



# Banco Montepio

## CAIXA ECONÓMICA MONTEPIO GERAL CAIXA ECONÓMICA BANCÁRIA, S.A.

*(a Savings Bank (caixa económica bancária) incorporated as a public limited liability company under the laws of the Portuguese Republic)*

Registered Office: Rua Castilho, 5, 1250-066 Lisbon

Share Capital: €2,420,000,000

Registered with the Lisbon Commercial Registry Office under the sole commercial registration and taxpayer number 500 792 615

## €5,000,000,000 CONDITIONAL PASS-THROUGH COVERED BONDS PROGRAMME

### BASE PROSPECTUS

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (the “**Issuer**” or “**Banco Montepio**”) is an authorised credit institution, savings bank (*caixa económica bancária*) under Portuguese Law, for the purposes of Decree-Law 59/2006, of 20 March 2006 (as amended, the “**Covered Bonds Law**”). The Covered Bonds (as defined below) will constitute mortgage covered bonds for the purposes, and with the benefit, of the Covered Bonds Law.

Under this €5,000,000,000 conditional pass-through covered bonds programme (the “**Programme**”), described in this Base Prospectus (the “**Base Prospectus**”), as further supplemented, the Issuer may from time to time issue conditional pass-through mortgage covered bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

**“Covered Bond” means any conditional pass-through mortgage covered bond issued by the Issuer pursuant to the Covered Bonds Law in the form specified in the applicable Final Terms and “Covered Bonds” shall be construed accordingly.**

The Conditional Pass-Through structure will become relevant after an Issuer Event, upon which the maturity date of the affected outstanding Series is extended, as defined in the relevant Final Terms, and any Available Fund shall be applied on each Interest Payment Date in making the payments in the order of priority set forth in Condition 6.9 (Pass-through Provision) of the Terms and Conditions, on a pro rata basis in the same priority line, and the Hedging Counterparty shall be notified by the Cover Pool Monitor of the Available Funds ahead of such Interest Payment Date.

The circumstances that may or will trigger the Pass-Through mechanism (Issuer Event) are an Insolvency Event or a Default of Payment Event.

**See General Description of the Covered Bonds Programme and Final Terms of the Covered Bonds for further information to be considered in connection with an investment in the Covered Bonds.**

The Programme was approved by the Issuer on 26 June 2008, as amended from time to time, following the approval of the amended Programme in Noteholder meetings held on 1 July 2016 and subsequent signature of the relevant updated Programme Documents.

Covered Bonds will be represented in book-entry form (*escriturais*) with Interbolsa and in registered (*nominativas*) form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under *General Description of the Covered Bonds Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by

more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

This document comprises a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the “**Prospectus Regulation**”).

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. Application will be made to the Irish Stock Exchange Plc trading as Euronext Dublin (“**Euronext Dublin**”) for the Covered Bonds issued during the period of twelve months after the date of this Base Prospectus to be admitted to the official list (the “**Official List**”) and to trading on its regulated market (the “**Market**”). Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended (“**MiFID II**”). **This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for a period of 12 months from the date of approval and is intended to be used by the Issuer to increase the size of existing Covered Bonds as permitted pursuant to the terms and conditions set forth in the transitional regime set out in Article 7 (4) of Decree-Law 31/2022, of 6 May 2022, approving the new legal regime of covered bonds (the “Legal Regime of Covered Bonds”), during the 12 months period after the date of approval of this Prospectus. The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.** The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or material inaccuracy does not apply when the Base Prospectus is no longer valid. References in this Base Prospectus to Covered Bonds being “listed” (and all related references) shall mean that such Covered Bonds have been admitted to trading on the regulated market of Euronext Dublin or other regulated market. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer has requested the Central Bank of Ireland to notify the approval of the Base Prospectus in accordance with Article 25 of the Prospectus Regulation to the competent authority in Portugal, the *Comissão do Mercado de Valores Mobiliários* (the “**CMVM**”), with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the provisions of the Prospectus Regulation, so as to enable Covered Bonds to be issued during the period of 12 months after the date of this Base Prospectus to be admitted to trading on Euronext Lisbon regulated market. Covered Bonds may, after notification by the Central Bank of Ireland to the supervision authority of the Member States of the European Union, in accordance with Article 25 of the Prospectus Regulation, be admitted to trading on the regulated market(s) of and/or be admitted to listing on the stock exchange(s) of any other Member States of the EEA. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

As at the date of this Base Prospectus the Programme is rated “Aa2” by Moody’s and “AA-, Outlook Positive” by Fitch.

