

Base Prospectus



CAIXA ECONÓMICA MONTEPIO GERAL
(established as a fundação under the laws of the Republic of Portugal)

acting through its Head Office or its Cayman Islands Branch

€6,000,000,000

Euro Medium Term Note Programme

On 19 May 2000, Montepio and the Issuer (both as defined below) entered into a €2,000,000,000 Euro Medium Term Note Programme (the "Programme") which has been increased and updated from time to time. This Base Prospectus supersedes the Prospectus dated 6 November 2009. Any Notes to be issued after the date hereof under the Programme are issued subject to the provisions set out herein save that Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof will be issued subject to the Conditions of the Notes applicable on the date of issue for the first tranche of Notes of such series. Subject as aforesaid, this does not affect any Notes issued prior to the date hereof.

Under the Programme, Caixa Económica Montepio Geral ("Montepio"), acting through its Head Office or its Cayman Islands Branch (the "Issuers" and each, an "Issuer"), subject to compliance with all relevant laws, regulations and directives, 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 €6,000,000,000 (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 (*loi relative aux prospectus pour valeurs mobilières*) for the approval of this Base Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Luxembourg Stock Exchange (the "Official List") and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "Market"). References in this Base 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 Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined below) 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 herein) 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"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("NGN") form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream Luxembourg") (the "Common Depository").

Global notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg.

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

In addition, the Issuer acting through its Head Office may issue Notes in book-entry form and registered form 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*.

Tranches of Notes (as defined in "General Description of the Programme") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, the ratings of Moody's Investors Service Inc. ("Moody's") and Fitch Ratings Ltd. ("Fitch") will be indicated in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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 (an "EEA State") in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

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

Arranger
BofA Merrill Lynch
Dealers

BNP PARIBAS
Citi
Deutsche Bank
ING Commercial Banking
The Royal Bank of Scotland

BofA Merrill Lynch
Credit Suisse
DZ BANK AG
Natixis
Société Générale Corporate & Investment Banking
UniCredit Bank

The date of this Base Prospectus is 5 November 2010

This document comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to Montepio and its subsidiaries and affiliates taken as a whole (the “Group”) and the Notes which, according to the particular nature of the Issuers 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 Issuers.

The Issuers accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuers (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuers 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.

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

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, (the “Securities Act”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see “Subscription and Sale”.

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

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this

Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Arranger or the Dealers that any recipient of this Base 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 Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuers during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

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

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “€” and “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time. Certain amounts that appear in this Base Prospectus have been subject to rounding adjustments. Accordingly, the figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them and amounts expressed as percentages may not total 100 per cent. when aggregated.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements of Montepio for the financial years ended 31 December 2009 and 31 December 2008, together in each case with the audit report thereon, and the interim, together in each case with the review report thereon, unaudited consolidated financial statements of Montepio for the six-months ended 30 June 2010 and 30 June 2009, together in each case with the review report thereon, which have been previously published or are published simultaneously with this Base Prospectus and which have been filed with the CSSF. Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Copies of documents incorporated herein by reference may be obtained free of charge at the specified offices of the Issuers and each of the Paying Agents and will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

For ease of reference, the table below sets out the relevant page references for the financial statements, the notes to the financial statements and the auditors' reports of Montepio for the years ended 31 December 2009 and 31 December 2008 and the interim unaudited consolidated financial statements and the notes to the financial statements of Montepio for the six-month periods ended 30 June 2010 and 30 June 2009. Any information not referred to in the table but included in the documents incorporated by reference is included for information purposes only.

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SUPPLEMENT TO THE BASE PROSPECTUS

The Issuers have given an undertaking to the Dealers and the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant new factor, mistake or material inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers, and the rights attaching to the Notes, the Issuers shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer and the Luxembourg Stock Exchange may reasonably request.

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RISK FACTORS

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

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

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

Risk factors relating to Montepio's business

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

Economic activity in Portugal

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

The impact of the financial and credit crisis

The volatility and disruption that the capital and credit markets have experienced in recent years have reached extreme levels. The market dislocations have led to the failure of several substantial financial institutions, causing widespread liquidation of assets and further constraining credit markets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, have rapidly driven down prices and valuations across a wide variety of traded asset classes. Asset price deterioration has a negative effect on the valuation of many of the asset categories represented on the balance sheet of the Issuer, and reduces its ability to sell assets at prices deemed acceptable.

Additionally, the recent market volatility has produced downward pressure on stock prices and credit capacity for financial market participants generally. If current levels of market disruption and volatility continue or worsen, the Issuer's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected. Among other things, an inability to refinance assets on the balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force the Issuer to liquidate assets held at depressed prices or on unfavourable terms.

These factors could have a material adverse effect on Montepio's business, financial condition and results of operations.

Credit risk

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of Montepio's businesses. Adverse changes in the credit quality of Montepio's borrowers and counterparties or a general deterioration in Portuguese or global economic conditions, or arising from system risks in financial systems, could affect the recoverability and value of its assets and require an increase in Montepio's provision for bad and doubtful debts and other provisions, and accordingly would have a material adverse effect on Montepio's financial condition and results of operations, including the value of its debt securities in issue. Montepio has credit risk models and reports in place, contributing to the decision processes.

Market risk

Though very limited, the most significant market risks Montepio faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of Montepio's investment and trading portfolios. Montepio has implemented risk management methods to mitigate and control these and other market risks to which Montepio is exposed. Accordingly exposures are measured and monitored on a regular basis. Montepio also assesses interest rate and exchange rate gaps within the ambit of its asset and liability management. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on Montepio's financial condition and results of operations.

Operational risk

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

Liquidity risk

The inability of a bank such as Montepio to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on such bank's ability to meet its obligations when they fall due. Montepio regularly measures liquidity gaps and complies with liquidity rules issued by the Bank of Portugal.

Take Over Bid of Finibanco Holding, SGPS, S.A.

On 30 July 2010, Montepio Geral Associação Mutualista ("MGAM"), the owner of Montepio (see "Description of the Issuers" section), launched a take over bid for the total share capital of Finibanco Holding, SGPS, S.A. (the "Offer"). The price to be paid for the total share capital corresponds to €341,000,000.

Finibanco Holding, SGPS, S.A., is the holding of a Portuguese financial group comprising a number of subsidiaries which include, among other things, a bank (Finibanco, S.A.), an Angolan bank (Finibanco Angola, S.A.), a credit financial institution (Finicrédito, Instituição Financeira de Crédito, S.A.) and an asset management company (Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A.) (the "Finibanco Holding's Subsidiaries").

On 26 August 2010, the board of Finibanco Holding, SGPS, S.A., recommended to its shareholders to accept the Offer.

The registration of the Offer with the CMVM is conditional upon the due authorization of the Bank of Portugal, the Insurance Supervisory Authority (“Instituto de Seguros de Portugal”) and the Competition Authority (“Autoridade da Concorrência”).

Should the Offer be accepted by Finibanco Holding, SGPS, S.A.’s shareholders, in accordance with the terms and conditions set forth in the Offer’s preliminary announcement (“anúncio preliminar”), it is the intention of MGAM to consolidate the activities and operations of Finibanco Holding’s Subsidiaries, with those pursued by Montepio.

The consolidation of the activities and operations of Finibanco Holding’s Subsidiaries with Montepio may increase the credit, infrastructure and operational risks of the Issuers.

Although the Issuers are confident that the consolidation of said activities will have a positive impact on the activities and operations and related financial condition of the Issuers, there can be no assurance of the impact that this consolidation could have on the Issuers’ financial condition and on the results of its operations. In particular, should the Offer be accepted by Finibanco Holding, SGPS, S.A.’s shareholders, there can be no assurance that the Issuers’ credit rating would not be adversely affected.

International Financial Reporting Standards

Montepio has adopted International Financial Reporting Standards (“IFRS”) for reporting periods beginning 1 January 2005 and thereafter. These standards are, in a number of ways, different from generally accepted accounting principles in Portugal and their implementation may have a significant effect on the presentation of Montepio’s future financial statements. Montepio has also implemented impairment models to comply with IFRS.

New capital adequacy rules (Basel III)

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled “Strengthening the resilience of the banking sector”, which contains a proposed series of measures aimed at raising the quality, consistency and transparency of banks’ regulatory capital. These proposals are going through a period of consultation and are expected to be introduced by the beginning of 2013, with substantial transitional arrangements. In addition, the Basel Committee on Banking Supervision released a consultative document entitled “International framework for liquidity risk measurement, standards and monitoring” in December 2009. This included two new key liquidity metrics: (i) a liquidity coverage ratio aimed at ensuring banks have sufficient unencumbered high quality assets to meet cash outflows in an acute short-term stress and (ii) a net stable funding ratio to promote longer-term structural funding of bank’s balance sheet and capital market activities. The European Union has indicated that it will further amend the Capital Requirements Directive to implement revised global standards on capital adequacy and on liquidity that are being consulted on by the Basel Committee on Banking Supervision. Further amendments to the European Union regulatory requirements are likely as the European Union develops its response to the financial crisis, including the structure of the regulatory system in Europe as proposed in the report of a high-level European Commission working group published in February 2009. Among other things, it is proposed by the end of 2010 to create a European Banking Authority charged with the development of a single rulebook for banks in the European Union. National authorities will remain responsible for the supervision of financial institutions. These proposals may have an adverse impact in the capital resources and requirements of the Issuer. In addition, the second half of 2010 may be marked by the transposition into European and national laws, of the set of changes being discussed for revision of the Capital Accord, commonly referred to as “Basel III”. These regulatory reforms will affect the real economy, credit market and the banking system, with significant impact on economic players.

Impact of regulatory changes

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

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

The Notes may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the relevant Issuer

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

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

Index Linked Notes and Dual Currency Notes

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly Paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

The obligations of the Issuers under Subordinated Notes are subordinated

The Issuers' obligations under Dated Subordinated Notes will be unsecured and subordinated. In the event of the bankruptcy or winding-up of the relevant Issuer, the Noteholders' claims shall be subordinated in right of payment to the claims of all unsubordinated creditors of such Issuer, including claims of depositors. Accordingly, no payments of amounts due under the Dated Subordinated Notes will be made to the Noteholders in the event of bankruptcy or winding up of the relevant Issuer (to the extent permitted by Cayman Islands and/or Portuguese law, as the case may be) except where all sums due from the relevant Issuer in respect of the claims of all unsubordinated creditors of the Issuer are paid in full, as more fully described in Condition 2(b).

The Issuers' obligations under Undated Subordinated Notes will be unsecured and subordinated, to the extent permitted by Cayman Islands and/or Portuguese law, as the case may be, to the claims of Senior Creditors (as defined in Condition 2(c)). Payments of principal and interest in respect of Undated Subordinated Notes are conditional upon the relevant Issuer being solvent (as described in Condition 2(c)) at the time of payment by the Issuer and in that no such payment shall be made except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

Risks related to withholding tax

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("Interbolsa"), as management entity of the Portuguese Centralised System, *Central de Valores Mobiliários* held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law 193/2005, of 7 November, as amended, ("Decree-Law 193/2005") and in force as from 1 January 2006, may benefit from an up-front withholding tax exemption, provided that certain procedures and certification requirements are complied with (see "*Taxation - Republic of Portugal - Montepio acting through its head office in Lisbon*", for these procedures and certification requirements). Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 20% (legal persons) and 21.5% (individuals), or if applicable, in reduced withholding tax rates of up to 15%, 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 - Republic of Portugal - Montepio acting through its head office in Lisbon*").

Risks related to procedures for collection of Noteholders' details

It is expected that the direct registering entities (*entidades registadoras directas*), the participants and the clearing systems will follow certain procedures to facilitate the collection from the effective beneficiary of the Notes (the "Beneficiary") of the information referred to in "Risks related to withholding tax" above required to comply with the procedures and certifications required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting from the Beneficiaries proof of their non-Portuguese resident status and of the fulfilment of the other requirements for the exemption rests with the direct registering entities (*entidades registadoras directas*), the participants and the entities managing the international clearing systems. A summary of those procedures is set out in "*Taxation - Republic of Portugal - Montepio acting through its head office in Lisbon*". Such procedures 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, Beneficiaries must comply with such procedures in order to receive payments under the Notes free of any withholding, if applicable. Beneficiaries 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 Issuers, the Arranger, the Dealers, the paying agents or the clearing systems assume any responsibility therefor.

Risks related to Notes generally

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

Modification, waivers and substitution

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification of (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Conditions or of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of an Issuer successor in business or any subsidiary of the Issuer or its successor in business in place of such Issuer, or of any previous substituted company, as principal debtor under any Notes, in the circumstances described in Condition 10(c) of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State is required from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither of the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the relevant Issuer will be required, save as provided in Condition 6(d) of the Notes, to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

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

Change of law

The Terms and Conditions of the Notes and any non-contractual obligations arising out of or in connection with them are governed by English law (except Conditions 2(b) and 2(c) and, 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, all of which are governed by Portuguese law), in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or Portuguese law or administrative practice in either of those jurisdictions after the date of issue of the relevant Notes.

Integral multiples of less than €50,000

Notes may be issued which have a denomination consisting of the minimum Specified Denomination of €50,000 plus integral multiples of €1,000 in excess thereof (up to €99,000) (or the equivalent in another currency). In such a case, should definitive Notes be printed, Noteholders who hold amounts that are not integral multiples of a Specified Denomination may not receive a definitive Note in respect of such holding and would need to purchase or sell a principal amount of Notes such that their holding is an integral multiple of a 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 €50,000 may be illiquid and difficult to trade and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks related to the market generally

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

The secondary market generally

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

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.

Credit ratings may not reflect all risks

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

Legal considerations may restrict certain investments

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

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description of the Programme is qualified in its entirety by the remainder of this Base Prospectus.

Issuers	Caixa Económica Montepio Geral (“Montepio”), acting through its Head Office or its Cayman Islands Branch (the “Issuers” and each, an Issuer).
Description	Euro Medium Term Note Programme.
Size	Up to €6,000,000,000 (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	BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main ING Bank N.V. Merrill Lynch International Natixis The Royal Bank of Scotland plc Société Générale UniCredit Bank AG
	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 Base 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 references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Deutsche Trustee Company Limited
Issuing and Paying Agent	Deutsche Bank AG, London Branch
Portuguese Paying Agent	Montepio
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 a final terms document (the “Final Terms”).

Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	<p>The Notes (other than Book Entry Notes (as defined below)), may be issued in bearer form only. Each Tranche of Notes (other than Book Entry Notes) will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “General Description of the Programme — Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note.</p> <p>In addition, Montepio acting through its Head Office may issue Notes in book-entry form and registered form (“Book Entry Notes”) 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, <i>Central de Valores Mobiliários</i>, 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 Base Prospectus, as supplemented, as necessary by a supplement to this Base Prospectus, and/or the relevant Final Terms.</p> <p>The Book Entry Notes are constituted by a deed poll given by Montepio in favour of the holders of the Book Entry Notes dated 5 November 2010 (the “Instrument”).</p>
Clearing Systems	Clearstream, Luxembourg, and Euroclear for Notes and Interbolsa, Clearstream, Luxembourg, Euroclear for Book Entry Notes and, in relation to any Tranche, such other clearing system as may be agreed between the Issuers, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, if the relevant Global Note is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note representing Notes may (or, in the case of Notes admitted to trading on the Market, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not admitted to trading on the Market 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 Issuers, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
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 until such date as Interbolsa accepts for registration and clearing securities denominated in currencies other than euro.

Redenomination	The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so the wording of the redenomination clause will be set out in full in the applicable Final Terms.
Maturities	<p>Subject to compliance with all relevant laws, regulations and directives and as permitted by the relevant central bank (or equivalent body) and subject as provided below, any maturity as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms. Unless otherwise permitted by then current laws, regulations and directives, Subordinated Notes will have a maturity of not less than five years.</p> <p>Book Entry Notes shall not be issued with a maturity of less than one year.</p> <p>According to the Luxembourg Act relating to prospectuses for securities (the “Luxembourg Act”), the CSSF is not competent to approve prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and which also comply with the definition of securities in the Luxembourg Act.</p>
Specified Denomination	Definitive Notes and Book Entry Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) 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 an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) 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 Issuers in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) will have a minimum specified denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> (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 (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms. <p>Interest periods will be specified in the relevant Final Terms.</p>
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates	The length of 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	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Any early redemption of a Subordinated Note will be subject to the prior consent of the Bank of Portugal.
Redemption by Instalments	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and Supplement to the Base Prospectus.
Optional Redemption	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption, although this will not apply in any event to Dated or Undated Subordinated Notes (as defined in Condition 5).
Status of the Senior Notes	The Senior Notes and the relative Receipts and Coupons (if any) will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of such Issuer, save for those that have been accorded by law preferential rights.
Status of the Dated Subordinated Notes	The Dated Subordinated Notes and the relative Receipts and Coupons (if any) will constitute direct, unsecured and subordinated obligations of the relevant Issuer, and will rank <i>pari passu</i> among themselves. The claims of the holders

of the Dated Subordinated Notes and the relative Receipts and Coupons (if any) will, in the event of the bankruptcy or the winding up of such Issuer (to the extent permitted by Cayman Islands and/or Portuguese law, as the case may be), be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of that Issuer including claims of depositors and will rank, in the event of the winding up of such Issuer, at least *pari passu* in right of payment with all other Subordinated Indebtedness (as defined in Condition 2(b)), present and future, of that Issuer.

Status of the Undated Subordinated Notes

The Undated Subordinated Notes and the relative Coupons and Talons (if any) will constitute direct, unsecured and subordinated obligations of the relevant Issuer and will rank *pari passu* among themselves. The Undated Subordinated Notes will, in the event of bankruptcy or the winding up of such Issuer (to the extent permitted by Cayman Islands and/or Portuguese law, as the case may be), be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer (as defined in Condition 2(c)) in accordance with the provisions of the Trust Deed.

Payment by the relevant Issuer (insofar as such payment relates to payment obligations of the Issuer in respect of Undated Subordinated Notes) is conditional upon (i) the Issuer being solvent (as described in Condition 2(c)) at the time of payment by the Issuer to the Noteholders and (ii) no such payment being made except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

Any amounts which, but for the provisions of Condition 4(m) or, as the case may be, the insolvency of the relevant Issuer would be payable as interest or principal on the Undated Subordinated Notes will be available to meet the losses of such Issuer.

Negative Pledge

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

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 non-payment or winding up. See “Terms and Conditions of the Notes — Events of Default”.

Ratings

Tranches of Notes (as defined in “General Description of the Programme”) may be rated or unrated. Where a Tranche of Senior Notes is rated, it will be rated “Baa3” by Moody’s Investors Service Inc. (“Moody’s”) and “A-” by Fitch Ratings Ltd. (“Fitch”). Where a Tranche of Dated Subordinated Notes is rated, it will be rated “Ba1” by Moody’s and “BBB+” by Fitch. Where a Tranche of Undated Subordinated Notes is rated, it will be rated “Ba3” by Moody’s and “BBB+” by Fitch. Such ratings will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

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 in the Cayman Islands and Portugal, subject to customary exceptions, all as described in and in accordance with Decree-Law no. 193/2005, of 7 November (as amended), in respect of Book Entry Notes (See “*Taxation – The Republic of Portugal – Montepio, acting through its head office within the scope of Decree-Law no. 193/2005 (Special tax regime applicable to debt securities)*”).

At present, payments of interest and other investment income to be made directly to non-Portuguese resident entities would be subject to Portuguese withholding tax at the rate of 20% (legal persons) and 21.5% (individuals) (which may be reduced according to applicable double taxation treaties entered into by the Republic of Portugal and other countries, subject to certain formalities being met, or eliminated (if certain exemptions are applicable) (See “*Taxation – The Republic of Portugal – Montepio, acting through its head office outside the scope of Decree-Law 193/2005 (General tax regime applicable to debt securities)*”).

All payments of interest and other investment income arising from Notes made to residents for tax purposes in Portugal or to a non-Portuguese resident having a permanent establishment therein to which income is imputable will be subject to withholding tax at a rate of 21.5%, except where the Noteholder is either a Portuguese resident financial institution (or a nonresident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law (See “*Taxation – The Republic of Portugal – Montepio, acting through its head office outside the scope of Decree-Law 193/2005 (General tax regime applicable to debt securities)*”).

Governing Law

English law, save that Conditions 2(b) and (c) and Clause 5 of the Trust Deed (insofar as it relates to Subordinated Notes) and the corresponding provisions 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 (*forma de representação*) 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 list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

Selling Restrictions

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

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes, in definitive form (if any) issued in exchange for the Global Note(s) or in book entry form, representing each Series of Notes issued by the relevant Issuer. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive 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. 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, Notes in book entry form (“Book Entry Notes”).

The Notes (other than Book Entry Notes) are constituted by an amended and restated Trust Deed dated 5 November 2010 (as modified and/or supplemented and/or restated as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) between Caixa Económica Montepio Geral acting through its Head Office or its Cayman Islands Branch (the “Issuers” and each, an “Issuer”) and Deutsche 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. The Book Entry Notes are constituted by registration in the Interbolsa book-entry system and governed by these terms and conditions and by a deed poll given by the Issuers in favour of the holders of Book Entry Notes as amended and restated on 5 November 2010 (the “Instrument”), which includes the form of the Notes, Receipts, Coupons and Talons referred to below. An amended and restated Agency Agreement dated 5 November 2010 (as amended and/or supplemented and/or restated as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes between the Issuers, the Trustee, Deutsche Bank AG, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent) and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the registered office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents. In the case of Book Entry Notes, Caixa Económica Montepio Geral will be the paying agent in Portugal.

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

1 Form, Denomination and Title

(a) Notes issued by Caixa Económica Montepio Geral acting through its Head Office or its Cayman Islands branch

The Notes are issued in bearer form 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 €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) as indicated in the applicable Final Terms.

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

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

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

Title to the Notes and the Receipts, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss 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 Note and the Receipts relating to it, “holder” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon 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 Económica Montepio Geral acting through its Head Office

The Notes are issued in dematerialised book-entry (*forma escritural*) and nominative (*nominativas*) form in the Specified Denomination as indicated in the applicable Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic 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 €50,000 (or its equivalent in other currencies as at the date of issue of the relevant 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”).

The Notes shall not be issued in bearer form, whether in definitive bearer form or otherwise.

Each person shown in the individual securities account 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 by the relevant affiliated member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant Noteholder and in accordance with that affiliated member’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 individual securities account held with an affiliated member of Interbolsa. Any Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership,

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

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

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

In these Conditions, “Noteholder” for the purposes of Notes in book entry form and (in relation to a Note) “holder” means the person in whose name a Note is registered in the records of an affiliated member of Interbolsa.

2 Status

(a) *Status of Senior Notes*

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

(b) *Status of Dated Subordinated Notes*

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

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

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

(c) *Status of Undated Subordinated Notes*

The Undated Subordinated Notes and the relative Coupons and Talons (if any) are direct and unsecured obligations of the Issuer and rank and will rank *pari passu* among themselves and are subordinated, to the extent permitted by Cayman Islands and/or Portuguese law, as the case may be, to the claims of Senior Creditors of the Issuer (as defined below) in that payment by the Issuer (insofar as such payment relates to payment obligations of the Issuer in respect of Undated

Subordinated Notes) is conditional upon the Issuer being solvent (as described below) at the time of payment by the Issuer to the Noteholders and in that no such payment shall be made except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For this purpose, the Issuer shall be considered to be solvent if both (i) it is able to pay its debts to Senior Creditors of the Issuer as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) to Senior Creditors of the Issuer. A report as to the solvency of the Issuer by two directors of the Issuer or, if the directors have not reported within 14 days before any payment is due, the auditors of the Issuer, or, if the Issuer is being wound up, its liquidator shall, in each case in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and any holder of Undated Subordinated Notes as correct and sufficient evidence thereof.

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

In accordance with number 11 of the Bank of Portugal Regulation nr. 12/92 of 22 December (as amended), any amounts which would be payable as principal or interest will be available to meet the losses of the Issuer in order to allow the Issuer to continue its business activities, provided that: (a) there has been (i) consumption of the whole reserves and retained earnings; (ii) writing down of the Issuer’s institutional capital (“capital institucional”) and (b) that the Issuer’s institutional capital has been reduced to zero.

In the above circumstances the unpaid amounts of interest (firstly) and principal (secondly) will be cancelled and utilised to the extent that may be necessary to meet the losses of the Issuer. The cancelled amounts (both of interest and principal) will only be reinstated as subordinated credits of the corresponding holders as if such amounts had never been written down or cancelled in the event of: (i) the winding-up, liquidation or bankruptcy of the Issuer, in which case such reinstatement will be deemed to take effect at the moment which immediately precedes the winding-up, liquidation or bankruptcy proceedings; or of (ii) a decision being taken to reinstate the cancelled or written down amounts, in each case subject to the approval of the Bank of Portugal. In both the above cases and at all times, cancelled or written down amounts will revert to being treated as subordinated credits of the corresponding holders, without prejudice to the subordination regime applying thereto.

During any period of cancellation or writing down such cancelled or written down amounts shall not bear interest.

(d) No Set Off in respect of Subordinated Notes

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

3 Negative Pledge in relation to the Senior Notes

(a) Restriction

So long as any of the Senior Notes, Receipts or Coupons (if any) remains outstanding (as defined in the Trust Deed) neither the Issuer nor any of its Subsidiaries (as defined in Condition 9) shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“Security”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer’s obligations under the Senior Notes, Receipts, 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.

(b) Relevant Indebtedness

For the purposes of this Condition, “Relevant Indebtedness” means any present or future (actual or contingent) indebtedness for money borrowed or raised in the form of, or represented by, bonds, notes, debentures, debenture stock, loan stock, certificates or other instruments that are, or are capable of being, quoted, listed or traded on any stock exchange, or other securities market (including, without limitation, any over-the-counter market) (other than an issue which is placed in Portugal in an amount greater than 50 per cent. of its aggregate principal amount). For the avoidance of doubt, “indebtedness for money borrowed or raised”, 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 issued by the Issuer, 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 loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

4 Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

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

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage)

equal to the Rate of Interest, such interest being payable in arrear subject, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

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

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

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

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

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

(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, Rate Multiplier 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, Rate Multiplier or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin, Rate Multiplier or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period.

(iv) Rate of Interest for Index Linked Interest Notes

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

(c) Zero Coupon Notes

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

(d) Dual Currency Notes

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

Book Entry Notes shall only be issued in euros.

(e) Partly Paid Notes

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

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused or is not made by reason of Condition 4(m), in which event interest shall continue to accrue (as well after as before judgment) at the

Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

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

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

(h) *Calculations*

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

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

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any Rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, 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 so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made 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 9, 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.

(j) *Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment 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.

(k) *Definitions*

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

“Business Day” means:

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

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

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

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

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

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30

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

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” 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 D₁ will be 30; and

“D₂” 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 D₂ will be 30

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

Determination Period and (2) the number of Determination Periods normally ending in any year where:

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

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

“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 from time to time.

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

“Interest Amount” means:

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

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

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

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

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

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

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

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of

EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

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

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

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

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

(l) Calculation Agent

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

(m) Undated Subordinated Notes

Interest on Undated Subordinated Notes shall accrue from day to day and shall, subject to Condition 2(c) above, be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period ending on (but excluding) such Compulsory Interest Payment Date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects and gives not less than 30 days' notice of such election to the holders of Undated Subordinated Notes in accordance with Condition 15) the interest accrued in the Interest Period ending on (but excluding) such Optional Interest Payment Date (an “Accrual Period”) but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose; and any interest not so paid shall, so long as the same remains unpaid, constitute “Arrears of Interest”. The Issuer may at its option (after giving notice to the holders of Undated Subordinated Notes in accordance with Condition 15) at any time pay all or part of the Arrears of Interest (being, if part only, the whole of the interest accrued on all the Undated Subordinated Notes during any one or more Accrual Period(s)) but so that, in the case of any such partial payment, the interest accrued during any Accrual Period shall not be paid prior to that accrued during any earlier Accrual Period. All Arrears of Interest shall become due in full on whichever is the earliest of (i) the date on which any distribution of profits is paid or made to the Founder (*instituidor*), (ii) the date set for any repayment permitted under

Condition 5(c) or (d) and (iii) the commencement of winding up of the Issuer, provided that in the case of (i), (ii) or (iii) notice shall be given to the holders of Undated Subordinated Notes in accordance with Condition 15. If notice is given by the Issuer of its intention to pay all or part of the Arrears of Interest, the Issuer shall be obliged, subject to Condition 2(c) above, to do so upon the expiry of such notice. Neither Arrears of Interest nor any interest due but unpaid shall bear interest.

For the purpose of this paragraph:

“Compulsory Interest Payment Date” means any Interest Payment Date in relation to which distributions of Profits have been declared, paid or made to the Founder (instituidor) in the immediately preceding interest period; and

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date.

5 Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date (as defined in Condition 7(f)) relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Senior Note or Dated Subordinated Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount. Each Undated Subordinated Note is undated and accordingly has no final maturity date and is only redeemable or payable in accordance with the following provisions of this Condition or Condition 9(b).

