed between the Portuguese State and the European Commission was up €4,012 million as compared to 31 December 2016, totalling €7,895 million as at 30 June 2017.

[7] Liquidity Coverage Ratio ("LCR") – according to Article 509 of the CRR.

[8] Net Stable Funding Ratio ("NSFR") – according to Article 510 of the CRR.

**Shareholder's Equity (consolidated)**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) |
|---|---|---|---|
| | | *(€ million)* | |
| Share capital | 5,900 | 5,900 | 3,844 |
| Other equity instruments | 0 | 0 | 500 |
| Revaluation reserves | 111 | 87 | 238 |
| Other reserves and retained earnings | (913) | (1,109) | 2,999 |
| Non-controlling interests | 852 | 864 | 364 |
| Net income | (205) | (1,860) | (50) |
| **Total** | **5,745** | **3,883** | **7,895** |

Other equity instruments totalling €500 million refer to securities representing the AT1 instruments, issued at the end of March 2017.

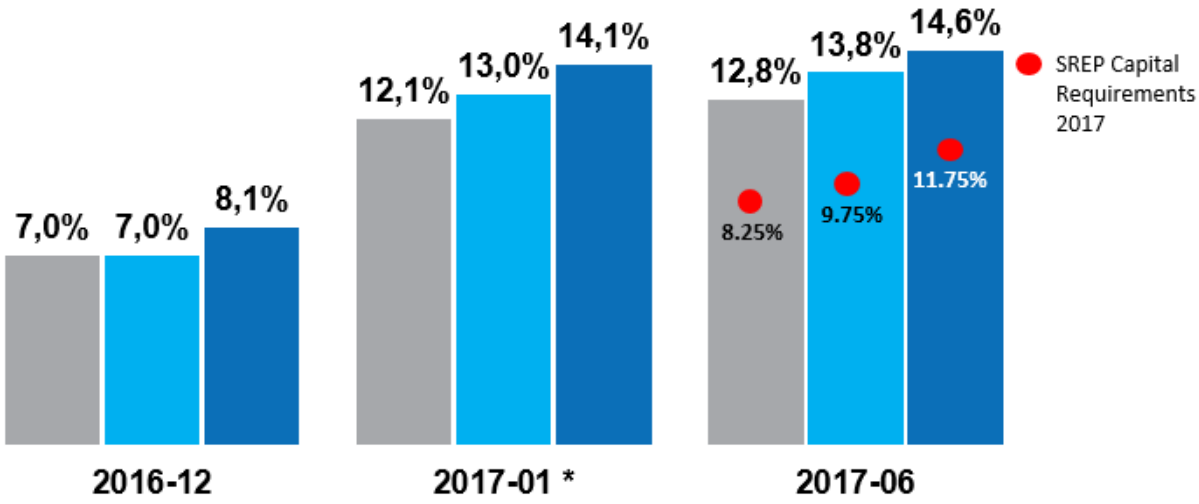
The evolution of other reserves and retained earnings which were up €4,108 million for the six months ended as at 30 June 2017 as compared to 31 December 2016, largely derived from the extinguishing of 1,200 million shares, that occurred at the first phase of the 2017 Recapitalisation Plan, aimed at covering the negative retained earnings and the formation of a free positive reserve.

The phased-in and fully implemented CET1 ratios at 30 June 2017 were 12.8 per cent. and 12.6 per cent. respectively with a phased-in Tier 1 and Total ratios of 13.8 per cent. and 14.6 per cent., respectively at 30 June 2017.

**Solvency Ratios**

| | 30 June 2016 (unaudited) | 31 December 2016 (audited) | 30 June 2017 (unaudited) |
|---|---|---|---|
| | | *(€ million)* | |
| *Phased-in (CRD IV/CRR)* | | | |
| **Own funds** | | | |
| Common equity tier 1 (CET 1) | 6,009 | 3,858 | 6,873 |
| Tier 1 | 6,013 | 3,859 | 7,409 |
| Tier 2 | 723 | 579 | 450 |
| **Total** | **6,736** | **4,437** | **7,859** |
| **Weighted assets** | **60,016** | **55,015** | **53,723** |
| **Solvency ratios** | | | |
| CET 1 | 10.0% | 7.0% | 12.8% |
| Tier 1 | 10.0% | 7.0% | 13.8% |
| **Total** | **11.2%** | **8.1%** | **14.6%** |
| *Fully Implemented (CRD IV/CRR* | | | |
| **Own funds** | | | |
| Common equity tier I (CET 1) | 5,502 | 3,000 | 6,753 |
| **Weighted assets** | **60,040** | **54,542** | **53,659** |
| CET 1 ratio | 9.2% | 5.5% | 12.6% |

*CGD's phased-in capital ratios*




* Restated including stage 1 and 2 measures of the Recapitalization Plan

The evolution of the CET1 ratio between 31 December 2016 and 30 June 2017 (as shown above) was essentially explained by the following effects:

- Progression over time associated with phasing-in, leading to regulatory reductions of €358 million in CET1 and €62 million in risk-weighted assets ("RWA") translating into a decrease of 64 basis points in the CET1 ratio;
- Recapitalisation of CGD, resulting in a 569 basis points improvement of the CET1 ratio, with special reference to the effect of the €2.5 billion share capital increase (equivalent to a 481 basis points increase in the CET1 ratio).

Change in own funds resulting from the evolution of activity with a positive influence of €132 million on the CET1 ratio, corresponding to a 25 basis points increase of the CET1 ratio, with special reference to the contribution made by the following components:

- Revaluation reserves (up €115 million, of which €112 million was profit and loss on available-for-sale financial assets), non-controlling interests (up €5 million), gains deriving from a smaller deduction of intangibles and deferred tax assets (€102 million);
- Net result for the period (down €59 million) and other reserves and retained earnings (down €31 million).

For the six months ended 30 June 2017 there was a reduction of €1,292 million in RWA essentially resulting from the decrease of around €2.6 billion in net credit in which asset disposals and write-offs were, inter alia, contributory factors. Irrevocable commitments were also down, particularly at the level of securities subscriptions (€176 million) and bank guarantees (€233 million). Reference should also be made to the reduction of around €120 million of investment in venture capital funds. This was offset by a €638 million increase of RWA in respect of deferred tax assets which are not contingent upon future profits and a €198 million increase in significant investments in financial entities.

The improvement of CGD's total capital ratio reflects the evolution of its CET1 ratio on account of the facts referred to and the market issuance of securities representing additional Tier 1 own funds.

The ratio levels achieved in CGD's consolidated accounts for the six months ended 30 June 2017 exceeded the minimum SREP capital requirements in 2017.

*SREP capital requirements applicable to consolidated activity in 2017*

Based on SREP results for the year ended 31 December 2016, CGD was notified by the ECB of the minimum capital requirements applicable from 1 January 2017.

CGD's minimum CET1 phased-in capital requirement on a consolidated basis is 8.25 per cent. and includes: (i) a minimum CET1 capital ratio of 4.5 per cent. required by Pillar 1; (ii) a minimum CET1 capital ratio of 2.5 per cent. required by Pillar 2; and (iii) CCB of 1.25 per cent..

CGD must also comply with a minimum Tier 1 capital ratio of 9.75 per cent. and a total capital ratio of 11.75 per cent. in 2017.

**SREP - Capital Requirements (consolidated)**

| | **2017** |
|---|---|
| | **%** |
| **Common Equity Tier 1 (CET1)** | **8.25** |
| Pillar 1 | 4.50 |
| Pillar 2 Requirement | 2.50 |
| Capital Conservation Buffer (CCB) | 1.25 |
| **Tier 1** | **9.75** |
| **Total** | **11.75** |

Starting from 2018, CGD is required to set up an O-SII buffer to be fully covered by CET 1.

Pursuant to the Bank of Portugal's notice of 30 November 2017, the Other Systemically Important Institutions ("O-SII") buffer for CGD was set at 0.25 per cent. for 2018, 0.5 per cent. for 2019, 0.75 per cent. for 2020 and 1 per cent. for 2021. The CCB will increase to 2.5 per cent. in 2019.

The CCB is expected to increase by 0.625 per cent. per annum on a phased basis up to 2.5 per cent. in 2019.

The fully-implemented leverage ratio[9] was 7.4 per cent. at 30 June 2017.

CGD had available distributable items of €1.8 billion as at 30 June 2017 (around 33 times the annual cost of its current AT1 instruments issuance) with a 2.9 per cent. surplus at the level of its Maximum Distributable Amount ("MDA") restrictions considering the current gaps of Tier 1 and Tier 2, and with a 4.6 per cent. surplus, if considering those gaps complied with future issues.

*Rating*

The rating agencies revised their ratings for CGD following CGD's announcement of its results for the year ended 31 December 2016 and its Strategic Plan.

Moody's Investors Service Ltd., accordingly upgraded its ratings for CGD on 22 March 2017, changing its Baseline Credit Assessment ("BCA") and BCA adjusted assessments for CGD from b3 to b2. In parallel, the rating agency reaffirmed its B1 ratings on deposits and long term senior debt, albeit altering its "outlook" from "ratings under review" to "stable".