Series of Covered Bonds to be issued under the Programme will be rated or unrated. Where a Series of Covered Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Series of Covered Bonds is rated, the applicable rating(s) will be specified in the applicable Final Terms. Confirmation on whether or not each credit rating applied for in relation to or assigned to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) 1060/2009, as amended (the “**EU CRA Regulation**”), will be given in the Final Terms. Each of Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation. The ratings which Moody’s and/or Fitch may give to the Series of Covered Bonds to be issued under the Programme may be endorsed by Moody’s Investors Service Limited and/or Fitch Ratings Ltd (as applicable), which are established in the United Kingdom (“**UK**”) and registered under Regulation (EC) 1060/2009 on credit rating agencies as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK CRA Regulation**”). Whether or not a rating in relation to any Series of Covered Bonds will be treated as having been issued or endorsed by a credit rating agency established in the EU or in the UK and registered under the EU CRA Regulation or the UK CRA Regulation (as applicable) will be disclosed in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be lowered, withdrawn or qualified by the rating agency at any time. A list of rating agencies registered under the EU CRA regulation can be found at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>. The UK CRA Regulation rating agency register can be found at: <https://register.fca.org.uk/s/>.

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under Terms and Conditions of the Covered Bonds) of Covered Bonds will be set out in a final terms document (the “**Final Terms**”) which will be delivered to the Central Bank of Ireland and, if admitted to trading on the regulated market, to Euronext Dublin. Copies of Final Terms in relation to Covered Bonds to be listed on Euronext Dublin will also be published on the website of Euronext Dublin ([www.euronext.com/en/markets/dublin](http://www.euronext.com/en/markets/dublin)).

The date of this Base Prospectus is 17 November 2022.

**Arranger**  
**NatWest Markets**

**Dealers**

BofA Securities	Citigroup	Commerzbank
Crédit Agricole CIB	Deutsche Bank	DZ BANK AG
J.P. Morgan	Landesbank Baden- Württemberg	Natixis
NatWest Markets	Société Générale Corporate & Investment Banking	UniCredit Bank

## **IMPORTANT INFORMATION**

This document comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to Banco Montepio and its subsidiaries and affiliates taken as a whole (the “CEMG Group” or the “Banco Montepio Group”) and the Covered Bonds which, according to the particular nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and an investment in the Covered Bonds.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the applicable Final Terms of the Covered Bonds. To the best of the knowledge of the Issuer 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 Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).*

*Other than in relation to the documents which are deemed to be incorporated by reference (see “Documents Incorporated by Reference”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus.*

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 Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers, the Arranger or the Common Representative (as defined in “*General Description of the Covered Bonds 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 Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

### IMPORTANT – EUROPEAN ECONOMIC AREA RETAIL INVESTORS

If the relevant Final Terms in respect of any Covered Bonds includes a legend entitled “Prohibition of Sales to European Economic Area Retail Investors”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council, of 20 January 2016 (as amended, the “**Insurance Distribution Directive**”) on insurance distribution (recast), where that customer would not qualify as a professional client as defined in point (10) of Article 4 (1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds in the EEA has been prepared and therefore offering or selling or otherwise making them available to retail investors in the EEA may be unlawful under the PRIIPs Regulation.

### IMPORTANT – UK RETAIL INVESTORS

If the relevant Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to United Kingdom Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### MiFID II PRODUCT GOVERNANCE / TARGET MARKET

The relevant Final Terms in respect of any Covered Bonds may include a legend entitled “**MiFID II product governance/Professional investors and Eligible Counterparties only target market**” which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

## **UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET**

The relevant Final Terms in respect of any Covered Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. A distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## **BENCHMARK REGULATION**

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**"). EURIBOR is provided by the European Money Markets Institute ("**EMMI**"). As at the date of this Base Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the (Regulation (EU) 2016/1011, as amended, the "**Benchmarks Regulation**").

## **NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (the SFA)**

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Covered Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Covered Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **NOTICE TO CANADIAN INVESTORS**

The Covered Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Covered Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF COVERED BONDS GENERALLY

The distribution of this Base Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restrictions. The Covered Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). If TEFRA C is specified as "Applicable" in the relevant Final Terms, then the Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder. For a description of certain restrictions on offers and sales of Covered Bonds 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 Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Covered Bonds.