(b) *Early Redemption*

(i) *Zero Coupon Notes*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised

Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall (subject, in the case of Dated Subordinated Notes, to the provisions of Condition 2(b) and, in the case of Undated Subordinated Notes, to the provisions of Condition 2(c) and provided the Bank of Portugal's consent has been obtained in relation to the early redemption of either Dated or Undated Subordinated Notes) be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such subparagraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this subparagraph 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 4(c).

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

(ii) *Other Notes*

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

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

The Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to consent thereto having been obtained from the Bank of Portugal in the case of Subordinated Notes) on any Interest Payment Date (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer 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 7 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands and/or Portugal or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of

such change or amendment and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which case it shall be conclusive and binding on the Noteholders and Couponholders. Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(c).

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

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

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

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

(e) *Redemption at the Option of Noteholders*

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

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

(f) *Partly Paid Notes*

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

(g) *Purchases*

The Issuer and any of its Subsidiaries (with the consent of the Bank of Portugal in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmatured Receipts (if

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

6 Payments and Talons

(a) Payments of Principal and Interest

Payments of principal and interest, including Arrears of Interest, (if any) in respect of Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(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 Book Entry Notes will be made by transfer to the registered account of the Noteholders maintained by or on behalf of it with a bank that processes payments in euro, 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) Payments in the United States

Notwithstanding the foregoing, if any 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.

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

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

(d) ***Appointment of Agents***

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder 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 or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange, (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 15.

Caixa Económica Montepio Geral will be the paying agent in Portugal in respect of Book Entry Notes.

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

- (i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes (other than (i) any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note or (ii) Dual Currency Notes and Index linked 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 8).

- (ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note or, a Fixed Rate Note where the total value of the unmatured coupons exceeds the nominal amount of such 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 Note, any unexchanged Talon (if any) relating to such Note (whether or not attached) shall become void and no Coupon (if any) shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts (if any) relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any 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 Note is presented for redemption without any unexchanged Talon (if any) relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) Other than in respect of Book Entry Notes if the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. 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.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent 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 8).

(g) Non-Business Days

If any date for payment in respect of any Note, Receipt (if any) or Coupon (if any) is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation or in Portugal in case of Book Entry Notes, in such jurisdictions as shall be specified as “Financial Centres” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7 **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts (if any) and the Coupon (if any) shall (subject to the conditions and limitations set out below) be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands and/or Portugal or any political subdivision 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 the Republic of Portugal where the relevant proof of non-residence status has been provided by the Noteholders or the Couponholders to the direct registration entities prior to the Relevant Date. In that event, 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 had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt (if any) or Coupon (if any):

(a) *Other connection*

to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Cayman Islands and/or Portugal other than the mere holding of the Note, Receipt (if any) or Coupon (if any) or

(b) *Lawful avoidance of withholding*

(i) to, or to a third party on behalf of, the effective beneficiary of the Notes in respect of whom the information (which may include certificates) required in order to comply with Decree-Law 193/2005, of 7 November (as amended), and any implementing legislation, is not received; or (ii) to, or to a third party on behalf of, the effective beneficiary of the Notes (a) 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 (b) who is resident in one of the states which is party to any such applicable tax treaty; or (iii) to, or to a third party on behalf of, the effective beneficiary of the Notes resident in a tax haven jurisdiction as defined in *Portaria do Ministro de Estado e das Finanças* no. 150/2004, of 13 February (as amended from time to time), with the exception of central banks and governmental agencies, or non resident legal entities held directly or indirectly in more than 20 per cent. by entities resident in Portugal or

(c) *Presented to a Paying Agent*

presented for payment to a Paying Agent where presentation to another Paying Agent would not have resulted in such withholding or deduction or where additional amounts are payable only because Notes or Coupons (if any) are being presented for payment effectively at the counter of a Paying Agent or

(d) *Payment to individuals*

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

(e) *Payment by another Paying Agent*

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

As used in these Conditions, “Relevant Date” in respect of any Note, Receipt (if any) or Coupon (if any) 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, Receipt (if any) or Coupon (if any) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed or

(f) *Portugal*

if the applicable Final Terms so provide.

8 Prescription

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

9 Events of Default

(a) *Senior Notes*

In the case of Senior Notes 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 with accrued interest:

(i) *Non-Payment*

Default is made for more than 10 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes 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, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written 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 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 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 that the amount of the relevant indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred, individually or in the aggregate, exceeds €5,000,000 or its equivalent (as reasonably determined by the Trustee) or

(iv) *Enforcement Proceedings*

One or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer or any of its Subsidiaries or 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 Subsidiaries and in any of the above cases, is not discharged or stayed within 60 days or, if later, the date specified therein for payment 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 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) or

(vi) *Insolvency*

Any of the Issuer or any of its Subsidiaries (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, (ii) stops, suspends or threatens to stop or suspend payment of all or a material part (in the opinion of the Trustee) of (or of a particular type of) its debts or (iii) 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 (or of a particular type of) the debts of the Issuer or any of its Subsidiaries or

(vii) *Winding-up*

An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases

or through an official action of its board of directors threatens to cease to carry on all or substantially all (in the opinion of the Trustee) of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved by the Trustee in writing or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries or

(viii) 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 legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of the Cayman Islands and/or Portugal, as the case may be, is not taken, fulfilled or done or

(ix) 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

(x) 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 (vii) 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:

“Subsidiary” means any entity of which the Issuer has control and “control” for the purpose of this definition means the beneficial ownership whether direct or indirect of the majority of the issued and/or voting share capital or the right to direct the management and policies of such entity, whether by the ownership of share capital, contract or otherwise. A certificate by any two authorised officers of the Issuer listing the entities that are Subsidiaries at any time shall, in the absence of manifest error, be conclusive and binding on all parties.

The Trust Deed provides that the Trustee may call for and rely on a certificate of the Auditors (as defined in the Trust Deed) as to those entities which, as at the last day of the last financial year of the Issuer or as at any date specified by the Trustee in its request for such information, were Subsidiaries.

(b) Subordinated Notes

In the case of Subordinated Notes if any one or more of the following events (each an “Event of Default”) shall occur:

- (i) default is made for a period of ten business days or more in the payment of any principal or interest due, in respect of Undated Subordinated Notes only, on any Compulsory Interest Payment Date, in respect of the Notes or any of them after the due date therefor or, as the

case may be, after any other date upon which the payment of interest is compulsory, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no further action in respect of such default. Provided that, in relation to Undated Subordinated Notes only, for the avoidance of doubt, the exercise by the Issuer of its right, pursuant to Condition 4(m), not to make any payment(s) of interest due on an Optional Interest Payment Date in respect of Undated Subordinated Notes shall not constitute failure to make payment of interest; or

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

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 together with accrued interest as provided in the Trust Deed.

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

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

(c) *Senior Notes and Subordinated Notes*

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 (aa) 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 (bb) in each case only if 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 Noteholder shall be entitled to institute proceedings for the winding up of the Issuer or to submit a claim in such winding up, 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.

10 Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*

The Trust Deed and, in relation to Book Entry Notes only, the Instrument contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (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 amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) *Modification of the Trust Deed*

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 its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. The Trustee may agree, without the consent of the Noteholders or Couponholders, on or after the Specified Date (as defined below) to such modifications to the Notes, the Coupons and the Trust Deed in respect of redenomination of the Notes in euro and associated reconventioning, renominialisation 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 any subsidiary of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) Entitlement of the Trustee

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

11 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, the Receipts (if any) and the Coupons (if any), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder 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.

12 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.

13 Replacement of Notes, Receipts, Coupons and Talons

If a Note (other than Book Entry Notes), Receipt (if any), Coupon (if any) or Talon (if any) is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in Luxembourg or such other Paying Agent, 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, Receipt (if any), Coupon (if any) or Talon (if any) is subsequently presented for payment or, as the case may be,

for exchange for further Coupons (if any), there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons (if any) must be surrendered before replacements will be issued.

14 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 contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15 Notices

Notices to the holders of Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the internet site 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 also 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 Notes in accordance with this Condition.

16 Contracts (Rights of Third Parties) Act 1999

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

17 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed (except Clause 5 insofar as it relates to Subordinated Notes), the Notes (except Conditions 2(b) and 2(c)), the Receipts (if any), the Coupons (if any) and the Talons (if any) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that, with respect to 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 and any non-contractual

obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, Portuguese law. Clause 5 of the Trust Deed (insofar as it relates to Subordinated Notes) and Conditions 2(b) and 2(c) and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with Portuguese Law.

(b) *Jurisdiction*

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

(c) *Service of Process*

The Issuer has irrevocably appointed Hackwood Secretaries Limited at its offices presently located at One Silk Street, London EC2Y 8HQ as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO NOTES CLEARED THROUGH EUROCLEAR OR CLEARSTREAM WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Delivering the Global Notes to 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 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 for Euroclear and Clearstream, Luxembourg (the “Common Depositary”), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

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

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note 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 and in relation to all other rights arising under the Global Notes, 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 and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “General Description of the Programme – Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and

- (ii) otherwise, 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.

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 (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.

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 for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

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, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or (iii) if the Global Note is a NGN, the relevant Issuer will procure that such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, “Definitive Notes” means, in relation to any Global Note, the Definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form 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.

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 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 and permanent Global Notes 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 Base Prospectus. The following is a summary of certain of those provisions:

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 is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f) will apply to the 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 in the case of payments of principal, 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. Payments under the NGN will be made to its holder. Each payment so made will discharge the relevant 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 the temporary Global Note and the permanent Global Note, the words "in the relevant place of presentation or" shall not apply in the definition of "business day" in Condition 6(g) (*Non-Business Days*).

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 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note 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.

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.

Purchase

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the relevant 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 relevant 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 and/or 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).

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. The rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be). 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.

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, in respect of payments of principal the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of 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 and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

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 also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and so long as the Notes are listed on any other stock exchange, notices will be published in such manner as the rules of that stock exchange may require.

Partly Paid Notes

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

BOOK-ENTRY NOTES HELD THROUGH INTERBOLSA

General

Interbolsa holds securities 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 Notes “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 consumers 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 and will be settled by Interbolsa’s settlement system. Under the procedures of Interbolsa’s settlement system, settlement takes place on the third business day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal (or at Caixa Geral de Depósitos, if denominated in currencies other than euro) on the settlement date.

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 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 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 by the holders of the Book-Entry Notes 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 individual securities account held with 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 (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Book-Entry Notes and thereafter (ii) 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 a 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 relevant Issuer under the Programme will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUERS

Introduction to Montepio

Montepio is a savings bank which was created on 24 March 1844 and which is wholly owned by Montepio Geral Associação Mutualista, a mutual association whose aim is to provide individual and collective social protection schemes and health benefits to its 442,091 mutual members. In accordance with the Credit Institutions General Regime (approved by Decree Law 298/92 of 31 December 1992 (as amended)), Montepio is a credit institution, authorised to operate as a “universal bank” (according to Decree Law 136/79 of 18 May 1979 (as amended)) and it ranks sixth in the Portuguese banking system, as far as total net assets are concerned (Source: *Boletim da Associação Portuguesa de Bancos*).

Integrated in a financial group owned by MGAM, Montepio undertakes general banking operations and, together with the major subsidiaries and associated companies of MGAM, provides other financial operations such as investment, mutual, real estate and pension funds, as well as insurance business. Additionally, Montepio distributes the protection schemes of MGAM to its customer base. Montepio has a nationwide branch network, six representative offices and it operates also through its electronic channels.

Montepio is registered in the Commercial Registration Conservatory (1st Section) with the number 500 792 615 and is domiciled in Portugal, having its registered office at Rua Áurea, 219-241, Apartado 2882-1122-806, Lisbon, Portugal with telephone number +351 213 248 000.

History

In 1840, Francisco Manuel Alvares Botelho established Montepio dos Empregados Públicos, a mutual benefit association intended to assist its members through periods of unforeseen financial hardship, caused by illness, disability or death. In 1844, its name was changed to Montepio Geral Associação Mutualista, the name it still bears today.

In 1844, MGAM created Caixa Económica de Lisboa, which was renamed Caixa Económica Montepio Geral on 23 April 1991, for an indefinite period with the aim of attracting small-scale savings and providing credit facilities. MGAM and its subsidiaries and affiliates (together, the “MGAM Group”) offer a wide variety of banking, insurance and fund management products from 326 Montepio branches located throughout Portugal. Originally, Montepio was run as a division of MGAM but by the late 1930s the two organisations had become separate legal entities. In accordance with Decree Law 460/77 of 7 November 1977, Montepio was recognised as a “collective person of public interest” and is exempt from various types of taxes, including corporate revenue tax.

In 1986, MGAM founded Lusitania Companhia de Seguros, S.A. (“Lusitania”), a general insurance company. In 1987, Lusitania Vida, Companhia de Seguros, S.A. (“Lusitania Vida”) was established to offer life insurance products. The amount of gross premiums issued by Lusitania and Lusitania Vida as at 31 December 2009, was €132.3 million and €35.4 million, respectively. Currently, 95.2% of Lusitania and 99.8% of Lusitania Vida’s share capital are held by the MGAM Group. On 2 November 2009, the MGAM Group acquired Real Seguros, allowing Lusitania Companhia de Seguros, S.A. to increase its market share.

The establishment of Futuro – Sociedade Gestora de Fundos de Pensões, S.A. (“Futuro”) by MGAM in 1988 enabled the MGAM Group to expand into pension fund management.

As at 31 December 2009, Montepio held 26.2 per cent., 39.3 per cent. and 9.8 per cent. of the share capital in Lusitania, Lusitania Vida and Futuro, respectively.

Montepio Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A. (“Montepio Gestão de Activos”), provides asset management services and real estate and securities investment fund management services.

The amounts of assets under management by Futuro and Montepio Gestão de Activos were, as at 31 December 2009, €1,119.6 million and €1,499.1 million, respectively.

In 1995, Montepio acquired certain limited assets and liabilities from a small savings bank in the Azores, Caixa Económica Açoreana S.A., which was in financial difficulties. Montepio received a government subsidy of €28.94 million to compensate it for the net liabilities which it assumed as a result of the purchase.

Additionally, in January 1997, Montepio acquired certain assets and liabilities of another small savings bank, Caixa Económica Comercial e Industrial (“CECI”), for €1.5 million. The Bank of Portugal has approved a five year amortisation plan for CECI’s insufficiencies relating to provisions and pension liabilities which was completed as at 31 December 2001.

The MGAM Group also comprises Leacock Seguros, Lda., an insurance broker and Residências Montepio Serviços de Saúde, S.A., a company which provides assistance and health services to the elderly.

On 30 July 2010, MGAM launched a takeover bid for the total share capital of Finibanco Holding. SGPS, S.A. The price to be paid for the total share capital corresponds to €341 million.