On 1 June 2017, DBRS reaffirmed its ratings of BBB (low) on long term senior debt, with a change from "under review with negative implications" to "negative trend". According to this rating agency, the confirmation of the rating translates the increase in CGD Group's solvency under the 2017 Recapitalisation Plan at the end of March 2017, increasing the flexibility to execute its Strategic Plan. The "negative trend" reflects DBRS's opinion that the implementation of the Strategic Plan involves "execution risks".

On 21 December 2017, Fitch Ratings Inc. affirmed its ratings for CGD of B/BB-, with a "positive" outlook.

The credit ratings assigned by the rating agencies to CGD are summarised in the following table:

[9] Leverage Ratio in accordance to article 429 of EU regulation n. 575/2013.

**Rating**

| | Short Term | Long Term | Date of last assessment |
|---|---|---|---|
| FitchRatings | B | BB- | 2017-12 |
| Moody's | N/P | B1 | 2017-03 |
| DBRS | R-2 (mid) | BBB (low) | 2017-06 |

*Domestic Activity*

Domestic activity's contribution to the CGD's Group net income as at 30 June 2017 recorded a negative value of €169.5 million, in comparison to losses of €322.4 million in the same period of the preceding year, having been penalised by non-recurrent costs.

Reference should be made to the increase of net interest income including income from equity instruments (increasing 24.4 per cent.) and results from financial operations. Results from service and commissions were up 4.3 per cent., standing at €174.1 million.

Operating costs were up 0.1 per cent. as at 30 June 2017, to €470.5 million. Excluding €61 million of non-recurrent costs operating cost would have decreased by 6.2 per cent.. Recurrent net income before impairment achieved €370.3 million showing a marked improvement of €440.1 million over the same period of 2016.

Provisions and impairments (net) were up 20.8 per cent. as at 30 June 2017 to €355.5 million, broken down between loan impairment (€25.1 million) and provisions and impairments of other assets (€330.4 million), the latter including reinforcement in an amount of €322 million to face disinvestments in international activity.

For the six months ended 30 June 2017 total tax liabilities reached €132.6 million.

**Domestic Activity - Contribution to Consolidated Profit and Losses[(1)]**

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change |
|---|---|---|---|
| | | *(€ million)* | |
| Net interest inc. incl. inc. from eq. investm. | 321.2 | 399.4 | 24.4% |
| Results from services and commissions | 166.9 | 174.1 | 4.3% |
| Results from financial operations | (119.9) | 192.2 | — |
| Other operating income | 11.7 | 14.0 | 20.3% |
| **Total operating income** | **379.9** | **779.7** | **105.2%** |
| Employee costs | 263.6 | 289.6 | 9.9% |
| Administrative expenses | 174.0 | 149.2 | (14.2)% |
| Depreciation and amortisation | 32.3 | 31.7 | (1.9)% |
| **Operating costs** | **469.8** | **470.5** | **0.1%** |
| **Net operating income before impairments** | **(89.9)** | **309.2** | **—** |
| Loan impairment (net) | 269.1 | 25.1 | — |
| Provisions and impairments of other assets (net) | 25.2 | 330.4 | — |
| **Net operating income** | **(384.3)** | **(46.3)** | **—** |
| Income Tax | (53.8) | 132.6 | — |
| **Net operating income after tax and before non-controlling interests** | **(330.4)** | **(178.8)** | **—** |
| Non-controlling interests | 11.6 | 1.6 | (85.9)% |
| Results of associated companies | 19.6 | 11.0 | (43.9)% |

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change |
|---|---|---|---|
| **Net income** ..... | **(322.4)** | **(169.5)** | — |

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

*International activity*

Activity in the international area, during the course of the first half of 2017, pursued its mission of creating value based on a broad-ranging, competitive offer of transactional and trade finance services, enabling CGD to continue to focus on promoting and consolidating its relationships with its international customers.

The offer of services recognised by the market as being particularly distinctive across the first half of 2017, remained highly dynamic with the aim of facilitating and providing for the most diverse needs, deriving from commercial relationships or the presence of customers in different geographies. Caixa's services are backed by its international branch office network and vast range of correspondent banks.

CGD continued to improve its value proposal on external trade products and services in the first half of 2017 by strengthening the functionalities available on its Caixadirecta Empresas platform, the launch of its non-recourse discount forfaiting of export documentary credit and introduction of products and services in the Chinese renmimbi.

The corporate "Market Intelligence Service" at www.cgd.pt, gives a snapshot of specific market information, namely, the key economic indicators on risk, international and bilateral trade, the business environment and customer-centric solutions.

Activity in the corporate segment, across this period, gave continuity to international business integration initiatives and activities, developed in 2016, with the aim of maximising synergies between the domestic and international branch office networks. These activities have made it possible to improve the depth of knowledge and information sharing, translating into more dynamic articulation and business leverage operations, comprising a global increase in the number of new customers and the international business's growing contribution to the CGD Group's consolidated results.

Eighty-five loan applications were analysed up to 30 June 2017 in articulation with CGD's foreign business units. They comprised renewals of limits and new operations with an 11 per cent. increase in the amount analysed in comparison to the same period of the preceding year. Financing operation proposals, in the form of buyer's credit, with the aim of backing endeavours to export domestic products and services were also analysed and included negotiations with the Republic of Angola for an amount of more than €210 million.

CGD continued to make disbursements under its concessionary export lines of credit for financing Portuguese companies, having, during the period under analysis, paid out a global amount of €14.5 million in invoices. Reference should be made to the entry into force and the first disbursement under the second line of credit for the Kingdom of Morocco, in 2017. Disbursements of €979.1 million comprising 93.4 per cent. of the amount of the 138 projects financed under the respective lines have already been made from the total amount of CGD's concessionary lines of €1,480 million.

On a level of the relational management with banks and multilateral entities, reference should be made to the growing use of the foreign trade facilitation programmes of multilateral entities and agreements for risk selling, thereby enabling an expansion of the scope of approved trade operations and improving CGD's response to its customers' needs.

CGD has continued to focus on promoting and consolidating its relationships with the individual customers resident abroad segment through its branch office network in Portugal. This is based on the more comprehensive scope of its Caixazul Internacional and Caixadirecta Internacional distance banking service models and permanent articulation with Group business units in its different geographical operations.

CGD continued to strengthen its market share of emigrants' deposits as at 30 June 2017, with 43.5 per cent. (compared to 41.5 per cent. as at 31 December 2016) (Source: Monetary and financial statistics Bank of Portugal). It also succeeded in maintaining its market share of around 35 per cent. in credit in comparison to 31 December 2016. Reference should also be made to the investments made by foreigners in Portugal's real estate market through Caixa.

The international area's contribution to the CGD Group's consolidated net result for the six months ended 30 June 2017 was up 2.0 per cent. over the same period of the preceding year, to €119.5 million.

**International Activity Contribution to Consolidated Profit and Losses[(1)]**

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change |
|---|---|---|---|
| | | *(€ million)* | |
| **Contribution to consolidated Profit and Losses[(1)]** | | | |
| Net interest inc. incl. inc. from eq. investm. | 266.5 | 288.1 | 8.1% |
| Results from services and commissions | 57.4 | 51.1 | (10.9)% |
| Results from financial operations | 65.2 | 74.7 | 14.6% |
| Other operating income | (5.5) | (15.3) | — |
| **Total operating income** | **383.6** | **398.6** | **3.9%** |
| Employee costs | 103.3 | 107.2 | 3.7% |
| Other Administrative costs | 67.9 | 67.3 | (0.9)% |
| Depreciation and amortisation | 14.2 | 17.4 | 22.6% |
| **Operating costs** | **185.4** | **191.9** | **3.5%** |
| **Net operating income before impairments** | **198.2** | **206.7** | **4.3%** |
| Loan impairment (net) | 32.7 | 29.7 | (9.3)% |
| Provisions and impairments of other assets (net) | 0.7 | 13.4 | 1942.9% |
| **Net operating income** | **164.8** | **163.7** | (0.7)% |
| Income Tax | 39.5 | 33.4 | (15.4)% |
| **Net operating income after tax and before non-controlling interests** | **125.3** | **130.3** | **4.0%** |
| Non-controlling interests | 13.0 | 18.0 | 38.9% |
| Results from subsidiaries held for sale | 4.6 | 7.3 | 59.2% |
| Results of associates and jointly controlled entities | 0.3 | 0.0 | — |
| **Net income** | **117.2** | **119.5** | **2.0%** |

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

During the six months ended 30 June 2017, total operating income increased 3.9 per cent. in an amount of €15.0 million, with net interest income including income from equity instruments growing 8.1 per cent. by €21.6 million. Results from financial operations were up 14.6 per cent. in comparison to the same period of the preceding year, to €74.7 million.

Operating costs were up 3.5 per cent. and provisions and impairments up 29.1 per cent. for the six months ended 30 June 2017.

The international business area's contribution to the CGD Group's consolidated net operating income before impairments for the six months ended 30 June 2017 was up 4.3 per cent. by €8.6 million over the same period of the preceding year.