Save for Banco Montepio, no other person has separately verified the information contained herein. To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Base 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 Issuer or the issue and offering of the Covered Bonds. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base 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 Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Covered Bonds of any information coming to the attention of any of the Dealers or the Arranger.

An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer, which will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. The Covered Bonds are not guaranteed by any person. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds. See "*Risk Factors*".

The Covered Bonds will not represent an obligation or be the responsibility of the Arranger or the Dealers or any person other than the Issuer.

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (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 Covered Bonds 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 Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

An investment in Covered Bonds is not equivalent to an investment in a bank deposit. Although an investment in Covered Bonds may give rise to higher yields than a bank deposit placed with the Issuer or with any other investment firm in the Banco Montepio Group, an investment in Covered Bonds carries risks which are very different from the risk profile of such a deposit. Covered Bonds are expected to have greater liquidity than a bank deposit since bank deposits are generally not transferable. However, Covered Bonds may have no established trading market when issued, and one may never develop.

Investments in Covered Bonds do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national implementing measures implementing this Directive in any jurisdiction. Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in Covered Bonds in a worst-case scenario could lose their entire investment. As at the date of this Base Prospectus the Programme is rated "Aa2" by Moody's and "AA-, Outlook Positive" by Fitch. Series of Covered Bonds issued under the Programme may be rated or unrated. Where a Series of Covered Bonds is rated, such rating will be disclosed in the applicable Final Terms. The rating of Covered Bonds may not be the same as the rating applicable to the Issuer.

### **STABILISATION**

In connection with the issue of any Tranche (as defined in "*Definitions*"), the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail.

However, stabilisation may not necessarily occur. 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 cease 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 Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### PRESENTATION OF INFORMATION

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. Financial information for the years ended as at 31 December 2020 and 31 December 2021 contained in this Base Prospectus has been extracted from its respective audited consolidated financial statements for 2020 and 2021.

### CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus may contain forward-looking statements. Banco Montepio may also make written forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about Banco Montepio’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections and such statements reflect Banco Montepio’s judgement at the date of this document and are not intended to give any assurances as to future results. Forward-looking statements speak only as at the date they are made, and Banco Montepio undertakes no obligation to update publicly any of them in light of new information or future events. Banco Montepio will comply with their obligations to publish updated information as required by law or by any regulatory authority but assume no further obligation to publish additional information.

### ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus and the documents incorporated by reference in this Base Prospectus contain certain management measures of performance or alternative performance measures (“APMs”), which are used by management to evaluate the Issuer’s overall performance. These APMs are not audited, reviewed or subject to review by the Issuer’s auditors and are not measurements required by, or presented in accordance with, International Financial Reporting Standards (“IFRS”). **Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS.**

Many of these APMs are based on the Issuer’s internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. **Accordingly, investors are cautioned not to place undue reliance on these APMs.**

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS, as indications of operating performance or as measures of the Issuer’s profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS and investors are advised to review these APMs in conjunction with the audited consolidated annual financial statements incorporated by reference in this Base Prospectus.



The descriptions (including definitions, explanations and reconciliations) of all APMs are incorporated by reference into this Base Prospectus.

The Issuer believes that the description of these management measures of performance that are incorporated by reference in this Base Prospectus follows and complies with the ESMA Guidelines introduced on 3 July 2016 on Alternative Performance Measures.

#### **SUPPLEMENT TO THE BASE PROSPECTUS**

The Issuer has given an undertaking to the Arranger, the Dealers and to Euronext Dublin that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, notably in light of Article 23 of the Prospectus Regulation, 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 Issuer, and the rights attaching to the Covered Bonds and the reasons for the issuance and its impact on the Issuer, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Covered Bonds and shall supply to each Dealer and Euronext Dublin such number of copies of such supplement hereto as such Dealer and Euronext Dublin may reasonably request.