Finibanco Holding, SGPS, S.A., is the holding of a Portuguese financial group comprising a number of subsidiaries which include, among other things, a bank (Finibanco, S.A.), an Angolan bank (Finibanco Angola, S.A.), a credit financial institution (Finicrédito, Instituição Financeira de Crédito, S.A.) and an asset management company (Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A.) (the “Finibanco Holding’s Subsidiaries”).

Should the Offer be accepted by Finibanco Holding, SGPS, S.A.’s shareholders, in accordance with the terms and conditions set forth in the Offer’s preliminary announcement (“*anúncio preliminar*”), it is the intention of MGAM to consolidate the activities and operations of Finibanco Holding’s Subsidiaries, with those pursued by Montepio.

Current Activities

Montepio operates as a universal bank, offering a wide range of banking and financial products and services, such as leasing, factoring, renting, cards (debit and credit), insurance (life and non-life), pension funds, real estate, investment funds and securities investment fund management, investment management and MGAM’s protection schemes to its customer base, from its 326 branches throughout Portugal, as well as its remote channels, aimed at catering for all its customers’ financial needs. Montepio has also been developing international operations, especially by the provision of foreign currency to its Portuguese customers, documentary credits, payment orders and the issue of travellers cheques, focusing mainly on attracting deposits from non-resident Portuguese nationals. Montepio has traditionally focused on the retail market but is now seeking to balance its customer base by increasing its presence in the corporate sector. Montepio’s client base comprises more than one million customers.

Montepio’s principal business is banking intermediation through deposit-taking, mainly from individuals, and the provision of loans and credit facilities. At 31 December 2009, loans to individuals accounted for 65.9 per cent. of total loans, the remainder being mainly loans to companies and the public sector. Most of Montepio’s loans to individuals are secured by mortgages on property, as Montepio is specialised in mortgage credit, and, in particular, housing credit, which represents approximately 57.1 per cent. of total credit.

Montepio is the sixth largest Portuguese banking institution and one of the largest providers of housing and construction mortgage finance, with total mortgage assets in excess of €10,642 million as at 31 December 2009.

Montepio's head office is in Lisbon and it has a network of 326 branches in Portugal. In addition, Montepio currently has six representative offices in Frankfurt, Geneva, London, Newark, Paris and Toronto, principally to provide financial services to expatriate Portuguese individuals. Montepio also owns Banco Montepio Geral Cabo Verde – Sociedade Unipessoal, S.A. (IFI), a Cape Verdean bank by law.

Montepio had a total of 2,986 employees, as at 31 December 2009.

Keeping pace with technological advances and sophistication, Montepio continues to develop its network of remote distribution channels, such as internet banking (Net 24), mobile telephone banking (Netmovel 24) and its own Automatic Teller Machine network – Chave 24+, along with a contact centre service (see “Technology” below.)

As at 31 December 2009, Montepio's consolidated total assets net of provisions and depreciation amounted to €17,244.8 million, its total equity was €986.2 million and its Tier 1 (exclusively comprised of core capital) and overall capital adequacy ratios, calculated according to the Bank of Portugal rules, were 9.51% and 13.25%, respectively.

For the year ended 31 December 2009, Montepio's net interest income was €320.8 million, total banking income was €449.0 million and net profit was €44.5 million.

Funding

The following table shows the breakdown of Montepio's funding sources at 31 December 2009:

	<i>As at</i> <i>31 December 2009</i>	
	<i>Amount</i>	<i>%</i>
	<i>(€ millions)</i>	
Demand deposits	1,986.6	12.2
Time deposits	6,644.6	40.9
Savings deposits	508.8	3.1
Total retail deposits	9,140.0	56.2
Credit institutions	35.9	0.2
Total deposits	9,175.9	56.4
Debt securities	5,036.6	31.0
Subordinated liabilities	378.0	2.3
Certificates of indebtedness (<i>Schuldschein</i>)	220.1	1.4
Credit institution resources	1,223.0	7.5
Syndicated loans	225.0	1.4
Total funding	16,258.6	100.0

Demand deposits increased by 5.8%, in 2009. Time deposits surged by 15.7%, whereas Savings deposits decreased by 24.9%. The former are for a fixed standard period or for such period as the depositor elects and the latter are for a fixed standard period. The total volume of deposits increased by 10.2%.

The following table shows the breakdown of Montepio's deposits by type of customer as at 31 December 2009:

	<i>As at</i>	
	<i>31 December 2009</i>	
	<i>Amount</i>	<i>%</i>
	<i>(€ millions)</i>	
Private individuals and small businesses	7,355.0	80.2
Private individuals	6,387.1	69.6
Traders and liberal professionals	50.9	0.6
Not-for-profit institutions	917.0	10.0
Companies	1,535.9	16.7
Others	285.0	3.1
Total deposits	9,175.9	100.0

Private individuals and small business deposits accounted for 80% of the total deposit base at 31 December 2009.

Montepio regards deposits by individual customers as an attractive form of funding since such deposits tend to be more stable and the interest rates offered tend to be lower than the rates offered for institutional and interbank funds. Deposits of up to €100,000 are covered by the Bank of Portugal through the “deposit guarantee fund”.

In addition to retail funding, and as a means to lengthen the maturity of its funding and shore-up its capital base, Montepio has been an active player in the capital markets. As at 31 December 2009, Montepio had a total of €4,914.9 million of senior and subordinated debt outstanding, all of which bear floating rates of interest or are swapped into floating interest rate format.

Credits

The following table shows the breakdown, according to type of customer and purpose, of the credits granted by Montepio (including past due credit) as at 31 December 2009:

	<i>As at</i>	
	<i>31 December 2008</i>	
	<i>Amount</i>	<i>%</i>
	<i>(€ millions)</i>	
Credits granted to companies		
Construction/production	1,909.6	12.6
Investment.. .. .	1,591.5	10.5
Working capital	1,265.6	8.4
Other purposes	66.6	0.4
Total credits granted to companies	4,833.3	31.9
Credits granted to individuals		
Housing	8,643.0	57.1
Other purposes	1,345.0	8.9
Total credits granted to individuals	9,988.0	66.0
Not-for-profit institutions	50.9	0.3
Traders and liberal professions	216.7	1.4
Public sector	48.5	0.3
Other	6.6	0.1
Total gross credit granted to customers	15,144.1	99.9

Total credits granted to customers decreased by 1.4 per cent. in 2009, as a consequence of the portfolio diversification strategy pursued by the bank and to more stringent underwriting criteria. Loans to companies increased by 3.0 per cent, whereas loans to individuals decreased by 3.3 per cent. Loans to individuals still represent 65.9 per cent. of total credit granted to customers.

Housing loans to individuals constituted the largest proportion of Montepio's loan portfolio and amounted to €8,643.0 million as at 31 December 2009 or 57.1 per cent. The great majority of such loans (substantially all of which are denominated in euro) bear floating rates of interest (which are either determinable at the discretion of Montepio and can be reset at any time or indexed to EURIBOR rate).

Loans to construction companies account for the second largest portion of Montepio's loan portfolio, and as at 31 December 2009, amounted to €1,909.6 million or 12.6 per cent. of the total credits granted to customers. Security (in the form of a first mortgage) is normally required over the property being financed or another property acceptable to Montepio. The average life of these loans tends to be shorter than those granted to individuals and the risk analysis for such loans is different. Montepio's policy limit ratio of borrowed funds to security value is 60 per cent. Montepio regards its lending to construction companies as important because they constitute an additional source of individual mortgage customers. Real estate brokers also provide a source of customers for mortgage loans.

As at 31 December 2009, approximately 8.4 per cent. of Montepio's loan portfolio was comprised of working capital loans to corporate borrowers. These loans are usually short-term in nature and are typically unsecured, although personal guarantees from the owners of the relevant companies are normally required.

Other Activities

Following authorisation by the Bank of Portugal to carry out foreign exchange transactions and have exposure to non-residents, which was granted in 1995, Montepio started setting up correspondent banking relationships with those foreign banks who are most likely to be able to service the needs of Montepio's customers, principally, the issue of cheques and payment notes orders and the provision of other trade-related services. Priority has been given to the European Union, the United States and Canada, which together account for approximately 80 per cent. of Portuguese foreign trade. This initiative has resulted in clearing services and encashment agreements in all the major currencies. At present, Montepio has over 200 correspondent banking relationships in 50 countries.

In line with this strategy, at present Montepio has six active and operational representative offices in Paris, Toronto, Geneva, Frankfurt, London and Newark (USA), each of which aims to support Portuguese communities abroad.

Montepio also provides custody for customers' securities and other assets and, through an affiliate, property management services. Trading in derivatives is mainly hedging-driven and, in terms of new distribution channels, Montepio offers telephone and internet banking services to its customers.

Keeping pace with technological advances and sophistication, Montepio continues to develop its network of remote distribution channels, such as internet banking (Net 24), mobile telephone banking (Netmovel 24) and has a proprietary Automatic Teller Machine network - Chave 24+, along with a contact centre service (see "Technology" below).

Competition

The information under this heading has been sourced from Montepio's annual reports, from Montepio's as well as its peer-group's press releases, from the Bank of Portugal's monetary and financial statistics and, finally, from the Portuguese Bankers Association publications.

As a founding member of the Economic and Monetary Union (EMU) and the Euro Zone, Portugal financial and banking regulatory framework is in line with the EMU's legislation. This led to important structural and operational changes in Portugal, to convergence policies and to a steady process of deregulation and liberalization of the financial sector during the 1990s.

In line with EMU legislation, Portugal adopted the "universal bank" model which included the abolition of the distinction between investment and commercial banks, the enactment of prudential and supervisory rules, including regulation relating to foreign banks operating in Portugal and relating to Portuguese banks operating abroad and the establishment of a deposit guarantee fund in order to protect depositors.

The adoption of the International Financial Reporting Standards in 2005, and the New Capital Adequacy Accord (Basel II) in 2007, introduced other important changes in the accounting data and prudential and risk management processes of the Portuguese banking institutions.

In addition, there were other recent measures taken in order to harmonize the European legal framework and develop a single European financial market, such as the adoption of the Markets and Financial Instruments Directive in November 2007, and the creation of the Single Euro Payments Area.

These changes in the banking environment have increased competition in the Portuguese banking market and have led to an expansion of domestic branch networks, an increase in the number of banks and specialised financial institutions, such as investment funds, leasing and factoring companies, along with a broader range of products on offer.

The increasingly competitive environment has given rise to a number of acquisitions during the 1990s amongst Portuguese banks and the establishment of Portuguese financial groups.

The Portuguese banking sector encompasses a total of 44 banking institutions but is highly concentrated in the top five banking groups: Caixa Geral de Depósitos, Millennium BCP, Banco Espírito Santo, Santander Totta and Banco BPI. These groups owned 81.5% of the Portuguese banking assets with the three largest ones holding 61.7% of those assets, as at 31 December 2009.

Despite tougher competition in the market, Montepio market share of total loans increased from 4.6% as at the end of 2000, to 5.4% as at 31 December 2009. In private individuals' deposits, Montepio's market share is bigger, standing at 6.4%, as at 31 December 2009.

In housing and in construction loans, Montepio has a higher share of both markets and has been able to maintain its market share of around 9% in housing credit and 12% in the construction sector.

Montepio is also improving its market position in other business areas, such as mutual and real estate funds, where it holds a market share of 2.5%, pension funds, where it has a market share of 5.5% and leasing, where it holds a market share of 1.6%. In the insurance sector, Montepio Group has a market share of 3.4%. In credit cards it has a market share of 2.6% and 5.2% in debit cards.

Montepio considers that its primary competitive advantage arises from the mutual profile of its parent company MGAM, which sets it apart from its peer group. This mutual nature, coupled with the reputation it enjoys as a prudent and stable financial institution, are considered to be key reasons for its customers' trust as an attractive source of financial banking services.

Lending Policies and Procedures

Underwriting rules are reviewed on a regular basis. The most recent revisions include increases in retail and corporate credit pricing, in order to account for higher funding costs. A new credit decision workflow has been developed and is in the process of being implemented, allowing for a better control and efficiency of the credit decision process.

Montepio is already employing application and behavioural scorings in the analysis of its counterparties and loans, with both scoring classifications contributing to the loan decision. The Application Scoring System evaluates the risk of the counterparty for a given type of loan, therefore supporting the decision of retail loan applications (mortgage, consumption and credit cards). The scorecards were developed in line with Montepio's portfolio and in accordance with statistical methods, which pinpoint the most predictive variables of counterparty defaults, such as socio-professional, demographic and economic indicators.

Moreover the system automatically checks whether negative events have been registered in internal and/or external databases and it also enforces credit rules (Loan-to-Value and Payment-to-Income ratios). The cut-off points of this system have been set in accordance with Montepio's Credit Policy Guidelines on acceptable levels of risk, based on which the system decides whether credit applications should be accepted or rejected.

The Behavioural Scoring System evaluates the risk of each customer for different types of loans, assigns a score based on the customer's historical relationship with Montepio, including factors such as loans granted, utilisation of current account facilities, deposits accounts and financial investments. In addition to the loan decision process, it also supports marketing campaigns and credit limits.

Granting credit has become a responsibility of four levels of management, involving the Branch (the first decision-making stage), the Regional Department (the second stage), the Commercial Division (the third stage) and the Credit Committee, involving the Head of the respective Commercial Division and the Board (the fourth

stage), depending on the nature of the loan, the application amount and Montepio's overall exposure to that particular customer.

Credit limits are applied to each customer and differ according to the product's characteristics. A large majority of housing and construction loans are secured by a first mortgage on the relevant land and buildings or, in some circumstances, other land or buildings. Montepio typically does not accept second or lower ranking mortgages, other than in exceptional circumstances or where it is the holder of all prior ranking mortgages. Special limitations and terms apply to loans to companies starting business and other borrowers who are classified with a high credit risk. If a proposed construction loan exceeds 60 per cent. of the value of the property, authorisation at a more senior credit decision level will be sought, and an increase in the collaterals or guarantees may be required. In addition, it is a requirement before any housing or construction loan is approved that a valuation of the proposed security is received from an independent expert approved by Montepio.

Problem Loans

As at 31 December 2009, 3.8 per cent. of Montepio's loan portfolio (including past due interest) was in default, representing €581.6 million, compared to 2.8 per cent. and €427.3 million respectively, as at 31 December 2008. The following table gives certain details of loans in default as at 31 December 2009:

	<i>As at 31 December 2009</i>
	<u>(€ millions)</u>
Housing loans	262.3
Construction loans	148.8
Other credits	170.5
Total	<u>581.6</u>
Total as percentage of loan portfolio	3.8

The following table sets forth the time for which the problem loans have been in default for the year ended 31 December 2009:

	<i>As at 31 December 2009</i>
	<u>(€ millions)</u>
Up to 3 months	73.5
4-6 months	21.9
7-12 months	54.8
1-3 years	258.4
Over 3 years	173.0
Total	<u>581.6</u>

Loans are monitored through computer checks on whether payments are made on time. Montepio also utilises certain early warning signals (for example, by monitoring whether corporate borrowers make social security payments on time).