## International Activity Contribution to Consolidated Profit and Losses

| | 30 June 2016 (unaudited) | 30 June 2017 (unaudited) | Change | |
|---|---|---|---|---|
| | | | Total | (%) |
| | | *(€ million)* | | |
| BNU Macao | 31.0 | 28.8 | (2.2) | (7.1) |
| BCG Angola | 6.9 | 12.1 | 5.2 | 75.0 |
| BCG Spain | 10.5 | 12.8 | 2.3 | 21.7 |
| Mercantile Bank (South Africa) | 4.6 | 7.0 | 2.4 | 52.4 |
| BCI (Mozambique) | 6.7 | 6.7 | 0.0 | 0.0 |
| Africa - other units | (0.5) | (1.3) | (0.8) | — |
| BCG Brazil | 1.2 | 0.4 | (0.8) | (69.1) |
| Branches | 60.1 | 16.3 | (43.8) | (72.8) |
| of which: France Branch | 55.3 | 20.7 | (34.6) | (62.6) |
| CGD Investimentos, CVC (Brazil) | 0.3 | 40.9 | 40.7 | — |
| Other | (3.5) | (4.1) | (0.6) | — |
| **Total** | **117.2** | **119.5** | **2.3** | **2.0** |

Consolidated net assets from international area operations, influenced by the performance of loans and advances to customers (net), which were down 6 per cent. by €816 million to €12,884 million as at 30 June 2017, were down 4.6 per cent. as at 31 December 2016, to €21,931 million. BNU Macao, and the branches in France and Spain, contributed negatively to the latter reduction, with decreases of €287 million (minus 9.3 per cent.), €252 million (minus 6.7 per cent.) and €111 million (an increase of 19.1 per cent.), respectively as at 30 June 2017.

The international area's contribution to total deposits was down 7.3 per cent. for the year ended 31 December 2016 to €14,996 million. This evolution derived from the performance of the CGD Group's units in Asia, which still account for 39 per cent. of customer deposits in the international area.

## Recent Developments

- On 28 September 2017, CGD, Banco Comercial Português, S.A. and Novo Banco, S.A. signed a memorandum of understanding for the creation of the *Plataforma de Gestão de Créditos Bancários, ACE ("**Platform**"),* as an autonomous instrument permitting coordination between bank lenders, with the aim of improving both the efficiency and the speed of loans and corporate restructuring processes.

  Under this memorandum, the relevant parties stated their intention to set up the Platform which will be responsible for the integrated management of exposures to common debtors and classified as NPEs

  At the initial stage, the Platform will manage the exposures to each eligible debtor which owes a nominal aggregate amount of €5,000,000 or more.

  The assets managed by the Platform will continue to be recognised on the banks' balance sheet.

  The Platform will allow other credit institutions or financial corporations, with common debtors, to voluntarily become Platform members in the future.

  When fully operational, the Platform will pursue the following objectives:

  - To improve credit recovery operations and speed up the process of reducing NPEs in the banks' portfolios;
  - To assist with the recovery of Portuguese economic sectors, through the restructuring of loans and debtors;
  - To promote the business consolidation processes required to ensure the feasibility or robustness of debtors;

- To facilitate and promote the access of companies which have been or are being restructured, to public or private, national or international financing sources for fresh equity or to assist on the development of the restructured company;
- To accelerate and facilitate the negotiation process of creditors and banks, with the aim of restructuring companies;
- When necessary, to promote, in contacts with the government and Bank of Portugal, changes to judicial and fiscal legislation, as a means of speeding up and improving the efficiency of corporate restructuring processes.

This memorandum of understanding also appoints Mr. José Manuel Correia as the President of the Executive Management and coordinator of the process involved in the creation of the Platform. The other statutory bodies will be made up of representatives from the financial entities involved and independent members (to be appointed).

- On 27 October 2017, CGD published the Third Quarter 2017 Consolidated Results. The unaudited consolidated balance sheet and unaudited consolidated income statement for the nine months ended 30 September 2017 are incorporated by reference in this Prospectus. See the section entitled "*Documents Incorporated by Reference*" for further information.
- On 12 December 2017, CGD announced that it holds, directly and indirectly, 61.5% of BCI-Banco Comercial e de Investimentos, S.A., reinforcing its previous 51.0% interest in the share capital of this Mozambican bank. CGD's increased participation in its subsidiary was originated by the position formerly held by Insitec Capital, S.A.
- Having received the European Central Bank's (ECB) decision regarding minimum prudential requirements to be fulfilled in 2018, a decision based on the results of the Supervisory Review and Evaluation Process (SREP), as well as the communication from the Bank of Portugal on the additional capital requirement for the "Other Systemically Important Institution" (O-SII) buffer, on 21 December 2017, CGD announced the minimum own funds requirements to be observed from 1 January 2018, calculated relative to the total risk weighted assets (RWA):

**Minimum requirements for capital ratios in 2018 - CGD, SA Consolidated Ratios 30-Sep-17**

| | Phased-in 2018 | Of which: | | | Fully loaded | Of which: | | | Phased-in | Fully loaded |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Pillar 1 | Pillar 2 | Buffers | | Pillar 1 | Pillar 2 | Buffers | | |
| CET1 | **8.875%** | 4.5% | 2.25% | 2.125% | **10.250%** | 4.5% | 2.25% | 3.5% | **13.0%** | **12.7%** |
| T1 | **10.375%** | 6.0% | 2.25% | 2.125% | **11.750%** | 6.0% | 2.25% | 3.5% | **14.0%** | **13.7%** |
| Total | **12.375%** | 8.0% | 2.25% | 2.125% | **13.750%** | 8.0% | 2.25% | 3.5% | **14.7%** | **13.9%** |

The buffers include the capital conservation buffer (1.875 per cent. in 2018, 2.5 per cent. in 2019), the counter-cyclical buffer (0 per cent.) and the "Other Systemically Important Institution" buffer (0.25 per cent. in 2018, linearly converging to 1 per cent. in 2021). The Pillar 2 requirement for CGD in 2018 is 2.25 per cent., a 0.25 p.p. reduction relative to 2017.

- In the context, of the strategic plan agreed with the European Commission, that included the divestment in small scale activities (less than 1% market share) considered non-core. CGD announced on 21 December 2017 the launch of the final process of disposal of the shareholdings held in the share capital of Mercantile Bank Holdings Limited (a company incorporated under South African law), Banco Caixa Geral (a company incorporated under Spanish law) and Banco Caixa Geral - Brasil (a company incorporated under Brazilian law), by means of the transfer of all or part of the shares representing the shareholdings held by CGD in the share capital of each of the aforementioned companies, in the form of direct sale to one or more investors. These disposals do not reflect CGD's exit from these markets, where CGD will continue to keep its presence and even increase the relationship with the local Portuguese communities, either through partnerships and operational relationships, or through the various relational platforms, namely through the Caixadirecta Online

service and the existing telephone service. The disposal of these participations, as mentioned in the approval of the strategic plan, will contribute to the strengthening of the Bank's capital, bringing a greater focus to its core activity, and thus reducing the possibility of more costs for taxpayers. CGD will continue to support investors and develop its international platform in the coremarkets of Europe, Africa, and Asia. The approval by the Ministers' Council of this legislation, necessary to comply with the approved strategic plan, was therefore required by CGD's recapitalization plan. The beginning of this divestment process phase has started with the publication of Decree Law 153/2017 of 28 December 2017.

- On 2 February 2018 CGD published the Consolidated Results for the year ended 2017. The main highlight is the successful implementation of CGD's Strategic Plan 2020, resulting in an improvement in its levels of efficiency and profitability and leading to a net income of €52 million. Other highlights include:

  - The net interest income[10] that was up 19.4 per cent. by €201.4 million to €1,241.1 million in 2017. Net fees and commissions increased 3.3 per cent. (by €15.0 million over the preceding year) to €464.9 million in 2017. Total operating income[10] was up 38.0 per cent. by €541.3 million over the preceding year to €1,964.7 million in 2017;

  - Recurrent operating costs for the year were down 6.9 per cent. by €79.0 million to €1,964.7 million;

  - Cost-to-income[10] (excluding non-recurring costs[11]) was down from 78.3 per cent. to 52.7 per cent. in 2017, as a consequence of the good performance in the recurring operating costs and income components;

  - The cost of credit risk[10] for the year remained low, with net credit impairment comprising 0.13 per cent. of the credit portfolio;

  - Operating income for the year amounted to €184.3 million, against a negative €2,744.5 million in 2016;

  - Net income for 2017 was positive of €51.9 million in 2017, were impacted by non-recurring costs of €609 million, related with the provisions for the employee reduction programmes and the restructuring and disposal of international activities;

  - CGD's asset quality evolved positively in 2017, with NPE[12] and NPL[13] ratios of 9.3 per cent. and 12.1 per cent. respectively against 12.1 per cent. and 15.8 per cent. in December 2016. NPL amount was reduced by €2.7 billion (26 per cent.) with a coverage ratio on non-performing credit[10] of 57.2 per cent. in December 2017;

  - The loans-to-deposit ratio[10] of 87 per cent. in CGD's balance sheet in December 2017 reflected the strong confidence of CGD's customer base, even in an environment of historically low interest rates on deposits, retaining its leading position in the domestic market with a total 27 per cent. share of deposits in November 2017 (30 per cent. in the case of individual customers' deposits);

  - CGD's Liquidity Coverage Ratio (LCR) was 209 per cent. Total financing from the ECB was down €60 million over the preceding year to €3.5 billion at the end of 2017, i.e. around 3.7 per cent. of total assets;

[10] Definition included in the Annex – Alternative Performance Measures.