## **IMPORTANT NOTICE**

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.**

**IMPORTANT:** You must read the following before continuing. The following applies to the Base Prospectus following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.**

**THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**Confirmation of the Representation:** In order to be eligible to view this Base Prospectus or make an investment decision with respect to the securities, you must not be a U.S. Person (within the meaning of Regulation S under the Securities Act) and must be outside the United States. This Base Prospectus is being sent at your request and by accepting the e-mail and accessing this Base Prospectus, you will be deemed to have represented to us that you are not a U.S. Person, that you are outside the United States, the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions, and that you consent to delivery of this Base Prospectus by electronic transmission.

**You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person.**

**The materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, the potential offering will be deemed to be made by such underwriter or such affiliate on behalf of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (the "Issuer") in such jurisdiction.**

**Under no circumstances will this Base Prospectus constitute an offer or invitation to sell or the solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this Base Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus. This Base Prospectus may only**

be communicated to persons in the United Kingdom in circumstances where section 21 (1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Dealers, any person who controls any of the Dealers, any director, officer, employee or agent of any of the Dealers or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version (if any) available to you on request from any of the Dealers.

## TABLE OF CONTENTS

GENERAL DESCRIPTION OF THE COVERED BONDS PROGRAMME .....	13
RISK FACTORS .....	26
DOCUMENTS INCORPORATED BY REFERENCE .....	60
RESPONSIBILITY STATEMENTS .....	63
FORM OF THE COVERED BONDS AND SETTLEMENT .....	66
FINAL TERMS OF THE COVERED BONDS.....	69
TERMS AND CONDITIONS OF THE COVERED BONDS .....	86
CHARACTERISTICS OF THE COVER POOL .....	118
COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED BONDS .....	131
COVER POOL MONITOR .....	132
RESERVE ACCOUNT BANK .....	134
DESCRIPTION OF THE ISSUER .....	139
THE PORTUGUESE BANKING SECTOR.....	198
USE OF PROCEEDS.....	233
THE COVERED BONDS LAW .....	234
TAXATION .....	243
SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS .....	250
GENERAL INFORMATION .....	257
DEFINITIONS.....	260

## GENERAL DESCRIPTION OF THE COVERED BONDS PROGRAMME

*This description must be read as an introduction to this Base Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference.*

*This description constitutes a general description of the Programme for the purposes of the Prospectus Delegated Regulations, notably Article 25 (1) (b) of Commission Delegated Regulation (EU) 2019/980, as amended from time to time.*

*Subject to the application of the domestic laws of each member state of the EEA in accordance with Article 11 (2) of the Prospectus Regulation, no civil liability will attach to the persons who have responsibility for this overview in any such member state solely on the basis of this overview, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a member state of the EEA, the plaintiff may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Covered Bonds, a new Base Prospectus will be published.*

*Capitalised terms used in this description and not otherwise defined below or under Definitions have the respective meanings given to those terms elsewhere in this Base Prospectus.*

<b>DESCRIPTION:</b>	Conditional Pass-through Covered Bonds Programme.
<b>PROGRAMME SIZE:</b>	<p>Up to €5,000,000,000 (or its equivalent in other currencies, all calculated as described under General Description of the Programme) aggregate principal amount (or, in the case of Covered Bonds issued at a discount, their aggregate nominal value) of Covered Bonds outstanding at any time.</p> <p>The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement.</p>
<b>ISSUER:</b>	Caixa Económica Montepio Geral, caixa económica bancária, S.A. (" <b>Banco Montepio</b> ") (see <i>Description of the Issuer</i> ).
<b>ISSUER LEGAL ENTITY IDENTIFIER (LEI):</b>	2138004FIUXU3B2MR537
<b>AUDITOR:</b>	The Issuer's auditor is PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., registered at CMVM with the number 20161485, with Head Office at Palácio Sottomayor, Rua Sousa Martins, number 1 – 3 <sup>rd</sup> , 1069-316 Lisbon, represented by Aurélio Adriano Rangel Amado (ROC no. 1074) and Carlos José Figueiredo Rodrigues (ROC no. 1737). PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de

Contas, Lda. is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*). PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. has no material interest in the Issuer.

**ARRANGER:** NatWest Markets N.V., in its capacity as Arranger acting through its office at Claude Debussylaan 94, Amsterdam 1082 MD, The Netherlands.

**DEALERS:** BofA Securities Europe SA, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, J.P. Morgan SE, Landesbank Baden-Württemberg, Natixis, NatWest Markets N.V., Société Générale and UniCredit Bank AG and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.