Loans in default are dealt with at different internal management levels. The branches, with the help of the Contact Centre, are responsible for co-ordinating the initial stage of the credit recovery process. In addition,

there are hierarchical stages, defined in terms of time in arrears and amount overdue, during which the aim is to re-negotiate settlement before sending the matter to the Legal Department.

After two months in default (except for loans in relation to which a recovery plan has been approved or that are in negotiation for settlement) the process is automatically assigned to the Legal Department, which, in the first instance, tries to recover the overdue loans without recourse to litigation. If a solution is not reached within a five-month period, legal proceedings will, at that point, be instigated.

In addition, a new approach to the monitoring and recovery of non-performing loans (“NPLs”) has been in place since October 2008. This new approach involves the Commercial, Legal, Risk and Control Management Departments, who hold weekly meetings where NPL monitoring reports are analysed and discussed.

Montepio continues to accrue interest on unsecured loans for three months following a default. Interest in respect of mortgage secured loans is accrued up until the value of the collateral is surpassed by the sum of the amount of principal and interest in arrears. A provision for general credit risk of 1 per cent. (0.5 per cent. for housing loans secured by property, provided that the guarantee is used by the borrower as his official or actual residence, and 1.5 per cent., for consumer credit) is made for every loan from the date it is granted. Further provisions are made once the loan is in default for three months depending on the time for which it has been in arrears, although the percentage of provisioning in respect of unsecured loans increases at a greater rate than the percentage for secured loans. Montepio’s treatment of provisions is in accordance with the requirements of the Bank of Portugal. If a non-performing loan is rescheduled, provisions are only reversed when payment is received or when additional collateral or an additional guarantee is provided in connection with the rescheduling of the loan.

The following table shows total non-performing loans and total provisions made for the year ended 31 December 2009:

	<i>As at 31 December 2009</i>
	<i>(€ millions)</i>
Total non-performing loans	581.6
(as percentage of total credits to customers).. .. .	<u>3.8</u>
Provisions	
Impairment for credit risks	493.9
(as a percentage of total non-performing loans)	<u>84.9</u>

Financial Risk Management

The most important financial risks to which Montepio is potentially exposed are liquidity risk, foreign exchange risk and interest rate risk; the most important in practice being liquidity risk.

In common with many similar credit institutions which finance housing loans, Montepio’s loan assets are relatively illiquid whilst its funding is mainly based on retail deposits, most of which are either legally available on demand or are of a short term nature (although in practice such deposits usually remain with Montepio for extended periods). Liquidity is monitored on a daily basis, based on reports of the expected and actual in-and-out flows of cash and scheduled redemptions, and the required measures are then taken to tackle any potential shortfall.

In order to transform the liquidity profile of its mortgage asset base, Montepio has been actively using securitisation, under its Pelican Mortgages and its Pelican SME Loans Programme, having executed 6 transactions since December 2002. In addition, Montepio has been taking steps to lengthen the maturity of its

funding by selling special medium-term deposits and by issuing long-term senior and subordinated notes, as well as covered bonds.

Montepio is exposed to a limited amount of foreign exchange risk, principally arising from the provision of foreign exchange to its retail customers. Montepio's exposure to interest rate risk is also limited, as most of its credits and funding sources are on a floating rate basis. Montepio holds a proprietary investment portfolio whose credit and market risks are very small, as the vast majority of the securities are floating rate notes and the issuing entities are predominantly investment-grade rated banks. For this proprietary portfolio, a daily risk assessment is drawn-up, which includes an analysis on its sensitivity to interest rate dislocations, as well as the disclosure of other risk measures, such as value-at-risk, checks on stop-loss limits and a breakdown of the portfolio's assets by credit ratings and duration.

Montepio's use of derivative instruments is mainly aimed at hedging interest rate risk derived from its funding activities in the domestic and international debt capital markets.

Recent developments

During the first half of 2010, credits granted to customers decreased slightly by 1.0 per cent., total customer resources increased by 1.3 per cent. and debt securities issued decreased by 16.0 per cent., in comparison with the same period in 2009. The decrease in the issuance of debt securities during the first half of 2010 was offset by the reduction in credits granted to customers, the increase in customer resources and the use of the European Central Bank's refinancing facility.

Net profit for the period amounted to €30.6 million, an increase of 4.7 per cent. on the same period in 2009.

The non-performing loans ratio stood at 4.0 per cent. (3.7 per cent. in the first half of 2009).

Montepio is in compliance with the ratios and prudential limits imposed by the Bank of Portugal. Its solvency ratio was 12.8 per cent. as at 30 June 2010.

Capital

The special status of Montepio as an endowed entrepreneurial institution means that Montepio has no share capital of the nature associated with companies limited by shares, although MGAM holds institutional capital in Montepio. Technically, Montepio can create and issue "unidades de participação" which give the holder certain rights to remuneration (partly related to the profitability of Montepio) but no voting rights. None has been issued to date and there is currently no intention to do so. As a result of its capital structure, MGAM is entitled to receive any net profit (after provision has been made for mandatory reserves) which is distributed by Montepio. The reinvestment of all or part of such profit, together with MGAM's injections of cash by way of capital contributions, subject to the approval of the annual general meeting of MGAM's mutual members, represent the principal source of increases in Montepio's institutional capital.

The following table sets out the capital position of Montepio, its risk-weighted assets and tier 1 and tier 2 capital ratios, calculated in accordance with the requirements of the Bank of Portugal as at 31 December 2009:

	<i>As at 31 December 2009</i>
	<u>(€ millions)</u>
Capital	
Institutional capital	760.0
Reserves and retained earnings	271.3
Deductions to core capital	-76.6
Core capital	<u>954.7</u>
Tier 2 Capital	383.4
General deductions	-9.1
Total Eligible Capital	<u>1,329.0</u>
Capital Requirement	<u>802.7</u>
Tier 1 ratio	9.51%
Tier 2 ratio	3.82%
Deductions	-0.08%
Solvency ratio	<u>13.25%</u>

Given the last capital increase, of €100 million, which occurred on 31 March 2009, Montepio's Tier 1 ratio of 9.51% is above the Bank of Portugal's recommended level of 8%.

On the 24 March 2010, the General Meeting of MGAM resolved to authorise the Board of Directors of Montepio to increase the institutional capital by €40 million. This increase was carried out on 29 September 2010, and, as a consequence, Montepio's institutional capital currently stands at €800 million.

The following table shows the utilisation of the net profits generated during the year ended 31 December 2009:

	<i>As at 31 December 2009</i>
	<u>(€ millions)</u>
Net profit.. .. .	37.8
Retained to cover Pension Fund excess liabilities	8.0
Transferred to reserves	9.4
Distribution to MGAM	20.3
Percentage of profit retained in business of Montepio	<u>46.3%</u>

Technology

Montepio believes that technology has strategic importance in providing good quality and innovative services to its customers, which is essential to maintain its competitiveness in the Portuguese market.

Montepio completed at the beginning of 1999 the process of migration from an NCR system to a Mainframe IBM system, having successfully implemented the Altamira/ABI package.

In addition, innovative projects have been and are being implemented, with a large impact on the local market, such as:

- Internet Banking (Net 24) and Mobile Banking (Netmovel 24) providing customers with a wide range of transactions, including enquiries, deposits, transfer orders and bill payments and on-line brokerage services.
- Contact centre (Phone 24) has been established, which provides phone, fax, e-mail and chat capabilities for its customers.
- A sophisticated information network has been implemented, which integrates voice and data using state-of-the-art technology MPLS and LAN telephony.
- Habinet, – Montepio’s home portal, includes a wide range of functionalities from searching for real estate to an on-line shopping centre, providing potential and existing customers with home assistance solutions, thereby strengthening its commercial presence with real estate and construction companies.
- An innovative internal network of ATMs (Chave 24+) is already in place. Montepio was the first bank to provide ATM services in Portugal, having launched in 1984 the first internal network of ATMs. This new and innovative product (WEB based ATMs and WOSA/XSF), provides a broad range of products and services which are all touch screen only and voice enabled, such as: bill payment, deposits, passbook automatic page turn, passbook automatic dispensing and general information on public services.
- A credit scoring application is in operation providing a useful tool for assessing risks related to housing loans, consumer credit and credit cards.
- A new MIS (Management Information System) was implemented in June 2007 on a new technology platform (Microsoft-SQL Server – Datawarehouse, Olap and reporting, among other features) which comprises in the same basis (Clients, Channels and Products) institutional information about Transactions, Portfolio, Clients, Risk, Profitability, Activity and Budgeting. This platform is developing on a regular basis in order to cater for the needs arising from the development of new business lines, as well as to meet control, marketing and other areas’ requirements.
- A platform (SAS) for Basel II requirements has been implemented in the area of risk as well as a new platform for ALM.
- The Operational CRM (Agenda, Contacts, Campaigns Management and an “Integrated Vision of the client”) has been implemented.
- The Business Intelligence System, which comprises the Analytic CRM, the Activity Based Costing and the Pricing System, is being implemented.
- A new front-to-back office system (Reuter Kondor+) has been implemented in order to improve the control and management of Capital Markets and Treasury activities.
- A Time Deposit Workflow is in operation allowing the integrated management of spread authorisation in time deposits.

- An Enterprise Document Management System has been implemented supporting different business process such as: Inter-Bank circulation of cheque images, Members' and Costumers' signatures and daily branch movement.
- In terms of compliance, AML, an Operational Monitoring System (Northland) has been implemented as well as a Filtering System (Fircosoft) for "funds transfer" operations and for clients.

Employees

As at 31 December 2009, Montepio had 2,986 employees, compared with 2,972 employees as at 31 December 2008. Average net assets per employee increased from €5.7 million as at the end of 2008 to €5.8 million as at 31 December 2009.

BOARD OF DIRECTORS AND OTHER CORPORATE BODIES OF THE ISSUER

The following are the members of the Board of Directors of the Issuer, which were appointed in the General Meeting of Montepio on 11 December 2009.

Board of Directors

António Tomás Correia (Chairman)

José de Almeida Serra (Board Member)

Eduardo José da Silva Farinha (Board Member)

Rui Manuel Silva Gomes do Amaral
(Board Member)

Álvaro Cordeiro Dâmaso (Board Member)

Other positions

- Chairman of the Board of Directors of Lusitania, Vida, Companhia de Seguros, S.A.
- Chairman of the Board of Directors of Lusitania, Companhia de Seguros, S.A.
- Chairman of the Board of Directors of Banco Montepio Geral – Cabo Verde, IFI, S.A.
- Chairman of Residências Montepio, Serviços de Saúde, S.A.
- Chairman of the Board of Directors of Montepio Gestão de Activos - SGFI, S.A.
- Member of the Board of Directors Futuro – Soc. Gestora de Fundos e Pensões, S.A.
- Member of the Remuneration Committee of SAGIES - Segurança, Higiene e Saúde no Trabalho, S.A.
- Chairman of the General Meeting Board of Montepio Gestão de Activos - SGFI, S.A.
- Chairman of the Board of Directors of MG Investimentos Imobiliários, S.A.
- Chairman of the Remuneration Committee of Bolsimo - Gestão de Activos, S.A.
- Vice-Chairman of the Board of Directors of Directors of MCS - Moçambique, Companhia de Seguros, S.A.
- Manager of Leacock Seguros - Corretora de Seguros, Lda
- Member of the Board of Directors of Clínica CUF de Belém, S.A.
- Member of the Board of Directors, SAGIES – Segurança, Higiene e Saúde no Trabalho, S.A.
- Non-executive Member of the Board of Directors of Sociedade Interbancaria de Servicos, S.A.

No other positions

All the members of the Board of Directors of the Issuer are elected by the members of MGAM in general meeting. The Board of Directors has day-to-day executive responsibility for MGAM and Montepio.

The following are the members of the Internal Audit Board of MGAM and Montepio:

Internal Audit Board

Manuel Jacinto Nunes (Chairman)
 Gabriel José dos Santos Fernandes (Member)
 José Moreira Venâncio (Member)
 José Gomes Honorato Ferreira (Deputy)
 Vitor Manuel do Carmo Martins (Deputy)

Other positions

No other positions
 No other positions
 No other positions
 No other positions
 No other positions

The following are the members of the General Meeting Board of MGAM and Montepio:

General Meeting Board

Vitór José Melícias Lopes (Chairman)
 António Pedro de Sá Alves Sameiro (First Secretary)
 António Dias Sequeira (Second Secretary)
 Maria Leonor Loureiro Gonçalves de Oliveira Guimarães (Deputy)
 José Luis Esparteiro da Silva Leitão (Deputy)

Other positions

No other positions
 No other positions
 No other positions
 No other positions
 No other positions

All the above mentioned persons together with the following are the members of the General Council of MGAM and Montepio. The General Council is a consultant board with responsibility for approval of the general business framework and guidelines, planning for future years and has specific powers to resolve on specific significant strategic decisions including powers to:

- resolve on the acquisition or sale of shares in other companies, complementary groups of companies or other entities;
- resolve on reports issued by the board of directors regarding subsidiaries of Montepio;
- resolve on the geographic implementation of the Group;
- resolve on the activity plan and budget; and
- issue opinions on any matters, as requested by the Board of Directors.

General Council

Maria Manuela da Silva (Member)
 Manuel da Costa Braz (Member)
 António Augusto Almeida (Member)
 Virgílio Manuel Boavista Lima (Member)
 Armando Augusto Pinto da Silva (Member)
 Eugénio Óscar Garcia Rosa (Member)
 José Carlos Correia Mota Andrade (Member)
 Manuel Duarte Cardoso Martins (Member)
 António Fernando Menezes Rodrigues (Member)
 José Joaquim Rosa (Member)
 Alberto José dos Santos Ramalheira (Member)
 Norberto da Cunha Junqueira Fernandes Félix Pilar (Member)

Other positions

No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions
 No other positions

Auditors of the Issuer

KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

While all the members of the corporate bodies mentioned above represent either MGAM or Montepio on their respective boards, none of them have any conflict between their duties to MGAM and Montepio and their other principal activities as listed above. The business address of all members of the corporate bodies mentioned above is Rua Aurea, 219-241, 1100-002, Lisbon, Portugal.