[11] Non-recurring costs of employee reduction programmes and costs related with the restructuring and disposal of national and international assets, as well as the application of IAS 29 to the activity in Angola, as applicable to each profit and loss heading, for a total amount net of tax of €609 million in 2017 and €32 million in 2016.

[12] NPE- Non Performane Exposure – EBA definition.

[13] NPL – Non Performance Loans – EBA definition.

- The phased-in and fully implemented CET1 ratios in December were both 14.0 per cent., with phased-in Tier 1 and Total ratios of 15.1 per cent. and 15.7 per cent., respectively, complying with the regulatory requirements;

- CGD had ADI (Available Distributable Items) of €1.8 billion (around 33 times the annual cost of its current AT1 issuance) with 3.3 per cent. in excess of the level of MDA (Maximum Distributable Amount) restrictions considering the current Tier 1 and Tier 2 deficits and 5.2 per cent. if considering that such deficits will be fully cleared by future issuances.

The unaudited consolidated balance sheet and unaudited consolidated income statement for 2017 are incorporated by reference in this Prospectus. See the section entitled "*Documents Incorporated by Reference*" for further information.

## DESCRIPTION OF CAIXA GERAL DE DEPÓSITOS, FRANCE BRANCH

### General

CGD's operations in Paris commenced with the opening of a branch in 1974. In 2001 the CGD Group completed its restructuring process for its French operations pursuant to which Banque Franco Portugaise was merged into CGD and its assets absorbed by the France branch of CGD ("CGDFB"). The two institutions were officially merged on 26 October 2003. CGDFB's address is 38 Rue de Provence, 75009 Paris, France.

### Business

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

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

The following indicators are provided by CGDFB and they are part of the consolidated accounts of CGD (except for the net total assets).

| | **31 December 2015** | **31 December 2016** | **30 June 2017** |
|---|---|---|---|
| | *(Amounts expressed in € thousand)* | | |
| Total assets (net) | 5,942 | 4,689 | 4,386 |
| Loans and advances to credit institutions before provisions | 1,830 | 800 | 730 |
| Loans and advances to customers before provisions | 4,029 | 3,871 | 3,622 |
| Financial assets at fair value through profit or loss | 32 | 13 | 9 |
| Available for sale financial assets | 11 | 11 | 11 |
| Amounts owed to credit institutions | 2,612 | 1,899 | 1,610 |
| Customer depositors | 2,571 | 2,168 | 2,234 |
| Debt securities including subordinated liabilities | 506 | 314 | 228 |
| Shareholders equity | 136 | 211 | 229 |
| **Net income for the year** | **49** | **75** | **18** |

# TAXATION

## Portugal

*General*

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

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

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

*Notes issued by CGDFB are subject to the following specific tax considerations*

Payments to be made by CGDFB of interest and principal on Notes issued by it to an individual or legal person non-resident in Portuguese territory for tax purposes, are not subject to Portuguese withholding tax whenever those payments correspond to costs or charges concerning the activities of that branch. If that is not the case, pursuant to Orders (*Despachos*) no. 935/2006 – XVII, of 31 July and no. 1132/2006 – XVII, of 12 September, both of the Secretary of State for Fiscal Affairs (*Secretário de Estado dos Assuntos Fiscais*), the Portuguese tax authorities consider that interest derived from notes, issued by Portuguese resident entities, acting through their branches located outside Portuguese territory which proceeds are transferred to the head office or other branches, shall be deemed to be obtained in Portuguese territory and therefore payment of such interest to entities with no residence, head office, effective management or permanent establishment in Portugal is subject to withholding tax at the rate of 25 per cent. (in case of legal persons) or at the rate of 28 per cent. (in case of individuals) or at the rate of 35 per cent. in the case of investment income payments made to (i) accounts opened in the name of one or several account holders acting on behalf of undisclosed third parties and the relevant beneficial owners of the income is/are not identified; or (ii) individuals and legal persons domiciled in a country, territory or region subject to a tax regime which is clearly more favourable, included in the blacklist approved by Order issued by the Portuguese Minister of Finance (currently *Portaria* no. 150/2004, of 13 February, as amended from time to time), which may be reduced between 5 and 15 per cent. according to applicable double taxation treaties, if any, entered into by the Portuguese Republic and other countries, subject to certain formalities being met, and even eliminated if certain exemptions are applicable.

*Notes issued by CGD are subject to the following specific tax considerations:*

The economic advantages deriving from interest amortisation or reimbursement premiums and other types of remuneration arising from Notes issued by private entities are qualified as investment income for Portuguese tax purposes. Gains obtained with the repayment of Notes acquired on the secondary market are qualified as capital gains for Portuguese tax purposes.

## General Tax Regime Applicable to Debt Securities

*Resident*

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive 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 €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are taxed at a special tax rate of 28 per cent. levied on the positive difference between such gains and gains on other securities and losses on securities unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive 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 €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €50,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income derived from Notes and capital gains obtained with the transfer of Notes by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to corporate income tax at a 21 per cent. rate or at a 17 per cent. rate on the first €15,000 in the case of small or small and medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and 9 per cent. on taxable profits in excess of €35,000,000. As general rule, withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to tax in Portugal, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds or undertakings for collective investment incorporated and operating under the laws in Portugal and some other exempt entities are not subject to Portuguese withholding tax.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence, the tax rates applicable to such beneficial owner(s) will apply.

*Non-resident*

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

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

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

A withholding tax rate of 35 per cent. applies in the case of investment income payments to individuals or companies domiciled in a "low tax jurisdictions" list approved by Ministerial order (*Portaria*) no. 150/2004 of 13 February, as amended, from time to time.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

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

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

**Special Debt Securities Tax Regime**

*Resident*

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive 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 €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. The relevant tax shall be withheld by the relevant direct registering entity.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are taxed at a special tax rate of 28 per cent. levied on the positive difference between such gains and gains on other securities and losses on securities unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive 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 €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Additionally, if income aggregation were chosen, an additional surtax would be due for the tax year of 2017. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income derived from Notes and capital gains obtained with the transfer of Notes by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at a 21 per cent. tax rate or at a 17 per cent. tax rate on the first €15,000 in the case of small or small and medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and 9 per cent. on taxable profits in excess of €35,000,000.

As general rule, withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. The relevant tax shall be withheld by the relevant direct registering entity. Financial institutions subject to tax in Portugal, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and collective investment undertakings incorporated under the laws in Portugal and some exempt entities are not subject to Portuguese withholding tax.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax

rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

*Non-resident*

Pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law no. 193/2005, investment income paid on, as well as capital gains derived from a sale or other disposition of the Notes, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the 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 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 193/2005, and the beneficiaries are:

(i) central banks or governmental agencies; or

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

(iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force 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 no. 150/2004, as amended.

For purposes of application at source of this tax exemption regime, Decree-Law 193/2005 requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the Noteholder), the beneficial owner is required to hold the Notes 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 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.

The special regime approved by Decree Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non residence by the beneficial owners of the Instruments to which it applies.

Under these rules, the direct register entity is required to obtain and retain proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Notes), and, in the case of domestically cleared Notes, prior to the transfer of Notes, as the case may be.

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

***(a) Domestically Cleared Notes***

The beneficial owner of Notes must provide proof of non residence in Portuguese territory substantially in the terms set forth below:

(i) If a holder of Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the holder of Notes, duly signed and authenticated or proof pursuant to the terms of paragraph (iv) below;

(ii) If the beneficial owner of Notes is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Notes and its domicile; or (C) proof of non residence, pursuant to the terms of paragraph (iv) below;

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

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities or, (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable. There are rules on the authenticity and validity of the documents, in particular that the holder of Notes must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued.

In cases referred to in paragraphs (i), (ii) and (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption. The holder of Notes must inform the register entity immediately of any change that may preclude the tax exemption from applying.

***(b) Internationally Cleared Notes***

If the Notes are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Notes), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

(i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;

(ii) entities domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order no. 150/2004, of 13 February, as amended from time to time, which are not exempt from tax and are subject to withholding tax;

(iii) Portuguese resident entities or permanent establishments of non resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;

(iv) other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity, in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

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

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law no. 193/2005. 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. A special form for these purposes is yet to be approved.

The refund of withholding tax after the above 6 months period is to be claimed to the Portuguese tax authorities through an official form available at http://www.portaldasfinancas.gov.pt, within 2 years from the end of the year in which tax was withheld. The refund is to be made within 3 months, after which interest is due.