**COMMON REPRESENTATIVE:** Citicorp Trustee Company Limited acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5 LB, United Kingdom, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement.

**AGENT:** Banco Montepio, in its capacity as Agent, with head office at Rua Castilho, 5, 1250-066 Lisbon.

**PAYING AGENT:** Banco Montepio, in its capacity as Paying Agent, with head office at Rua Castilho, 5, 1250-066 Lisbon, and any other Paying Agent appointed from time to time by the Issuer in accordance with the Programme Documents.

**COVER POOL MONITOR:** PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, S.A., a company incorporated under the laws of Portugal, member of the Portuguese Institute of Statutory Auditors (*"Ordem dos Revisores Oficiais de Contas"*), with its registered office at Palácio SottoMayor, Rua Sousa Martins, n.º 1, 3<sup>rd</sup>, 1069-316, in Lisbon. See *Cover Pool Monitor*.

**RESERVE ACCOUNT BANK:** Elavon Financial Services DAC, a designated activity company registered in Ireland with the Companies Registration Office (registered number 418442), with its registered office at Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D 18 W319, acting through its UK Branch (registered number BR020005) from its offices at 125 Old Broad Street, London, Fifth Floor, London EC2N 1AR under the trade name U.S. Bank Global Corporate Trust Services, acting in its capacity as bank at which the Reserve Account is held. Under a Deed of Novation dated on or about 7 September 2020, from 25 September 2020 the Reserve Account Bank contractual position was novated to Elavon Financial Services DAC (described above), acting through its office in Ireland. See *Reserve Account Bank*.

**ACCOUNTS BANK:** Banco Montepio, in its capacity as Accounts Bank, with head office at Rua

Castilho, 5, 1250-066 Lisbon.

**HEDGE  
COUNTERPARTIES:**

The parties or party (each, a “**Hedge Counterparty**” and together, the “**Hedge Counterparties**”) that, from time to time will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

**RISK FACTORS:**

There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Covered Bonds issued under the Programme. These are set out under *Risk Factors* and include, *inter alia*, exposure to adverse changes in the Portuguese and in the global economy, the credit risk of borrowers and clients of the Issuer, the risk of increased competition in the Portuguese market, risks related to the legal and regulatory framework and other market risks to which the Issuer is or may become exposed. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Covered Bonds issued under the Programme. These are also set out in detail under *Risk Factors* and include, *inter alia*, the dynamics of the legal and regulatory requirements, the fact that the Covered Bonds may not be suitable investments for all investors, the risks related to the structure of a particular issue of Covered Bonds, among others.

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

**OVERCOLLATERALISATION  
PERCENTAGE:**

The Value of the Cover Pool as a percentage of the aggregate Value of all outstanding Covered Bonds shall equal or exceed the greater of:

- (i) 110.0 per cent.; and
- (ii) 1 divided by the Asset Percentage.

In accordance with the Covered Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer with the overcollateralisation percentage requirements.

**DISTRIBUTION:**

Covered Bonds may be distributed by way of private placement and on a non-syndicated or syndicated basis. The method of distribution of each Tranche of Covered Bonds will be stated in the applicable Final Terms. Covered Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). See *Subscription and Sale and Secondary Market Arrangements*.

**CERTAIN  
RESTRICTIONS:**

Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale and Secondary Market Arrangements*).

<b>CURRENCIES:</b>	Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>REDENOMINATION:</b>	The applicable Final Terms may provide that certain Covered Bonds not denominated in euro on issue may be redenominated in euro.
<b>RATINGS:</b>	<p>Covered Bonds issued under the Programme are expected on issue to be rated at least by one rating agency which has applied to be registered with ESMA under the CRA Regulation.</p> <p>A rating addresses the likelihood that the holders of Covered Bonds will receive ultimate repayment of principal and interest.</p> <p>The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer or the rating of the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the assigning rating organizations.</p> <p>European regulated investors should be aware that in general they are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency compliant with the relevant regulations in force in the investor's home jurisdiction, including in the European Union and the United Kingdom, which require the endorsement of credit rating agencies registered under the CRA Regulation or the UK CRA Regulation, as applicable, and such registration not to have been withdrawn or suspended.</p>
<b>LISTING AND ADMISSION TO TRADING:</b>	<p>Application will be made to the Irish Stock Exchange Plc trading as Euronext Dublin for the Covered Bonds issued during the period of twelve months after the date of this Base Prospectus to be admitted to the Official List and to trading on the Market. The Issuer has requested the Central Bank of Ireland to notify the approval of the Base Prospectus in accordance with Article 25 of the Prospectus Regulation to the competent authority in Portugal, the <i>Comissão do Mercado de Valores Mobiliários</i> (the "<b>CMVM</b>"), with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the provisions of Prospectus Regulation, so as to enable Covered Bonds to be issued during the period of 12 months after the date of this Base Prospectus to be admitted to trading on Euronext Lisbon regulated market. Covered Bonds may, after notification by the Central Bank of Ireland to the supervision authority of the Member State(s) of the EU, in accordance with Article 25 of the Prospectus Regulation, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other member states of the EEA.</p> <p>Covered Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).</p>
<b>SELLING RESTRICTIONS:</b>	There are restrictions on the offer, sale and transfer of the Covered Bonds in