CAIXA ECONÓMICA MONTEPIO GERAL AND ITS RELATIONSHIP WITH MGAM

The information set out below in relation to MGAM is set out for information only. MGAM is not responsible for payments on the Notes issued under the Programme which are the sole responsibility of Montepio.

Montepio was established by MGAM as a dependent entity of MGAM with a view to paying to MGAM its annual net profits (subject to any deduction required by Montepio's Articles of Association) so as to enable MGAM to meet its own objectives as a mutual benefit association. MGAM is a "private institution of social support" (i.e. a mutual benefits association) whose principal objects are to promote and develop initiatives designed to ensure the social protection and welfare of its members, their families and other beneficiaries nominated by them. MGAM is not permitted to carry out banking or trading activities. It is limited to its principal social welfare objects. MGAM can, however, establish subsidiaries and can invest its funds in a number of ways. It is subject to the Portuguese Mutual Association Code. At 31 December 2009, the total number of MGAM's permanent members was 442,091 as compared to 431,596 at the end of 2008 (an increase of 2.4 per cent.). The welfare schemes which MGAM offers include pensions and other retirement benefits, disability benefits, death grants, guarantees of the payment of housing charges, life annuities, study schemes and other schemes for young people and a wide variety of collective schemes.

MGAM's main source of funds is membership revenues. Those funds are invested in property and a number of different types of securities and equity participations, particularly financial institutions (including its interest in Montepio). It also has co-operation agreements with a variety of organisations in health and welfare. Other activities include the organisation of members' social functions, publication of a members' magazine, sponsorship of cultural, artistic and social events and the awarding of prizes and scholarships.

Montepio is a credit institution established under Portuguese law, which, because of its special link with MGAM, is recognised as a "collective person of public interest". It has separate legal personality and MGAM has no responsibility in respect of Montepio's debts. MGAM has not guaranteed the Notes. MGAM is under no legal obligation to subscribe further capital in Montepio or otherwise to support Montepio. Deposits with Montepio are covered by the Portuguese deposit guarantee fund up to the prescribed limit. Montepio is authorised to carry on business as a universal bank, under the supervision of the Bank of Portugal. It can carry out stock exchange transactions, trade in derivatives (for its own account or otherwise). It is, in principle, required by law to take a mortgage with respect to financing home purchases and, in common with most banks, it is limited in terms of credits and exposures to a single entity.

Montepio has no share capital because it is not a company, rather it is a kind of foundational entrepreneurial institution; its institutional capital consists of an asset allocation made by MGAM.

The table below shows Montepio's balances and principal payments made to or received from MGAM at 31 December 2009:

	<i>As at 31 December 2009</i>
	<u>(€ millions)</u>
Loans and advances to Montepio repayable on demand	116.9
Loans and advances to Montepio repayable on a term basis	556.5
Loans granted to MGAM	0.0
Property rent paid to MGAM	11.7
Transfer of net profit for the preceding year to MGAM	11.3
Capital increase of Montepio	100.0

MAJOR SUBSIDIARIES OF MGAM AND ASSOCIATED COMPANIES

Lusitania Companhia de Seguros S.A.

Lusitania was incorporated in 1986 with a share capital of €1.65 million. The MGAM Group now owns in excess of 95 per cent. of the issued share capital of Lusitania.

Lusitania is a general insurance company, which is regulated by the Instituto de Seguros de Portugal. Lusitania insures all types of insurance risk, except life. Principally its products include workmen's compensation, medical and personal injury insurance, fire and allied perils and motor insurance. Medical and personal injury insurance and motor insurance policies account for the highest volume of business, representing 38 per cent. and 35 per cent. of gross premiums respectively in 2009, with fire insurance providing a further 24 per cent of gross premium income.

2009 was marked by the acquisition and integration of the insurance companies Real Seguros and Mutuamar – Mútua de Seguros dos Armadores da Pesca do Arrasto. As a result of these transactions, Lusitania engaged in the maritime insurance business and obtained a controlling interest in N Seguros (which is wholly owned by Real Seguros), an insurance company that uses a direct channel in its business with private individuals.

Montepio's relationship with Lusitania extends beyond the shareholding described above. In addition to the distribution by Lusitania of its insurance products through its own branch offices, Montepio sells Lusitania's products (particularly fire and all risks insurance) through its branch network. Lusitania also maintains part of its assets under the management of Montepio, which are partially used to cover its statutory reserves (these amounted to €94.0 million as at 31 December 2009). In 2009, Lusitania delivered approximately €1.0 million in net dividends and €5.1 million in commissions to the MGAM Group.

Lusitania's head office is in Lisbon and it now has 39 branches throughout Portugal. Lusitania's operations are based mainly within Portugal, all gross premiums being underwritten within Portugal. Lusitania currently employs 673 members of staff (including management). Lusitania's funds are principally invested in a portfolio of investments, which mainly comprises property, state securities, bonds, term deposits and shares. Total direct premium income in 2009 was €130.2 million and €137.2 million in 2008.

Lusitania's shareholders as at 31 December 2009 were as follows:

<i>Name</i>	<i>Share capital as at 31 December 2009</i>	
	<i>€ millions</i>	<i>%</i>
MGAM.. .. .	16.4	64.06
Montepio	6.6	25.73
Lusitania Vida	1.3	5.08
Other	1.3	5.08
	25.6	100.0

The following table sets out certain details of the financial position of Lusitania as at the dates stated:

	<i>As at 31 December</i>	
	<i>2008</i>	<i>2009</i>
	<i>(€ millions)</i>	
Net assets	279.8	554.9
Share capital	25.0	25.6
Net worth	25.4	82.2
Premium income net of reinsurance	122.5	113.1
Underwriting income	3.6	0.9
Net income.. .. .	2.4	4.3

Lusitania Vida, Companhia de Seguros, S.A.

Lusitania Vida is an insurance company, which offers life insurance, group insurance and pension and savings plans. Policies offered by Lusitania Vida have been adjusted according to market income rates and other market requirements. Lusitania Vida was established in 1987 and is regulated by the Instituto de Seguros de Portugal. Lusitania Vida has branches in Lisbon and Oporto and employed 30 staff as at 31 December 2009.

Montepio holds deposits for Lusitania Vida, and also provides custody services to Lusitania Vida. Net dividend income received by the MGAM Group from Lusitania Vida in 2009 amounted to €1.7 million.

The shareholders in Lusitania Vida as at 31 December 2009 were as follows:

<i>Name</i>	<i>Share capital as at 31 December 2009</i>	
	<i>€ millions</i>	<i>%</i>
Montepio	7.9	39.42
MGAM.. .. .	8.2	40.92
Lusitania	2.8	13.97
Futuro	1.1	5.49
Other	0.04	0.20
	<u>20.04</u>	<u>100.00</u>

The following table sets out certain details of the financial position of Lusitania Vida as at the dates stated:

	<i>As at 31 December</i>	
	<i>2008</i>	<i>2009</i>
	<i>(€ millions)</i>	
Net assets	422.3	496.7
Share capital	20.0	20.0
Net worth	18.0	40.1
Premium income net of reinsurance	23.3	25.5
Underwriting income	8.2	3.9
Net income.. .. .	4.8	3.3

Futuro-Sociedade Gestora de Fundos de Pensões, S.A.

Futuro provides investment management services to pension funds. Total pension funds under management as at 31 December 2009, amounted to €1,119.6 million, of which approximately 45 per cent., were funds attributable to the MGAM Group's own staff pension funds. Management services are otherwise provided to a number of large corporate funds, to retail individual pension funds marketed through the Montepio branch network and to medium sized companies through its "Viva" pension fund. Futuro is regulated by the Instituto de Seguros de Portugal.

MGAM founded Futuro in 1988, and subscribed for approximately €227,500, and in 1995 it subsequently increased its total shareholding. The shareholders in Futuro as at 31 December 2009, were as follows:

<i>Name</i>	<i>Share capital as at 31 December 2009</i>	
	<i>€ millions</i>	<i>%</i>
MGAM.. .. .	1.585	61.74
Montepio	0.252	9.82
Lusitania	0.134	5.22
Other	0.596	23.22
Total	2.567	100.00

The following table sets out certain details of the financial position of Futuro as at the dates stated:

	<i>As at 31 December</i>	
	<i>2008</i>	<i>2009</i>
	<i>(€ millions)</i>	
Net assets	7.2	7.6
Share capital	2.6	2.6
Net worth	4.9	5.0
Management fees	6.5	6.3
Net profit	0.3	0.3
Total funds under management	1,121.8	1,119.6

Montepio Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

In 2004, following the new legal and regulatory framework MG Fundos' shareholders decided to enlarge the company's scope (from mutual fund management) by adding to discretionary asset management, thus getting synergies and economies of scale. Therefore all of MG Patrimónios was transferred to MG Fundos (including staff, assets and client base), and the company changed its name to Montepio Gestão de Activos. The Securities Market Commission regulates Montepio Gestão de Activos Financeiros.

Montepio Gestão de Activos provides asset management services, both in mutual funds (17 funds, 12 of which are capitalisation products and 5 of which are funds of funds), sold through Montepio's branch network, and in discretionary asset management for institutional clients. Total assets under management amounted, as at 31 December 2009 to €1,494.1 million, of which €479.1 million relate to mutual fund management, while the remaining €1,015.0 million were associated with discretionary asset management. Sales of the mutual funds

generated commission income for Montepio in 2009 of €3.2 million. None of the funds or assets under management benefit from guaranteed returns.

The shareholders in Montepio Gestão de Activos as at 31 December 2009 were as follows:

<i>Name</i>	<i>Share capital as at 31 December 2009</i>	
	<i>€ millions</i>	<i>%</i>
MGAM.. .. .	1.198	99.86
Montepio	0.002	0.12
Other	0.000	0.02
	<u>1.200</u>	<u>100.00</u>

The following table sets out certain details of the financial position of Montepio Gestão de Activos as at the dates stated:

	<i>As at 31 December</i>	
	<i>2008</i>	<i>2009</i>
	<i>(€ millions)</i>	
Net assets	3.1	3.6
Share capital	1.2	1.2
Net worth	2.6	2.6
Net management fees	2.5	2.4
Net profit	0.6	0.6
Total funds under management	<u>1,163.8</u>	<u>1,494.1</u>

THE PORTUGUESE BANKING SECTOR

Portugal is a founding member of the Economic and Monetary European Union and adopted the single European currency, the euro, on 1 January 1999. To be part of such an important project and to become a euro zone member, Portugal had to implement convergence policies and a steady process of deregulation and liberalisation of the financial sector, which has resulted in important structural and operational changes in banking regulations in order to bring them into line with EC legislative practice.

Regulations governing financial institutions have undergone a series of amendments since 1991. In particular, the “New Banking Law” of December 1992 (DL298/92) introduced a comprehensive regulatory framework into Portugal in line with EC directives, which adopted the “universal bank” model and included the abolition of the distinction between investment and commercial banks, the establishment of prudential and supervisory rules, regulation for foreign banks operating in Portugal and Portuguese banks operating abroad and the creation of a deposit guarantee fund to protect depositors.

The adoption of International Financial Reporting Standards in 2005 and the Capital Adequacy Accord (Basel II) in 2007 introduced other important changes in accounting data and in the prudential and risk management of banking institutions. In addition, there are also measures to harmonize the European legal framework and to develop a single European financial market, such as the adoption of the Markets in Financial Instruments Directive in November 2007 and the creation of the Single Euro Payments Area.

These changes to the banking environment have increased competition in the Portuguese banking market and have led to an expansion of domestic branch networks, an increase in the number of banks and other, new types of specialised financial institutions (such as investment funds, leasing and factoring companies etc), along with a broader range of products on offer. The possibilities for bank expansion and business activity were also boosted by new technological facilities, such as the internet.

The banking sector witnessed huge investments in technology renovation, automation and modernisation processes, by rationalisation and cost-reduction programmes targeted at efficiency, productivity and profitability gains.

The increasingly competitive environment gave rise to a number of acquisitions amongst Portuguese banks and the establishment of Portuguese financial groups in the 1990s, more cross-selling initiatives, an increased focus on the expansion of the market for personal loans, mortgages and credit cards in Portugal, more frequent advertising campaigns and competitive pricing strategies.

At the end of 2009, the five largest banking institutions operating in Portugal (out of 44 in total) controlled 81.5 per cent. of Portugal’s banking assets: Caixa Geral de Depósitos (25 per cent.), Millennium BCP (19.7 per cent.), Banco Espírito Santo (17 per cent.), Banco Português de Investimento (10 per cent.) and Santander Totta (9.8 per cent.). Moreover, three of those groups represent 61.7 per cent. of the Portuguese banking sector assets, according to the Bank of Portugal and Portuguese Bankers Association.

Due to the impact of the global financial and economic crisis, the activity of the Portuguese banking sector witnessed a slowdown since 2007. The total credit growth rate declined to 3.2 per cent. in 2009, compared to 11.0 per cent. in 2007, mostly due to loans to corporate clients, whose growth rate was 1.7 per cent., below the growth rate of 10.7 per cent. in 2007, according to the Bank of Portugal and the Portuguese Bankers Association.

The scarcity of funds available in the financial markets led to an improvement in the level of customers’ deposits performance, but the outstanding amount was still below the credit level, with a gap of €75.4 billion, which was financed mainly by medium and long-term debt securities.

Banking regulation in Portugal

The Bank of Portugal enjoys extensive supervisory and regulatory powers in relation to all credit and deposit-taking institutions in Portugal. Portuguese banks are subject to the Capital Adequacy Accord (Basel II) which aims at defining a basis for a more effective correspondence between capital requirements and risks, promoting the soundness of the financial system, maintaining the current levels of capitalisation, and to cover the set of risks in an integrated and global manner.

An update of the Capital Adequacy Accord (Basel II) (“Basel III”) is underway. The draft Basel III regulations include: (i) changes to capital definitions and levels (in relation to capital requirements, a tighter definition of Tier 1 capital - banks will be required to hold 4.5% by January 2015 and 7% in 2018); (ii) increase capital charges for certain assets and counterparties; and (iii) short and medium-term quantitative liquidity ratios. A fully calibrated set of standards is due to be published by the end of 2010, with the implementation of Basel III being scheduled by the end of 2012.

There are specific regulations regarding regular audits by the Bank of Portugal, a specified accounting plan, limits on large exposures, minimum levels of provisions for loan losses and mandatory contribution to the deposit guarantee fund. Compliance is monitored through periodic inspections and regular reviews of financial statements and returns.

The Bank of Portugal takes pre-emptive regulatory and supervisory measures in order to prevent risks and maintain the good solvency of the Portuguese banks. Recent examples are the changes to the general and specific loan loss provisioning rules which tightened the requirements for specific loan loss provisions.

The deepening of supervision by the Bank of Portugal, following the financial and economic crisis, has resulted in a broadening of the areas covered as well as in a greater frequency of prudential reporting obligations.