## France

*The description below is only intended as a basic summary of certain French withholding tax consequences that may be relevant to holders of Notes issued by CGDFB who do not concurrently hold shares of the Issuers. This summary is based on the laws of France (as interpretated by the tax authorities and case law) currently in full force and effect and as applied on the date of this Prospectus, thus being subject to variation, possibly with retroactive or retrospective effect. This description is for general information only and does not purport to be comprehensive. Persons who are in any doubt as to their tax position should consult a professional tax adviser.*

***Notes issued as from 1 March 2010***

Pursuant to the French General Tax Code, payments of interest and other revenues made by CGDFB, in its capacity as issuer, with respect to Notes issued on or after 1 March 2010 (other than Notes (described below) which are assimilated (assimilables) for the purpose of French law with Notes issued prior to 1 March 2010 having the benefit of Article 131 quater of the French General Tax Code) will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code unless such payments are made outside France in a non-cooperative State or territory (Etat ou territoire non coopératif) within the meaning of Article 238-0 A of the French General Tax Code (a "Non-Cooperative State"). If such payments under the Notes are made in a Non-Cooperative State, a 75 per cent. withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code.

Furthermore, according to Article 238 A of the French General Tax Code, interest and other revenues on such Notes will not be deductible from CGDFB's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on a bank account opened in a financial institution established in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be characterised as constructive dividends pursuant to Article 109 of the French General Tax Code, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis 2 of the French General Tax Code, at a rate of 12.8 per cent. or 75 per cent. for individuals, and 30 per cent. or 75 per cent. for legal entities (subject to the more favourable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, neither the 75 per cent. withholding tax nor, to the extent the relevant interest or other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, the non-deductibility set out under Article 238 A of the French General Tax Code (and therefore the withholding tax set out under Article 119 *bis* 2 of the French General Tax Code which may be levied as a result of such non-deductibility) will apply in respect of a particular issue of Notes if CGDFB can prove that the main purpose and effect of such issue of Notes were not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "Exception"). Pursuant to the French tax administrative guidelines (BOI-INT-DG-20-50-20140211 n°550 and n°990, BOI-RPPM-RCM-30-10-20-40-20140211, n°70 and n°80, and BOI-IR-DOMIC-10-20-20-60-20150320, n°10) an issue of Notes will benefit from the Exception without CDGFB having to provide any proof of the purpose and effect of such issue of Notes, if such Notes are:

(i) offered by means of a public offer within the meaning of Article L.411.1 of the French Monetary and Financial Code or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities payment and delivery systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

***Notes assimilated (assimilables) with Notes issued before 1 March 2010***

Payments of interest and other revenues made by CGDFB, in its capacity as issuer, with respect to (i) Notes issued (or deemed issued) outside France as provided under Article 131 *quater* of the French General Tax Code, before 1 March 2010 and whose term has not been extended as from such date and (ii) Notes issued on or after 1 March 2010 and which are assimilated (*assimilables*) with such Notes, will continue to be exempt from the withholding tax set out under Article 125 A III of the French General Tax Code.

Notes issued before 1 March 2010, whether denominated in Euro or in any other currency, and constituting *obligations* under French law, or *titres de créances négociables* or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France for the purpose of Article 131 *quater* of the French General Tax Code, in accordance with the French administrative guidelines BOI-RPPM-RCM-30-10-30-30-20140211, n° 40 to 90.

In addition, interest and other revenues paid by CGDFB on Notes issued before 1 March 2010 (or Notes issued on or after 1 March 2010 and which are to be assimilated (assimilables) for the purpose of French law) will be subject neither to the non-deductibility set out under Article 238 A of the French General Tax Code nor to the withholding tax set out in Article 119 bis 2 of the French General Tax Code solely on account of their being paid or accrued to persons established or domiciled in a Non-Cooperative State or paid to a bank account opened in a financial institution established in a Non-Cooperative State.

*Payments made to individuals fiscally domiciled in France*

Where the paying agent (*établissement payeur*) is established in France, pursuant to Article 125 A of the French General Tax Code, subject to certain limited exceptions, interest and other similar revenues received from by individuals fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 12.8 per cent. withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 17.2 per cent. on interest and other similar revenues paid to individuals fiscally domiciled in France.

## United Kingdom

*The comments below are of a general nature based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) and are not intended to be exhaustive. They assume that interest on the Notes have a United Kingdom source and, in particular, that the Issuers are not United Kingdom resident or do not act through a permanent establishment in the United Kingdom in relation to the Notes. The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Any Noteholders who are in doubt as to their personal tax position should consult their professional advisers.*

***Interest on the Notes***

Payments of interest on the Notes by the relevant Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

## The United States

*The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below) and, only as specifically addressed*

*below under "FATCA Withholding", certain U.S. tax considerations applicable to non-U.S. investors. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes at the "issue price" (as defined below) in the initial offering that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5 per cent. or more of the interests (by vote or value) of the relevant Issuer, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.*

*As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.*

*The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.*

*This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings of the U.S. Internal Revenue Service (the "IRS") and court decisions, as well as the income tax treaty between the United States and Portugal (the "Treaty") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.*

*Bearer Notes (including Exchangeable Bearer Notes while in bearer form) are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.*

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### Characterisation of the Notes

The discussion below assumes that Notes issued under the Programme will be classified as indebtedness of the relevant Issuer for U.S. federal income tax purposes. The determination whether an obligation represents a debt or equity interest, or another form of financial instrument, is based on all the relevant facts and circumstances, and courts have held that obligations purporting to be debt constituted equity (or some other form of financial instrument) for U.S. federal income tax purposes. Accordingly,

depending on the terms of a particular Series or Tranche of Notes, the Notes may not be characterised as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. If a particular Series or Tranche of Notes are not characterised as debt for U.S. federal income tax purposes, then the U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder would be materially different than as described below. In the event that the relevant Issuer determined that there was a significant likelihood that a Series or Tranche of Notes would not be characterised as debt for U.S. federal income tax purposes, the U.S. federal income tax consequences of acquiring, owning and disposing such Notes will be discussed in a supplement to the Prospectus. Each prospective investor should consult its own tax adviser about the proper characterisation of the Notes for U.S. federal income tax purposes, and the consequences to such investor of acquiring, owning or disposing of the Notes.

## Payments of Interest

### *General*

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount – General"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such U.S. Holder's method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by an Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States.

### *Effect of Portuguese and French Withholding Taxes*

As discussed in "Taxation – Portugal" and "Taxation – France", payments of interest made to U.S. Holders may, in some circumstances, be subject to Portuguese or French withholding tax. In those circumstances, the relevant Issuer is (except if an exception applies in accordance with the Terms and Conditions of the Notes) liable for the payment of additional amounts to U.S. Holders (see "Terms and Conditions of the Notes – Taxation – Additional Amounts") so that U.S. Holders receive the same amounts they would have received had no Portuguese or French withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Portuguese or French taxes withheld by the Issuer with respect to a Note, and as then having paid over the withheld taxes to the relevant taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Portuguese or French income taxes withheld by the Issuer. Interest will generally constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of Portuguese and French withholding taxes.

## Original Issue Discount

### *General*

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event an Issuer issues contingent payment debt instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "Short-Term Note") will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "instalment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25

per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for purposes of determining whether a Note has OID, the relevant Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includable in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not interest payments.

***Acquisition Premium***

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

***Market Discount***

A Note generally will be treated as purchased at a market discount (a "Market Discount Note") if the "revised issue price", in the case of a Discount Note, or the stated principal amount of the Note exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated principal amount, multiplied by the number of complete years from the date acquired by the U.S. Holder to the Note's maturity. If such excess does not cause the note to be a Market Discount Note, then such excess constitutes "*de minimis* market discount." For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the sale or retirement of a Market Discount Note generally will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election applies to all debt instruments with market discount acquired by the

electing U.S. Holder on or after the first day of the first taxable year for which the election is made. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. Such interest is deductible when paid or incurred to the extent of income from the Market Discount Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Market Discount Note was held by the U.S. Holder.

Market discount on a Market Discount Note will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Note with respect to which it is made and is irrevocable.

***Election to Treat All Interest as Original Issue Discount***

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount – General," with certain modifications. For purposes of this election, interest includes interest, OID, *de minimis* OID, market discount and *de minimis* market discount, as adjusted by any amortisable bond premium (described below under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

***Variable Interest Rate Notes***

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the relevant Issuer (or a related party) or that is unique to the circumstances of that Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not

constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the relevant Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts

differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

***Time of Inclusion for Certain Accrual Basis U.S. Holders***

Under recently enacted legislation, U.S. Holders that maintain certain types of financial statements and use the accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements. The application of this rule may require U.S. Holders that maintain such financial statements to include certain amounts realised in respect of the Notes in income earlier than would otherwise be the case under the rules described below, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after December 31, 2017 or, for debt securities issued with original issue discount, for tax years beginning after December 31, 2018. U.S. Holders that use the accrual method of accounting should consult with their tax advisors regarding the potential applicability of this rule to their particular situation.

***Short-Term Notes***

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

***Fungible Issue***

An Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

***Substitution of Issuer***

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S.

Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

### Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount – Election to Treat All Interest as Original Issue Discount".

### Sale and Retirement of Notes

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Except to the extent described above under "Original Issue Discount – Market Discount" or "Original Issue Discount – Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

### Foreign Currency Notes

#### *Interest*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

***OID***

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

***Market Discount***

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

***Bond Premium***

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar values of the amount of such bond premium (i) on the date such bond premium offsets interest income and (ii) on the date on which the U.S. Holder acquired the Notes. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

***Sale or Retirement***

As discussed above under "Purchase, Sale and Retirement of Notes", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note.

The amount realised on a sale or retirement for an amount in foreign currency generally will be the U.S. dollar value of such amount on the settlement date of such sale or retirement in the case of a cash basis U.S. Holder, or the trade date in the case of an accrual basis U.S. Holder. On the settlement date, an accrual basis U.S. Holder generally will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received (as adjusted for any amortized bond premium, if any) based on the exchange rates in effect on the trade date and the settlement date. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement. However, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, an accrual basis U.S. Holder may elect to determine the U.S. dollar value of the amount realised on the sale or other taxable disposition of the Notes based on the settlement date, and no exchange gain or loss will be recognised on such date.

Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

***Disposition of Foreign Currency***

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

## Backup Withholding and Information Reporting

Payments of principal, interest, and accruals of OID on, and the proceeds of sale or other disposition (including exchange) of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

## Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" is required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders) and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

## FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. Each Issuer believes it is a foreign financial institution for these purposes. A number of jurisdictions (including Portugal and France) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "Terms and Conditions of the Notes – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## Luxembourg

The comments below are intended as a basic summary of tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

Under Luxembourg tax law currently in effect subject to certain exceptions (as described below), no Luxembourg withholding tax is due on payments of interest (including accrued but unpaid interest) or repayments of principal.

*Luxembourg non-residents*

Payments of interest by Luxembourg paying agents to non resident individual Noteholders are no longer subject to any Luxembourg withholding tax.

*Luxembourg residents*

Pursuant to the Luxembourg law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

## CLEARING AND SETTLEMENT

### Book Entry Notes

CGD will make applications to Interbolsa, Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Book Entry Notes. Book Entry Notes will only be issued in dematerialised form and therefore no certificates will be deposited in custody on behalf of the clearing systems.

For a summary description of rules applicable to Book Entry Notes see section "Book Entry Notes Held Through Interbolsa".

### Bearer Notes

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Bearer Series of Notes. In respect of Bearer Notes in CGN form, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear. In respect of Bearer Notes in NGN form, the Global Note in bearer form without coupons will be delivered to a common safekeeper for Euroclear and Clearstream, Luxemburg. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

### Registered Notes

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Unrestricted Global Certificate. Each Unrestricted Global Certificate will have an ISIN and a Common Code.

The Issuer and Citibank, N.A. will make application to DTC for acceptance in its book-entry settlement system of the Restricted Notes represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the "Custodian") and DTC will electronically record the principal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Series may hold their interests in a Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms, and, in the case of Restricted Notes, in amounts of U.S.$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

## Individual Definitive Registered Notes

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless in the case of Restricted Notes, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate, or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Notes, Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so, or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient individual Definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Registered Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Definitive Registered Notes; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Definitive Registered Notes issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

## Transfers of Registered Notes

Transfers of interests in Global Registered Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in "Subscription and Sale") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through a Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Registered Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Registered Certificates will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through, or maintain a custodial relationship with, a DTC direct participant, either directly or indirectly.

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

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual Definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

## Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

# SUBSCRIPTION AND SALE

## Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 23 February 2018 (the "Dealer Agreement"), as amended and supplemented from time to time, between the Issuers, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each of the Issuers has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by each Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

## Selling Restrictions

### *United States*

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part (the "Distribution Compliance Period"), as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus

does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, 144A is prohibited.

Each issuance of index-, commodity- or currency-linked Notes may be subject to such additional U.S. selling restrictions as the relevant Dealer(s) may agree with the relevant Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

***Prohibition of Sales to European Economic Area Retail Investors***

Unless the Final Terms in respect of any Notes specify the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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 otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated in this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

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

i. a retail client as defined in point (11) of Article 4(1) of MiFID II; or

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

iii. not a qualified investor as defined in the Prospectus Directive; and

(b) the expression offer includes 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.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable" and except as otherwise provided herein in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

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

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

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

For the purposes of this provision, the expression an "offer of 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 and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

***United Kingdom***

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

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

***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 or entities resident in Portugal or having a permanent establishment located in the Portuguese territory (or to whom Portuguese laws and regulations applicable to the placement of financial instruments otherwise apply), 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*) ("CMVM") and Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive and any regulation amending or supplementing the above, and (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Notes only (*oferta particular*); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Prospectus or any other offering material relating to the Notes to the public (or to persons or entities to whom European Union or Portuguese laws and regulations on the placement of complex financial products otherwise applies) in Portugal. Furthermore, (a) if the Notes are subject to a private placement addressed exclusively to qualified investors (or professional investors, as applicable) as defined, from time to time, in the relevant provisions of the Portuguese Securities Code (*investidores qualificados* or *investidores profissionais*, as applicable), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (b) private placements addressed by companies open to public investment (*sociedades abertas*) or by issuers of securities listed on a regulated market shall be notified to the CMVM for statistical purposes.

***France***

In relation to the Notes issued by CGDFB or CGD, each of the Dealers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and

that 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*) acting for their own account, 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*.

***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

***The Netherlands***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes issued by CGDFB or CGD (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Prospectus nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under "Public Offer Selling Restriction Under the Prospectus Directive" above), provided that these parties acquire the Notes for their own account or that of another qualified investor. However, the Notes may be offered free of any restrictions (i) provided that each such Note has a minimum denomination in excess of EUR 100,000 (or the equivalent thereof in non-Euro currency) and (ii) unless the relevant Final Terms specify that the standard exemption wording and logo required by Section 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) is not applicable, subject to the standard exemption wording and a logo being disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act.

**General**

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

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms and neither the Issuers, nor any other Dealer shall have responsibility therefor.

## TRANSFER RESTRICTIONS

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a "qualified institutional buyer" within the meaning of Rule 144A, (b) acquiring such Restricted Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.

(2) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) Such Restricted Notes, unless the relevant Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(4) It understands that the relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

**Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the dis-application of non-applicable provisions, is set out below:

[[**MIFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][**MIFID II product governance / Retail investors, professional investors and ECPs target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); **EITHER** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][ non-advised sales ][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.]]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated [●]

**[Caixa Geral de Depósitos, S.A., acting through its France branch]**
**[Caixa Geral de Depósitos, S.A.]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €15,000,000,000 Euro Medium Term Note Programme

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 23 February 2018 [and the supplement[s] to the Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [and the supplement[s] to the Prospectus dated [●]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so

supplemented]. [The Prospectus [and the supplement to the Prospectus] [is] [are] available for viewing [at [*www.bourse.lu*]] [and] copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Prospectus dated [20 February 2008/28 June 2012/21 October 2013/24 October 2014/15 January 2016]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) and must be read in conjunction with the Prospectus dated 23 February 2018 [and the supplements to the Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [20 February 2008/28 June 2012/21 October 2013/24 October 2014/15 January 2016] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [20 February 2008/28 June 2012/21 October 2013/24 October 2014/15 January 2016] and 23 February 2018 [and the supplements to the Prospectus dated [●]]. [The Prospectuses [and the supplements to the Prospectus] are available for viewing at [*www.bourse.lu*] [and] during normal business hours at [address] and copies may be obtained from [address].]

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs.]*

| | | |
|---|---|---|
| 1 | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| | (iii) Date on which the Notes will be consolidated and form a single series: | The Notes will be consolidated and form a single Series with [●] on the [Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [*date*][Not Applicable] |
| 2 | Specified Currency or Currencies: | [●] |
| 3 | Aggregate Nominal Amount: | |
| | (i) Series: | [●] |
| | (ii) [Tranche: | [●]] |
| 4 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [*insert date*]] |
| 5 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●][Not Applicable] |
| 6 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date (if different from the Issue Date): | [●][Not Applicable] |
| 7 | Maturity Date: | [●] |
| 8 | Interest Basis: | [[●] per cent. Fixed Rate]<br>[Reset Notes]<br>[[LIBOR/EURIBOR][+/-] [●] per cent. Floating Rate]<br>[Zero Coupon] |
| 9 | Redemption/Payment Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[●]/[100]] per cent. of their nominal amount. |
| 10 | Change of Interest Basis: | [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] |