the United States, Japan, the EEA (including Italy) and the United Kingdom as set out in *Subscription and Sale and Secondary Market Arrangements* and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

**UNITED STATES  
SELLING RESTRICTION:**

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

**USE OF PROCEEDS:**

Proceeds from the issue of Covered Bonds will be used by the Issuer for its general corporate purposes.

**STATUS OF THE  
COVERED BONDS:**

The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* among themselves. The Covered Bonds will be mortgage covered bonds (“*obrigações hipotecárias*”) issued by the Issuer in accordance with the Covered Bonds Law (and qualified as covered bonds (“*obrigações cobertas*”), pursuant to Article 7 (2) and Article 7 (4) of Decree-Law 31/2022, of 6 May 2022, approving the Legal Regime of Covered Bonds) and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and will rank *pari passu* with all other obligations of the Issuer under mortgage covered bonds issued or to be issued by the Issuer pursuant to the Covered Bonds Law. See *Characteristics of the Cover Pool*.

**TERMS AND  
CONDITIONS OF THE  
COVERED BONDS:**

Final Terms will be prepared in respect of each Tranche of Covered Bonds, completing the Terms and Conditions of the Covered Bonds set out in *Terms and Conditions of the Covered Bonds*.

**CLEARING SYSTEMS:**

The clearing systems in which Interbolsa participates in order to ensure the clearing of the securities settled through it (together the “**Clearing Systems**” and, each, a “**Clearing System**”). See *Form of the Covered Bonds and Settlement*.

**FORM OF THE COVERED  
BONDS:**

The Covered Bonds held through Interbolsa will be in book-entry form and in registered (*nominativas*) form and thus title to such Covered Bonds will be evidenced by book entries in accordance with the provisions of Decree-Law 486/99, of 13 November 1999 (as amended, the “**Portuguese Securities Code**”) and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. See *Form of the Covered Bonds and Settlement*.

**TRANSFER OF COVERED**

The Covered Bonds may be transferred in accordance with the provisions of Interbolsa and the Portuguese legislation. The transferability of the Covered

<b>BONDS:</b>	Bonds is not restricted.
<b>MATURITIES:</b>	The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also <i>Extended Maturity Date</i> .
<b>ISSUE PRICE:</b>	The Covered Bonds may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
<b>INSOLVENCY EVENT:</b>	Issuer Insolvency. See <i>Terms and Conditions of the Covered Bonds</i> .
<b>NEGATIVE PLEDGE:</b>	None.
<b>CROSS DEFAULT:</b>	None.
<b>GUARANTOR:</b>	None.
<b>FIXED RATE COVERED BONDS:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>FLOATING RATE COVERED BONDS:</b>	<p>Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>• 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. (“<b>ISDA</b>”) and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds of the relevant Series); or</li> <li>• on the basis of a Reference Rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>• on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds. Interest periods will be specified in the applicable Final Terms.</p> <p>In the event a Benchmark Event occurs (a) a Successor Rate or, failing which, an Alternative Reference Rate, and (b) in either case, an Adjustment Spread may be used for the purposes of determining the Rate of Interest.</p>

**ZERO COUPON  
COVERED BONDS:**

Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.