Since 2008, the Portuguese credit institutions have been carrying out stress tests exercises for prudential control purposes on a regular basis under the coordination of Bank of Portugal. In the course of these exercises Montepio has evidenced an adequate level of resilience to withstand more adverse financial and economic conditions.

Since September 2009, there was an increase in the Bank of Portugal’s liquidity reporting requirements, with credit institutions being required to carry out monthly reports on their actual and estimated liquidity indicators and sources of funding for the next 12 months, on both an individual and consolidated basis.

In 2010, following the sovereign debt crisis affecting certain European countries, European Union countries have agreed to undertake and publish the results of a special exercise stress tests encompassing a representative set of 91 EU institutions with a view to restoring investors and the financial markets confidence. On 23 July 2010, the results of these stress tests were disclosed by the Central banks, which showed that the European banks, inclusive the Portuguese banks, are sufficiently robust to cope with adverse financial and economic conditions.

Montepio’s activities are regulated both by the Bank of Portugal, as a credit institution, and by the Comissão do Mercado de Valores Mobiliários (“CMVM” — the Portuguese Securities Authority), as an issuer with outstanding listed notes. It must comply with the regulations issued by the Bank of Portugal and the Credit Institutions General Regime under Decree Law 298/92 of December 1992, as amended from time to time, and with Código dos Valores Mobiliários (the “Portuguese Securities Code”). The principal rules with which Montepio and all Portuguese banks must comply include the following:

(a) Solvency ratio

At 31 December 2009, Montepio's own funds levels were above the minimum mandatory levels imposed by the Bank of Portugal, being one of the highest levels of the Portuguese banking sector. Montepio's own funds corresponded to 13.0 per cent. of its total risk-weighted assets and off-balance sheet contingent liabilities and its Tier I capital represented 9.3 per cent. of such amount.

It should be noted that pursuant to Law no. 63-A/2008, of 24 November related to the reinforcement of financial stability of credit institutions, namely to capitalisation measures through public investment and Decree (*Portaria*) no. 493-A/2009, of 8 May, the Portuguese Government established a minimum Tier 1 solvency ratio of 8 per cent. for credit institutions applying for such measures. This ratio should have been met by 31 December 2009.

(b) Limitations on credit risk concentration

Exposure is classified as a large exposure where the liabilities of a counterparty (or such counterparty's group) represent 10 per cent. or more of Montepio's own funds. The total exposure of Montepio to a counterparty (or such counterparty's group) cannot exceed 25 per cent. of Montepio's own funds and the global value of large exposures cannot be greater than eight times the amount of such own funds. As at 31 December 2009, none of Montepio Geral's exposures exceeded any such levels.

(c) Limitations on equity participations in relation to own funds

Direct and indirect participating interests held by Montepio in the share capital of entities not subject to the Bank of Portugal's supervision cannot exceed 15 per cent. (individually) and 60 per cent. (in aggregate) of Montepio's own funds. Participating interests and non-participating interests are, for the purposes of the Bank of Portugal's regulations, distinguished essentially by determining the period of time over which the interest is to be held or is intended to be held. An interest will be defined as "participating" if there is a sufficient degree of permanence in such holding. As at 31 December 2009, Montepio did not hold any participating interest, directly or indirectly, in the share capital of any such entities which exceeded such limits.

(d) Limitations on participating interests in relation to the share capital of certain companies

The direct and indirect participating interests to be held for three years or more by Montepio in non-financial entities are limited to 25 per cent. of the voting rights in the share capital of such non-financial entities. As at 31 December 2009, Montepio did not hold any participating interest, directly or indirectly, exceeding such limit.

(e) Fixed assets

The global value of fixed assets (net of depreciation and provisions) excluding the elements deducted to calculate Montepio's own funds cannot exceed the value of those funds. As at 31 December 2009, the global value of Montepio's net fixed assets represented 11.7 per cent. of its own funds.

(f) Limitation on share portfolio and other equities not classified as participating interests

The total value of shares or other equities of any entity not classified as participating interests cannot exceed 40 per cent. of Montepio's own funds. As at 31 December 2009, the total value of Montepio's equity portfolio not classified as participating interests represented 0.46 per cent. of its own funds.

(g) *Coverage of liabilities with age, invalidity and survivor pensions*

The percentage coverage of liabilities deriving from retirement and survivorship pensions increased from 84.8 per cent. in 2008 to 88.6 per cent. in 2009.

TAXATION

The following is a general description of certain Portuguese, Cayman Islands and Luxembourg tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Portugal, the Cayman Islands and Luxembourg of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

Payments in respect of the Notes issued by Montepio, acting through its Cayman Islands branch, will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note nor will gains derived from the sale of the Notes be subject to Cayman Islands corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Note (or the legal personal representative of such holder) whose Note is executed in or brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes.

The Republic of Portugal

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.

No Portuguese withholding tax exemption shall be granted under Decree-Law no. 193/2005, of 7 November (as amended), if the requirements set forth therein are not complied with. This will be the case whenever the Notes are not integrated in Central de Valores Mobiliários (which is managed by Interbolsa) or in any other centralised depository system for securities recognised under the Portuguese Securities Code and complementary legislation.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law no. 193/2005, of 7 November (as amended). The refund claim is to be submitted to the direct or indirect register entity of the Notes within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (Despacho) no. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, no. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration and may be available at www.portaldasfinancas.gov.pt.

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

Montepio, acting through its Cayman Islands Branch

Pursuant to *Despachos* n.º 935/2006 – XVII, of July 31, and n.º 1132/2006-XVII, of September 12, both the Secretary of State for Fiscal Affairs (*Secretário de Estado dos Assuntos Fiscais*) and the Portuguese tax

authorities consider that interest derived from Notes issued by Portuguese resident entities, acting through their branches located outside Portuguese territory which proceeds are transferred to the head office or other branches, shall be deemed to be obtained in Portuguese territory and therefore payment of such interest to entities with no residence, head office, effective management or permanent establishment in Portugal is subject to withholding tax at the general rates of 20% (legal persons) and 21.5% (individuals) (which may be reduced according to applicable double taxation treaties entered into by the Republic of Portugal and other countries, subject to certain formalities being met, or eliminated (if certain exemptions are applicable)).

The aforementioned tax regime took effect from 1 January 2007 and affects Notes issued by Montepio, acting through its Cayman Islands Branch. It does not affect Notes issued on or prior to 31 December 2006.

Montepio, acting through its head office outside the scope of Decree-Law 193/2005 (General tax regime applicable to debt securities)

Notes issued pursuant to Condition 1(a) of the terms and conditions of the Notes by Montepio acting through its Head Office will be outside the scope of the Decree-Law no. 193/2005, of 7 November (as amended). As such, investment income (*rendimentos de capitais*) (e.g., economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from Notes issued by Montepio acting through its head office) on the Notes paid to Noteholders deemed as effective beneficiaries of the Notes (“Noteholders”) considered to be resident in the Portuguese territory for tax purposes or to a non-Portuguese resident having a permanent establishment therein to which income is imputable, is subject to withholding tax at a rate of 21.5%, except where the Noteholder is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law.

In relation to Noteholders that are legal persons resident in the Portuguese territory (or non residents having a permanent establishment therein to which income is imputable), withholding tax is treated as a payment in advance and therefore such Noteholders are entitled to claim appropriate credit against their final corporate income tax liability. Investment income derived from the Notes and/or capital gains realised upon the transfer of the Notes by Noteholders who are 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 respective taxable profits and are subject to corporate tax at 12.5% on taxable income of up to €12,500 and 25% on taxable income in excess of that amount and may be subject to a municipal surcharge (“*derrama*”) of up to 1.5%. A state surcharge (“*derrama estadual*”) of 2.5% on taxable profits in excess of €2,000,000 also applies. In relation to Noteholders who are individuals resident in Portuguese territory, withholding tax at the rate of 21.5% shall be considered as final. Such Noteholders may, however and subject to certain requirements, elect to declare said income, together with certain other types of income, in its respective tax returns (“*englobamento*”) subject to progressive rates (up to a 45.88% rate). In this case the domestic withholding tax will constitute a payment on account of final personal income tax liability.

If investment income is paid to Noteholders considered to be non-residents in the Portuguese territory (and having no permanent establishment therein to which income is imputable) a final withholding tax rate of 20% (legal persons) and 21.5% (individuals) will be levied. Reduction at source may be available in accordance with any applicable double taxation treaty, subject to compliance with certain procedures and certification requirements required by the Portuguese tax authorities, aimed at verifying the non-resident status and eligibility for the respective double taxation treaty benefits.

Moreover, capital gains (“*mais-valias*”) arising from the Notes realised by non-resident Noteholders are tax exempt if, as required by Article 27 of the Portuguese Tax Benefits Statute, none of the following conditions apply: (i) they are imputable to a permanent establishment located in Portuguese territory, (ii) the non-resident Noteholders are residents in a low tax jurisdiction (namely, those countries and territories listed in *Portaria*

n.º 150/2004, of 13 February), (iii) the non-resident Noteholders are held, directly or indirectly, in more than 25% by Portuguese residents. If any of the said conditions is met, the capital gains arising from the Notes may still benefit from an exemption in Portugal under the relevant double taxation treaty regimes (to be confirmed on a case by case basis), subject to compliance with certain procedures and certification requirements required by the Portuguese tax authorities.

The balance of capital gains (“*mais-valias*”) and capital losses (“*menos-valias*”) arising from the Notes (and any other securities), realised upon the sale or other disposition of the Notes by Noteholders who are individuals resident in Portuguese territory, is subject to tax at the special rate (“*taxa especial*”) of 20%. Such Noteholders may, however and subject to certain requirements, elect to include the referred balance in its respective tax returns subject to progressive rates (up to a 45.88% rate) (“*englobamento*”). An exemption applies to the annual positive difference between gains and losses on shares and debt securities of up to €500.

Montepio, acting through its head office within the scope of Decree-Law no. 193/2005 (Special tax regime applicable to debt securities)

Notes issued pursuant to Condition 1(b) of the terms and conditions of the Notes by Montepio acting through its head office will be within the scope of Decree-Law no. 193/2005, of 7 November (as amended). As such, non-resident Noteholders, in respect of debt securities registered with a clearing system recognised by the Portuguese Securities Code (*Código dos Valores Mobiliários*), as well as capital gains derived from a sale or other disposition of Notes, will be exempt from Portuguese income tax provided that the following conditions are met: (i) the investment income or the capital gains are not imputable to a permanent establishment located in Portuguese territory, (ii) the non-Portuguese resident entities are not residents in a low tax jurisdiction (namely, the countries and territories listed in *Portaria* n.º 150/2004, of 13 February 2004), with the exceptions of central banks and governmental agencies, (iii) the non-resident Noteholders are not held, directly or indirectly, in more than 20% by Portuguese residents.

For purposes of application at source of this tax exemption regime, Decree-Law no. 193/2005, of 7 November (as amended), requires completion of certain procedures and certifications. Under these procedures and certifications, that are aimed at verifying the non-resident status of the Noteholder, the Noteholder is required to have the Notes held through an account opened with one of the following entities: (i) a direct registering entity, which is an entity affiliated with the clearing system recognised by the Portuguese Securities Code; (ii) an indirect registering entity, which although not assuming the role of the “direct registering entities”, is a client of the latter; or (iii) entities managing an international clearing system holding an account with a clearing system recognised by the Portuguese Securities Code, which are entities operating within the international market to clear and settle securities transactions. For the purposes of article 2(d) of Decree-Law no. 193/2005, of 7 November (as amended), the Portuguese Government has recognised both the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”) as entities managing an international clearing system.

1. Domestic Cleared Notes - held through a direct registering entity

Direct registering entities are required, for purposes of Decree-Law no. 193/2005, of 7 November (as amended), to register the Noteholders in one of two accounts: (i) an exempt account or (ii) a non-exempt account.

Registration of the Notes in the exempt account is crucial for the exemption to apply. For this purpose, the registration of the non-resident Noteholders in an exempt account, thus allowing application of the exemption up-front, requires evidence of the non-resident status to be provided by the Noteholder to the direct registering entity as follows:

- (i) Noteholders constituting a central bank, public institution, international body, credit institution, financial company, pension fund or insurance company, with its head office in any OECD country

or in a country with which Portugal has entered into a double taxation treaty will be required to prove their non-resident status by providing: (A) its tax identification; (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the Noteholder and its head office; (C) a declaration of tax residence issued by the Noteholder itself, duly signed and authenticated, if a central bank, public law entity taking part in the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant Noteholder) or an international body; or (D) proof of non-residence pursuant to the terms of paragraph (iii) below.

- (ii) Investors constituting either an investment fund or a collective investment scheme domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, shall make proof of their non-residency by providing any of the following documents: (A) a declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iii) below.
- (iii) Other investors will be required to make proof of their non-resident status by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities; (B) a document issued by the relevant Portuguese Consulate certifying residence abroad, or (C) a document specifically issued by an official entity taking part in the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country; for these purposes, an identification document such as a passport or an identity card or document by means of which it is indirectly possible to presume the relevant tax residence (such as a work or permanent residency permit) are not acceptable.

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

2. Internationally Cleared Notes – held through an entity managing an international clearing system

If the Notes are registered in an account with an international clearing system (either with Euroclear or Clearstream) and the management entity of such international clearing system undertakes not to provide registration services to (i) Portuguese tax residents that do not benefit from either an exemption or waiver of Portuguese withholding tax, or (ii) non-resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, the proof required to benefit from the exemption is as follows:

- (i) Through presentation of a certificate, on a yearly basis, with the name of each beneficial owner, address, tax payer number (if applicable), the identity of the securities, the quantity held and also the reference to the legislation supporting the exemption or the waiver of Portuguese withholding tax. The certificate included on pages 88 to 91 of this Base Prospectus corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Order (*Despacho*) no. 4980/2006 (second series), published in the Portuguese official diary, second series, no. 45, of 6 March 2006, issued by the Portuguese Minister of Finance and Public Administration; or
- (ii) alternatively, through a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each

coupon payment date, of each beneficial owner's identification, with address, tax payer number (if available), security identification, quantity held, and the reference to the legislation supporting either the tax exemption or the exemption of the withholding tax. The certificate included on pages 92 to 93 of this Base Prospectus corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Regulatory Notice (*Aviso*) no. 3714/2006 (second series), published in the official diary, second series, no. 59, of 23 March 2006 issued by the Portuguese Secretary of State of Tax Affairs.

The two documents referred to in (i) or (ii) above shall be provided by the participants (i.e. the entity that operates in the international clearing system) to the direct register entity through the international clearing system managing entity and must take into account the total accounts under their management relating to each Noteholder that is tax exempt or benefits from the waiver of Portuguese withholding tax.