| | | |
|---|---|---|
| | | paragraph [13/14/15] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [13/14/15] applies]/[Not Applicable] |
| 11 | Put/Call Options: | [Put]<br>[Call]<br>[Not Applicable] |
| 12 | (i) Status of the Notes: | [Senior/Subordinated] |
| | (ii) Date [Board] [Executive Committee] approval for issuance of Notes obtained: | [●] [and [●], respectively]][Not Applicable] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| 13 | **Fixed Rate Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Rate [(s)] of Interest: | [●] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear] |
| | (ii) Interest Payment Date(s): | [●] in each year<br>[adjusted in accordance with [●]*/not adjusted*] |
| | (iii) Fixed Coupon Amount [(s)]: | [●] per Calculation Amount |
| | (iv) Broken Amount: | [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable] |
| | (v) Day Count Fraction: | [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual – ICMA] |
| | (vi) Determination Date(s) (Condition 5(*j*)(vii)): | [[●] in each year /Not Applicable] |
| 14 | **Reset Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Initial Rate of Interest: | [●] per cent. per annum payable in arrear [on each Interest Payment Date] |
| | (ii) First Margin: | [+/-][●] per cent. per annum |
| | (iii) Subsequent Margin: | [[+/-][●] per cent. per annum] [Not Applicable] |
| | (iv) Interest Payment Date(s): | [●] [and [●]] in each year up to and including the Maturity Date[[in each case,] subject to adjustment in accordance with paragraph 15(xv)] |
| | (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: | [[●] per Calculation Amount][Not Applicable] |
| | (vi) Broken Amount(s): | [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]][Not Applicable] |
| | (vii) First Reset Date: | [●][subject to adjustment in accordance with paragraph 15(xv)] |
| | (viii) Second Reset Date: | [●]/[Not Applicable][subject to adjustment in accordance with paragraph 15(xv)] |
| | (ix) Subsequent Reset Date(s): | [●] [and [●]] [subject to adjustment in accordance with paragraph 15(xv)] |
| | (x) Relevant Screen Page: | [●] |

| | | |
|---|---|---|
| (xi) | Mid-Swap Rate: | [Single Mid-Swap Rate/Mean Mid-Swap Rate] |
| (xii) | Mid-Swap Maturity | [●] |
| (xiii) | Day Count Fraction: | [●] |
| (xiv) | Determination Dates: | [●] in each year |
| (xv) | Business Day Convention: | [●] |
| (xvi) | Business Centre(s): | [●] |
| (xvii) | Calculation Agent: | [●] |
| 15 | **Floating Rate Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Period(s): | [●] |
| (ii) | Specified Interest Payment Dates: | [●] |
| (iii) | First Interest Payment Date: | [●] |
| (iv) | Interest Period Date(s): | [●]<br>[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] |
| (v) | Business Day Convention: | [●] |
| (vi) | Business Centre(s): | [●] |
| (vii) | Manner in which The Rate(s) Of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| (viii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): | [●] |
| (ix) | Screen Rate Determination (Condition 5(*b*)(iii)(B)): | |
| • | Reference Rate: | [●] |
| • | Interest Determination Date(s): | [●] |
| • | Relevant Screen Page: | [●] |
| (x) | ISDA Determination: | |
| • | Floating Rate Option: | [●] |
| • | Designated Maturity: | [●] |
| • | Reset Date: | [●] |
| • | ISDA Definitions: | [2006] |
| (xi) | Linear Interpolation: | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] |
| (xii) | Margin(s): | [+/-] [●] per cent. per annum |
| (xiii) | Minimum Rate of Interest: | [●] per cent. per annum |
| (xiv) | Maximum Rate of Interest: | [●] per cent. per annum |
| (xv) | Day Count Fraction: | [●] |
| 16 | **Zero Coupon Note Provisions** | [Applicable/Not Applicable] (if not applicable, delete the remaining sub-paragraphs of this paragraph). |
| (i) | Amortisation Yield: | [●] per cent. per annum |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 17 | **Call Option** | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [●] |
| | (ii) | Optional Redemption Amount(s): | [●] per Calculation Amount |
| | (iii) | If redeemable in part: | |
| | | (a) Minimum Redemption Amount: | [●] |
| | | (b) Maximum Redemption Amount: | [●] |
| | (iv) | Notice period: | [●] |
| 18 | **Put Option** | | [Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [●] |
| | (ii) | Optional Redemption Amount(s): | [●] per Calculation Amount |
| | (iii) | Notice period: | [●] |
| 19 | **Final Redemption Amount of each Note** | | [●] per Calculation Amount |
| 20 | **Early Redemption Amount** | | |
| | (i) | Early Redemption Amount(s) per Calculation Amount payable on redemption*:* | [●][Not Applicable] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 21 | Form of Notes: | Bearer Notes:<br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]<br>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice*] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]*<br>Registered Notes:<br>[[Restricted Global Certificate] [and Unrestricted Global Certificate] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]<br>Book Entry Note |
| 22 | Cash Bond Note (*obrigações de caixa*): | [Yes] [No] |
| 23 | New Global Note: | [Yes] [No] |
| 24 | Financial Centre(s) *or other special provisions relating to payment dates:* | [Not Applicable/[●]] |
| 25 | Talons for future Coupons to be attached to Definitive Notes: | [Yes/No] |
| 26 | U.S. Selling Restrictions: | [Reg. S Compliance Category 2; TEFRA C/TEFRA D/ |

TEFRA not applicable]

## RESPONSIBILITY ON THIRD PARTY INFORMATION

[[●] has been extracted from ([●])] which, when read together with the Prospectus referred to above, contains all information that is material in the context of the issue of the Notes. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, [and is able to ascertain from information published by ([●]),] 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**

| | |
|---|---|
| [(i) Listing and Admission to trading:] | [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the official list of [the Luxembourg Stock Exchange/[●]] and to be admitted to trading on [the Luxembourg Stock Exchange's regulated market/[●]] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to the official list of [the Luxembourg Stock Exchange/[●]] and to be admitted to trading on [the Luxembourg Stock Exchange's regulated market/[●]] with effect from [●].] [Not Applicable.] |
| [(ii) Estimate of total expense related to admission to trading: | [●]] |

**2 Ratings**

| | |
|---|---|
| Ratings: | The Notes to be issued have been rated:<br>[DBRS: [●]]<br>[Moody's: [●]]<br>[Fitch]: [●]]<br>[[●]: [●]] |

**3 Interests of Natural and Legal Persons Involved in the Issue/Offer**

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

[Save for [●], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

| | |
|---|---|
| **4** ***Fixed Rate Notes only – YIELD*** | [[●] per cent. per annum] [Not Applicable] |
| Indication of yield: | |

**5 Operational Information**

| | |
|---|---|
| ISIN: | [●] |
| Common Code: | [●] |
| Any clearing system(s) other than Interbolsa Sociedade Gestora de Sistemas de Liquidação de Sistemas Centralizados de Valores Mobiliários S.A., Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): | [Not Applicable/*give name(s) and address(es)*] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of initial Paying Agent(s): | [●] |
| Names and addresses of additional Paying Agent(s) (if any): | [●] [Not Applicable] |
| Names and addresses of Dealer(s): | [●] |
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*] 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.] / |
| | [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] |
| Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |

## GENERAL INFORMATION

**1** Each of the Issuers has obtained all necessary consents, approvals and authorisations in Portugal and France, respectively, in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of CGD passed on 15 September 1999. The update of the Programme was authorised by a resolution of the Executive Committee of the Board of Directors of CGD passed on 20 December 2017. The issue of each non-syndicated Tranche of Notes is subject to a prior resolution by the Board of Directors (or the Executive Committee) of CGD. The issue of each syndicated Tranche of Notes is subject to a prior resolution by the Board of Directors (or the Executive Committee) of CGD and the provision of a legal opinion from CGD's external legal advisers in Portugal.

**2** There has been no significant change in the financial or trading position of any Issuer or the Group since 30 September 2017 and there has been no material adverse change in the prospects of any Issuer or of the Group since 31 December 2016.

**3** None of the Issuers nor any of its/their subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuers is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects, in the context of the issue of the Notes, on the financial position or profitability of the Group.

**4** Each Bearer Note, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

**5** Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems and through Interbolsa for Book Entry Notes. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. In addition, the relevant Issuer will make an application with respect to each Series of Notes sold pursuant to Rule 144A for such Notes to be accepted for trading in book entry form by DTC. Acceptance of each Series and the relevant CUSIP number applicable to a Series will be confirmed in the Final Terms relating thereto.

**6** The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

**7** For so long as Notes are outstanding, the following documents will be obtainable in Luxembourg, free of charge, during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of Banque Internationale à Luxembourg:

7.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons) as amended;

7.2 the Memorandum and Articles of Association of each Issuer;

7.3 the Instrument (which constitutes the Book Entry Notes);

7.4 the published annual report and audited accounts of CGD for the two financial years ended 31 December 2015 and 2016, the unaudited consolidated financial statements of CGD for the first semester ended 30 June 2017, the unaudited consolidated financial statements of CGD for the nine months period ended 30 September 2017 and the audited consolidated annual accounts of CGD for the two financial years ended 31 December 2015 and 2016 (together with respective audit reports);

7.5 a copy of this Prospectus together with any Supplement to this Prospectus;

7.6 each set of Final Terms for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange; and

7.7 all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

In addition, this Prospectus and the relevant Final Terms will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

**8** Copies of the latest and future annual reports, annual accounts, including non-consolidated accounts and consolidated accounts of CGD and the latest and future semi-annual interim non-consolidated and consolidated accounts of CGD may be obtained, and copies of the Trust Deed as amended will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding. CGDFB do not prepare any publicly available unaudited or audited financial statements. All relevant financial information concerning CGDFB is included in the consolidated accounts of CGD.