**REDEMPTION:**

The applicable Final Terms relating to each Tranche of Covered Bonds will specify either (i) that the relevant Covered Bonds cannot be redeemed prior to their stated maturity, save as provided for in the Covered Bonds Law (other than in specified instalments, if applicable – see *The Covered Bonds Law*), or (ii) that the relevant Covered Bonds will be redeemable at the option of the Issuer and/or the holder of Covered Bonds upon giving notice to the holder of Covered Bonds or the Issuer, respectively on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms. See also *Extended Maturity Date*.

**EXTENDED MATURITY  
DATE:**

An Extended Maturity Date will be specified in the relevant Final Terms for each Series of Covered Bonds issued under the Programme. Pursuant to the Covered Bonds Law, the Extended Maturity Date may not fall later than 50 years after the Issue Date of such Series.

Such Extended Maturity Date, as defined in the Final Terms of each Series of Covered Bonds, will apply if an Issuer Event occurs. In this case the maturity of the principal amount outstanding of all Covered Bonds issued under the programme will be automatically extended to the relevant Extended Maturity Date. In that event, the Issuer and/or any entity managing the Cover Pool may redeem all or any part of the principal amount outstanding of all or (in case of a default of Payment Event) the relevant Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date in accordance with Condition 6.9 (*Pass-through provision*) of the Terms and Conditions of the Covered Bonds.

The Issuer, or if applicable the Special Administrator, shall give to the holders of Covered Bonds (in accordance with Condition 11 (*Notices*) of the Terms and Conditions of the Covered Bonds), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer, or the Special Administrator, to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer of Covered Bonds on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person. Following the occurrence of an Issuer Event, Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date. Interest will be payable on each Interest Payment Date following the Maturity Date in respect of the Interest Period ending immediately prior to such Interest Payment Date in

arrear or as otherwise provided for in the applicable Final Terms at the rate provided for in the applicable Final Terms.

In the case of a Series of Covered Bonds to which an Extended Maturity Date so applies, those Covered Bonds may for the purposes of the Programme be:

- a) Fixed Interest Covered Bonds, Zero Coupon Covered Bonds, Floating Rate Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date;
- b) Fixed Interest Covered Bonds, Floating Rate Covered Bonds in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as set out in the applicable Final Terms.

In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date, for the purposes of Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) of the Terms and Conditions of the Covered Bonds the principal amount outstanding shall be the amount calculated in accordance with Condition 6.7 (*Late payment on Zero Coupon Covered Bonds*) of the Terms and Conditions of the Covered Bonds.

**PASS-THROUGH  
COVERED BONDS**

Upon an Issuer Event occurring, the maturity of all outstanding Series of Covered Bonds issued under the Programme is deferred until the Extended Maturity Date, as defined in the relevant Final Terms, and any Available Fund shall be applied on each Interest Payment Date in making the payments in the order of priority as set on Condition 6.9 (*Pass-through Provision*) of the Terms and Conditions, on a pro rata basis in the same priority line.

**PASS-THROUGH  
REDEMPTION  
UNDERTAKINGS:**

In order to redeem, to the extent possible and at *pari passu*, the Covered Bonds that have been extended to their Extended Maturity Date to such date, the Issuer and/or the Special Administrator shall use and employ its best efforts to sell an amount sufficient to redeem, in whole or in part, all outstanding Covered Bonds that have been extended to their respective Extended Maturity Date, on each sixth Interest Payment Date following an Issuer Event, the assets comprised in the Cover Pool along commercial acceptable terms, provided that such sale and subsequent redemption of the respective Covered Bonds will not result in a breach of the Overcollateralisation Percentage, outlined in Condition 14.1 (*Maintenance of overcollateralisation*), on and between any Interest Payment Dates. Failure by the Issuer and/or any entity managing the Cover Pool to sell or refinance the assets comprised in the Cover Pool will not constitute an event of default. Moreover, provided that (if required) relevant procedures are put in place (including Chinese walls and appropriate disclosures) to properly manage any potential conflict of interest and/or asymmetries of information, the Issuer may participate as purchaser in a sale of Cover Pool assets as outlined above. The disposals of Cover Pool assets after an Issuer Event shall be disclosed by the Issuer or on its behalf as part of the regular reporting on the Covered Bonds.