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

The absence of evidence of non-residence in respect to any non-resident entity which benefits from the above mentioned tax exemption regime shall result in the loss of the tax exemption and consequent submission to applicable Portuguese general tax provisions.

Absent the aforementioned exemptions or failure to comply with the exemptions relevant statement obligations, the general tax regime shall apply (see “—Montepio, acting through its head office outside the scope of Decree-Law 193/2005 (General tax regime applicable to debt securities)”).

Luxembourg

Luxembourg tax residency of the Noteholders

A Noteholder will not become resident, or be deemed to be resident in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Taxation of Luxembourg non-residents

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union (“EU”), a Luxembourg-based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or for the tax certificate procedure. The same treatment will apply to payments of interest and other similar income made to certain “residual entities” within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not

UCITS recognised in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC). The withholding tax rate is 20% increasing to 35% as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Taxation of Luxembourg residents

Interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EC or for the exchange of information regime) are subject to a 10% withholding tax (the “10% Luxembourg Withholding Tax”).

Pursuant to the Luxembourg law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10% tax (the “10% Tax”) on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area or in a state or territory which has concluded an international agreement directly related to the Savings Directive. The 10% Luxembourg Withholding Tax or the 10% Tax represents the final tax liability on interest received for the Luxembourg resident individuals receiving the interest payment in the course of their private wealth and can be reduced in consideration of foreign withholding tax, based on double tax treaties concluded by Luxembourg. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis; if applicable, the 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

European Union Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest or (other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Investors should note that the European Commission adopted a new draft Savings Directive, which, among other changes, seeks to extend the application of the Savings Directive to (i) payments channelled through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to savings income. Further developments in this respect should be monitored on a continuing basis, since no certainty exists over whether and when the proposed amendments to the Savings Directive will be implemented. Investors who are in any doubt as to their position should consult their professional advisors.

Certificate forms as provided by the Portuguese Tax Authorities

CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by the Decree-Law nr. 193/2005, 7 of November (the “Securities”), in the following securities account number (the “Account”) with (name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:

Name:

Residence for tax purposes (full address):

Tax ID Number:

2. We hereby certify that, from the date hereof until the expiry date of this certificate:

A. We are the Beneficial Owner of the following Securities:

Security ISIN or Common Code	Security description	Nominal position
•	•	•
•	•	•

and we hereby declare that we are not liable to Portuguese withholding tax, in accordance with the applicable legislation, indicated hereafter:

- Special Tax regime approved by the Decree-Law no.193/2005, 7 of November
- Art. 90 of CIRC (*Corporate Income Tax Code*) – Exemption from withholding tax

B. We are intermediaries of the following Securities:

Security ISIN or Common Code	Security description	Nominal position
•	•	•
•	•	•
•	•	•

which are held on behalf of:

Name:

Residence for tax purposes (full address):

Tax ID Number:

and we attach a statement of beneficial ownership, which includes the justification for the exemption of personal or corporate income withholding tax.

3. We hereby undertake to provide the (name of the international clearing system managing entity) with a document proving the exemption of personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund and insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.
4. We hereby undertake to notify the (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.
5. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise (name of the international clearing system managing entity) and its Depository to collect and forward this certificate or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.
6. This certificate is valid for a period of twelve months as from the date of signature.

PLACE: _____

DATE: _____

 Authorised Signatory

 Name

 Title/Position

 Authorised Signatory

 Name

 Title/Position

APPENDIX
STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

Name:

Address:.....

Tax ID number:

Holding via the following financial intermediary:

Name of the financial intermediary:

Account number:

The following securities:

Common /ISIN code:

Security name:.....

Payment date:

Nominal position:

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date ____/____/____; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

- Decree-Law 193/2005, 7 of November
- Art. 90 of CIRC (*Corporate Income Tax Code*) – Exemption from withholding tax
- Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no., published in the *Diário da República*
- Art. 14 of EBF (*Tax Incentives Statute*) – Pension Funds and assimilated funds
- Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- Art. 22 - A of EBF – Venture Capital Investment Funds
- Art. 24 of EBF – Stock Savings Funds (FPA)
- Other legislation (indicate which)

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in the Article 17 of the Special Tax Regime approved by the Decree-Law nr. 193/2005, 7 November.

Authorized signatory:

Name:

Function:

Signature:

* * *

Statement forms as provided by the Portuguese Tax Authorities

STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)

The undersigned Participant hereby declares that he holds or will hold debt securities covered by the special tax regime approved by the Decree-Law no. 193/2005, 7 of November (the "Securities"), in the following securities account number (the "Account") with (name and complete address of the international clearing system managing entity).

We hold or will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:
Name:
Residence for tax purposes (full address):
Tax ID Number:
2. We hereby undertake to provide the (name of the international clearing system managing entity) with a list of Beneficial Owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each Beneficial Owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.
3. We hereby undertake to notify the (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.
4. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise (name of the international clearing system managing entity) and its Depository to collect and forward this statement or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.
5. This statement is valid for a period of twelve months as from the date of signature.

PLACE: _____ DATE: _____

Authorised Signatory

Name _____

Title/Position _____

Authorised Signatory

Name _____

Title/Position _____

APPENDIX
LIST OF BENEFICIAL OWNERS

For:

Interest due ____/____/____

Security code (ISIN or Common Code): _____

Security description: _____

Securities Clearance Account Number: _____

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

Name	Tax identification number	Residence for tax purposes	Quality of securities	Legal basis of the exemption from withholding tax	
				Code (*)	Legislation (**)
•	•	•	•	•	•
•	•	•	•	•	•
•	•	•	•	•	•

(*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

Code Legal basis of the exemption

- 1 Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November
- 2 Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax
- 3 Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- 4 Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
- 5 Art. 14 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- 6 Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- 7 Art. 22 - A of EBF – Venture Capital Investment Funds
- 8 Art. 24 of EBF – Stock Savings Funds (FPA)
- 9 Other legislation

(**) The fulfilment of this column is mandatory when the code “9” is indicated in the previous column.

* * *

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 5 November 2010 (the “Dealer Agreement”) 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, the Issuers have reserved the right to sell Notes directly on their 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 an Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuers have 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 Issuers.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in 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.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, 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 a confirmation or other notice setting forth 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”) following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (v) 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 (ii) to (v) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that, and each further Dealer appointed under the Programme will be required to represent, warrant and agree 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 relevant 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 Issuers; 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 any Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

Any offering made in connection with the subscription for Notes in the Cayman Islands or the sale of Notes in the Cayman Islands must comply with any prohibition imposed by the Companies Law (2010 Revision) of the Cayman Islands and/or the Registrar of Companies in the Cayman Islands.

Republic of Portugal

In relation to the Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, regarding any offer or sale of Notes by it in Portugal or to individuals resident in Portugal or having a permanent establishment located in the Portuguese territory, (i) it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (*Código dos Valores Mobiliários*), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive, and other than in compliance with all such laws and regulations; (ii) 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; (iii) 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*); and (iv) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Prospectus or any other offering material relating to the Notes to the public in Portugal.

Furthermore, (i) if the Notes are subject to a private placement addressed exclusively to qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (*investidores qualificados*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; and (ii) 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.

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, and each further Dealer appointed under the Programme will be required to represent and agree 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 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. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

France

Each of the Dealers and the Issuer have represented, warranted and agreed that:

- (i) in relation to offers to the public in France:
it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* (“AMF”) of approval of the prospectus in relation to those Notes, by the competent authority of a Member State of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus; or
- (ii) private placements in France:
it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this 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) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with articles L.411-1, L.411-2 and D.411-1 to 411.3 of the French *Code monétaire et financier*.

This Prospectus has not been submitted to the clearance procedures of the AMF.

General

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer 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 Base Prospectus, any other offering material or any Final Terms and neither of the Issuer nor any other Dealer shall have responsibility therefor.

FORM OF FINAL TERMS

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

Final Terms dated [●]

Caixa Económica Montepio Geral

acting through its [Head Office]/[Cayman Islands Branch]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €6,000,000,000

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 Base Prospectus dated 5 November 2010 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the Supplement to the Base Prospectus] [is] [are] available for viewing at [address] [and] [website] 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 Base 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 Base Prospectus dated 5 November 2010 [and the Supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 5 November 2010 [and the Supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 5 November 2010 [and the Supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 5 November 2010 and [current date] [and the Supplement to the Base Prospectus dated [●] and [●]]. [The Base Prospectuses [and the Supplement to the Base Prospectus] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

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

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1 Issuer: Caixa Económica Montepio Geral, acting through its
[Head Office]/[Cayman Islands Branch]

- 2 [(i)] Series Number: [●]
 [(ii)] Tranche Number: [●]
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate Nominal Amount of Notes: [●]
 [(i)] Series: [●]
 [(ii)] Tranche: [●]
- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
- 6 (i) Specified Denominations: [●]
(N.B. Where multiple denominations above €50,000 (or equivalent are being used the following sample wording should be followed: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].”))
Book Entry Notes will only be tradeable in the Specified Denomination
- (ii) Calculation Amount: [●]
- 7 [(i)] Issue Date: [●]
 [(ii)] Interest Commencement Date [Specify/Issue Date/Not Applicable]
- 8 Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- 9 Interest Basis: [●]% Fixed Rate]
 [[specify reference rate] +/- ● % Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will constitute

derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Base Prospectus)

- 11 Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
- 12 Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
- 13 [(i)] Status of the Notes: [Senior/Dated Subordinated/Undated Subordinated]
[(ii)] [Date [Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining 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 [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per [●] in per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: [●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 16 **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Period(s)
- (ii) Specified Interest Payment Dates:
- (iii) Interest Period Date:
(Not applicable unless different from Interest Payment Date)
- (iv) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (iv) Business Centre(s):
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):
- (vii) Screen Rate Determination:
- Reference Rate:
 - Interest Determination Date(s):
 - Relevant Screen Page:
- (viii) ISDA Determination:
- Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
 - [ISDA Definitions: [2000/2006]]
- (ix) Margin(s): [+/-][] per cent. per annum
- (x) Minimum Rate of Interest: per cent. per annum
- (xi) Maximum Rate of Interest: per cent. per annum
- (xii) Day Count Fraction:
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

- 17 **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [●]
- 18 **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest Period(s): [●]
- (vii) Specified Interest Payment Dates: [●]
- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Business Centre(s): [●]
- (x) Minimum Rate of Interest: [●] per cent. per annum
- (xi) Maximum Rate of Interest: [●] per cent. per annum
- (xii) Day Count Fraction: [●]
- 19 **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]

- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the [Agent]): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 20 **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] specified denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period [●]
- 21 **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Notice period [●]
- 22 **Final Redemption Amount of each Note** [●] per Calculation Amount
In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
 - (i) Index/Formula/variable: *[give or annex details]*
 - (ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]): [●]

- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount

23 Early Redemption Amount

- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates: [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption: [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes: Bearer Notes:
- [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]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- Registered (*nominativas*) Notes:
- [Book-Entry Notes]

- 25 New Global Note [Yes] [No]
- 26 Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate]
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Not Applicable/Yes/No. If yes, give details]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid Notes.]
- 29 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- 30 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●] apply]
- 31 Consolidation provisions: [Not Applicable/The provisions [in Condition ●] apply]
- 32 Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- 33 (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 34 If non-syndicated, name of Dealer: [Not Applicable/give name]
- 35 U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 36 Additional selling restrictions: [Not Applicable/give details]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required to list and have admitted to trading on the [*specify relevant regulated market*] of the Notes described herein pursuant to the Euro Medium Term Note Programme of Caixa Económica Montepio Geral.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- (ii) Listing: Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange.
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

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

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

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

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”

(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

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

- [(i) Reasons for the offer: [●]
- (See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

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

[(iii)] Estimated total expenses: *(If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

5 [Fixed Rate Notes only – YIELD

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

6 [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable). Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.

(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]]

7 [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

8 OPERATIONAL INFORMATION

ISIN Code:

Common Code:

Any clearing system(s) other than Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s):

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

Delivery:

Delivery [against/free of] payment

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

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

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

[Yes] [No].

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be 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.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

GENERAL INFORMATION

- (1) The Issuer has obtained all necessary consents, approvals and authorisations in the Cayman Islands and the Republic of Portugal in connection with the establishment and update of the Programme. The establishment and update of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 18 January 2000, 9 March 2000, 18 June 2002, 8 July 2003, 13 May 2004, 21 July 2005, 20 July 2006, 23 August 2007, 16 October 2008, 29 October 2009 and 30 September 2010.
- (2) Except as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of Montepio or of the Group since 30 June 2010 and no material adverse change in the prospects of Montepio or of the Group since 31 December 2009.
- (3) Except as disclosed in this Base Prospectus neither Montepio nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Montepio is aware) during the 12 months preceding the date of this Base Prospectus which may have or has 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 Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (5) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.
- (6) 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. The address of Interbolsa is Avenida da Boavista, no. 3433, 4100-138, Porto, Portugal. 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. The address of any Alternative Clearing System will be specified in the applicable Final Terms.
- (7) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection and, in the case of (v), (vi) and (vii) below, copies will be available free of charge, at the registered office of the Issuer and at the specified office of each of the Paying Agents:
 - (i) the Trust Deed (which includes the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons);
 - (ii) the Instrument (which includes the form of the Book Entry Notes);
 - (iii) the Dealer Agreement;
 - (iv) the Agency Agreement;
 - (v) the Memorandum and Articles of Association of the Issuers;
 - (vi) the published annual report and audited consolidated accounts of Montepio for the two financial years ended 31 December 2008 and 31 December 2009 and the interim unaudited consolidated financial statements of Montepio for the six-month periods ending 30 June 2009 and 30 June 2010;

- (vii) each set of Final Terms for Notes that are listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange or are listed or admitted to trading on any other stock exchange; and
 - (viii) a copy of this Base Prospectus together with any Supplement to this Prospectus or further Base Prospectus.
- (8) Copies of the Base Prospectus and the latest annual report and accounts of Montepio and the latest semi-annual interim accounts of Montepio may be obtained, and copies of the Trust Deed 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 is outstanding. Montepio does not publish consolidated accounts.
- (9) KPMG (Independent Auditors) (authorised and regulated by the Ordem dos Revisores Oficiais de Contas) have audited the accounts of Montepio for the two years ended 31 December 2008 and 2009.
- (10) Where information has been sourced from third parties this information has been accurately reproduced and as far as the Issuers are aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of such third party information is identified where used.

REGISTERED OFFICE OF THE ISSUERS

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Deutsche Bank AG, London Branch

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AUDITORS TO THE ISSUER

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STATUTORY AUDITOR TO THE ISSUER

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