**9** Deloitte & Associados, SROC S.A. (which is a member of the Portuguese Institute of Statutory Auditors – Ordem dos Revisores Oficiais de Contas), registered with the CMVM with registration number 20161389, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, Lisbon, have audited the consolidated financial statements of CGD for the years ended 31 December 2015 and 31 December 2016 in accordance with generally accepted auditing standards in Portugal. The auditor's reports on those financial statements contained unqualified opinions. Ernst & Young Audit & Associados – SROC, S.A. (which are members of the Portuguese Institute of Statutory Auditors – Ordem dos Revisores Oficiais de Contas), registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6$^{th}$ floor, 1600 – 206, Lisbon, have been appointed as the auditors of CGD for the financial year commencing 1 January 2017.

**10** Please refer to the complete versions of the auditor's report included in the annual reports of CGD, together with the respective financial statements, which are incorporated by reference in this Prospectus.The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A (d)(4).

**11** The Legal Entity Identifier ("LEI") for Caixa Geral de Depósitos, S.A. is TO822O0VT80V06K0FH57. CGDFB does not have an autonomous LEI.

**12** The Issuers are companies or banking institutions organised under the laws of Portugal. None of the Directors of the Issuers are residents of the United States. All or a substantial portion of the assets of the Issuers and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuers or the directors of the Issuers or to enforce against any of them in the United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

**13** 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 for, the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

# ANNEX – ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information contained in this Prospectus prepared in accordance with the financial reporting framework applicable to CGD, some Alternative Performance Measures ("APMs"), in accordance with ESMA Guidelines on Alternative Performance Measures dated 5 October 2015 (ESMA/2015/1415en) (the "ESMA Guidelines"), are disclosed in this annex. CGD discloses these APMs for better understanding of its financial performance. These APMs constitute additional financial information and shall not, in any circumstance, replace the financial information produced under the applicable reporting framework. The definition and calculation of APMs by CGD may differ from the definition and calculation of APMs used by other issuers and may not be compared.

ESMA Guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Following the recommendations of ESMA Guidelines, the following APMs are used in this Prospectus.

**Credit at risk ratio[(1)]**

Ratio between loans and advances to customers at risk (gross) and total loans and advances to customers (gross).

**Credit at risk ratio, net[(1)]**

Ratio between loans and advances to customers at risk and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (on Balance Sheet).

**Credit more than 90 days overdue ratio**

Ratio between the loans and advances to customers with instalments of principal or interest more than 90 days overdue and the total loans and advances to customers balance.

**Cost-to-income[(1)]**

Ratio between operating costs and the sum of total operating income and results of associates and jointly controlled entities.

**Cost of credit risk**

Ratio between loans impairment (net of reversals and recoveries) (P&L) and the average loans and advances to customers balance (gross and average of the last 13 monthly observations).

**Coverage ratio on credit at risk**

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers at risk.

**Coverage ratio on Non-performing credit**

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers in default.

**Coverage ratio on credit more than 90 days overdue**

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers more than 90 days overdue.

**Employee costs / total operating income[(1)]**

Ratio between employee costs and total operating income.

**Gross return on assets (ROA)[(1) (3)]**

Ratio between income before tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

**Gross return on equity (ROE)[(1)(3)]**

Ratio between income before tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

**Loans-to-deposits ratio[1]**

Ratio between total loans and advances to customers net of accumulated impairment on loans and advances to customers (on Balance Sheet) and customer deposits.

**Net interest income**

Interest and similar income net of interest and similar expenses.

**Net interest income including income from equity instruments**

Net interest income plus income from equity instruments.

**Net operating income**

Net operating income before impairments net of provisions and impairments.

**Net operating income before impairments**

Total operating income net of operating costs.

**Net return on assets (ROA) [3]**

Ratio between income after tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

**Net return on equity (ROE)[3]**

Ratio between income after tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

**Non-interest income**

Sum of income from services rendered and commissions, net of results from financial operations and other operating income.

**Non-performing credit ratio[1]**

Ratio between loans and advances to customers in default (gross) and total loans and advances to customers (gross).

**Non-performing credit ratio, net[1]**

Ratio between loans and advances to customers in default and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (Balance Sheet).

**Operating costs**

Sum of employee costs, other administrative costs and depreciation and amortization.

**Operating costs / average net assets**

Ratio between operating costs and average net assets (average of the last 13 monthly observations).

**Overdue credit ratio**

Ratio between the loans and advances to customers with overdue instalments of principal or interest and the total loans and advances to customers balance.

**Provisions and Impairments of other assets (net)**

Provisions and impairments of other assets = Provisions net of reversals and other assets impairments net of reversals and recoveries.

**Restructured credit ratio[2]**

Ratio between restructured and total loans and advances to customers.

**Restructured credit ratio not included in credit at risk[2]**

Ratio between restructured loans and advances to customers not included in loans and advances to customers at risk and total loans and advances to customers.

**Results from services and commissions**

Income from services rendered and commissions net of costs of services and commissions.

**Securities investments**

Sum of financial assets at fair value through profit or loss, available for sale financial assets, held to maturity investments and financial assets with repurchase agreement (securities).

**Total operating income**

Net interest income including income from equity instruments and non-interest income.

**Total operating income / average net assets(1)**

Ratio between the sum of total operating income and results from associates and jointly controlled entities and the average of net assets (average of the last 13 monthly observations).

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(1) As defined by Bank of Portugal Instruction 23/2012.

(2) As defined by Bank of Portugal Instruction 32/2013.

(3) Income after tax: net income for the period attributable to the shareholder of CGD and net income for the period attributable to non-controlling interests.

## REGISTERED OFFICES OF THE ISSUERS

**Caixa Geral de Depósitos, S.A.,**
acting through its France branch
38 Rue de Provence
75009 Paris

**Caixa Geral de Depósitos, S.A.**
Av. João XXI
No. 63
1000-300 Lisbon

## DEALERS

**Bayerische Landesbank**
Brienner Strasse 18
D-80333 Munich

**BNP Paribas**
10 Harewood Avenue
London NW1 6AA

**Caixa – Banco de Investimento, S.A.** Av.
João XXI, 63
1000-300 Lisboa, Portugal

**Caixa Geral de Depósitos, S.A.**
Av. João XXI
No. 63
1000-300 Lisbon

**Commerzbank Aktiengesellschaft**
Kaiserstrasse 16 (Kaiserplatz)
60311 Frankfurt am Main

**Deutsche Bank AG, London Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB

**HSBC Bank plc**
8 Canada Square
London E14 5HQ

**J.P. Morgan Securities plc**
25 Bank Street
Canary Wharf
London E14 5JP

**Mediobanca - Banca di Credito Finanziario S.p.A.**
Piazzetta Enrico Cuccia
1-20121 Milan
Italy

**Merrill Lynch International**
2 King Edward Street
London EC1A 1HQ

**Mizuho International plc**
Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

**Morgan Stanley & Co. International plc**
25 Cabot Square
Canary Wharf
London E14 4QA

**MUFG Securities EMEA plc**
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ

**Natixis**
30, avenue Pierre Mendès France
75013 Paris

**Nomura International plc**
1 Angel Lane
London EC4R 3AB
United Kingdom

**The Royal Bank of Scotland plc (trading as NatWest Markets)**
250 Bishopsgate
London EC2M 4AA

**Société Générale**
29 boulevard Haussmann
75009 Paris
France

**UBS Limited**
5 Broadgate
London EC2M 2QS
United Kingdom

**UniCredit Bank AG**
Arabellastrasse 12
81925 Munich

**TRUSTEE**

**Citicorp Trustee Company Limited**
Agency & Trust
13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

**ISSUING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT, EXCHANGE AGENT AND CALCULATION AGENT**

**Citibank, N.A., London Branch**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

**PORTUGUESE PAYING AGENT AND CALCULATION AGENT**

**Caixa Geral de Depósitos, S.A.**
Av. João XXI
No. 63
1000-300 Lisbon

**PAYING AGENT, TRANSFER AGENT AND LUXEMBOURG LISTING AGENT**

**Banque Internationale à Luxembourg**
69 Route d'Esch
L-2953 Luxembourg

**AUDITORS TO THE ISSUERS**

For the years ended 31 December 2015 and 2016
**Deloitte & Associados, SROC S.A.**
Sociedade de Revisores Oficiais de Contas
Av. Engenheiro Duarte Pacheco, no. 7
1070-100 Lisbon

For the year commencing 1 January 2017
**Ernst & Young Audit & Associados – SROC S.A.**
Avenida da República, no. 90, 6º

1600-206 Lisboa

**LEGAL ADVISERS TO THE ISSUERS**

*as to Portuguese law*

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1200-151 Lisbon

**LEGAL ADVISERS TO THE DEALERS**

*as to English law and United States law*

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One Silk Street
London EC2Y 8HQ

*as to French law*

**Linklaters LLP**
25, rue de Marignan
75008 Paris