**PRIORITY OF**

Following any Covered Bonds becoming Pass-Through, the available funds shall

<b>PAYMENTS:</b>	<p>be applied on each payment date in the following order of priority:</p> <ol style="list-style-type: none"> <li>1. Expenses, Common Representative and any hedging payments;</li> <li>2. Interest due;</li> <li>3. Replenish Reserve Amount up to the Total Target Reserve Amount;</li> <li>4. Principal due to the extent that the Issuer or the Special Administrator will not breach the Overcollateralisation Percentage;</li> <li>5. Remaining amounts to be retained as part of the Cover Pool until all series of Covered Bonds have been repaid in full, should there be any excess cash; and</li> <li>6. Any remainder to the Issuer.</li> </ol>
<b>COVERED BONDS WITH A REPURCHASE COMMITMENT:</b>	<p>If a Repurchase Commitment is specified in the applicable Final Terms for a particular Series of Covered Bonds, the Issuer will irrevocably and unconditionally undertake to repurchase such Series of Covered Bonds on the Repurchase Date at par plus accrued interest (or any other repurchase amount as specified in, or determined in the manner specified in, the applicable Final Terms for such Series of Covered Bonds), if so requested by the holders of such Series of Covered Bonds which are Qualified Investors and subject to such Series of Covered Bonds not being redeemed up to ten Business Days after the Maturity Date. Holders who are not Qualified Investors will not be eligible for this Repurchase Commitment. This undertaking does not form part of the Terms and Conditions of the Covered Bonds and, accordingly, non-compliance by the Issuer with such undertaking will not constitute an event of default under such Terms and Conditions. See “<i>Repurchase Commitment</i>”.</p>
<b>DENOMINATION OF THE COVERED BONDS:</b>	<p>Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s), as specified in the applicable Final Terms, subject to compliance with the applicable legal and/or regulatory and/or central bank requirements and provided that each Series will have Covered Bonds of one denomination only. See <i>Certain Restrictions</i> above.</p>
<b>MINIMUM DENOMINATION:</b>	<p>The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit not lower than €100,000 (or its equivalent in another currency, all calculated as described under <i>General Description of the Programme</i>) as specified in the relevant Final Terms, unless the Covered Bonds will not be distributed to the public or admitted to trading on a regulated market, in which case lower denominations per unit may apply.</p>
<b>BENCHMARK DISCONTINUATION:</b>	<p>In the event a Benchmark Event occurs (a) a Successor Rate or, failing which, an Alternative Reference Rate, and (b) in either case, an Adjustment Spread may be used for the purposes of determining the Rate of Interest.</p>
<b>RESERVE ACCOUNT:</b>	<p>While Covered Bonds are outstanding, the Covered Bonds will have the benefit of a Reserve Account held by the Issuer with the Reserve Account Bank in respect of the Programme and the Reserve Account and any balances standing to the credit thereof will form part of the Cover Pool and be subject</p>

to the same legal regime as any Other Assets which are part of the Cover Pool. The Issuer shall ensure that the legal requirements as required by the Covered Bonds Law for the Reserve Account to qualify as Other Assets of the Cover Pool are met at all times. The Issuer will be required to maintain at all times in the Reserve Account funds in an amount equal to or in excess of the Total Target Reserve Amount. As long as the funds in the Reserve Account equal or exceed the Total Target Reserve Amount, the Issuer will not be required to transfer any additional amounts to the Reserve Account. If the amounts standing in the Reserve Account exceed the Total Target Reserve Amount, the Issuer may, in case no Issuer Event has occurred, release the excess amounts, without prejudice to the obligation of compliance with the maintenance of the Overcollateralisation Percentage. Upon (i) the occurrence of an Insolvency Event, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the second Business Day after the notification has been made towards the payment of interest due (if any) on the Covered Bonds that have been extended to their respective Extended Maturity Date; (ii) a Series not having been repaid in full on its Maturity Date, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the Business Day following the occurrence of the related Default of Payment Event; (iii) interest due under a Series not having been paid in full on any Interest Payment Date, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the Business Day following the occurrence of the related Default of Payment Event. The funds available in the Reserve Account and the Total Target Reserve Amount shall be monitored by the Cover Pool Monitor on a monthly basis. If the Cover Pool Monitor identifies that the funds available in the Reserve Account do not meet the Total Target Reserve Amount, it shall report that fact in the next quarterly report to be delivered to the Issuer, in accordance with agreed upon procedures as foreseen in the Cover Pool Monitor Agreement.

The Reserve Account Bank will at all times have the minimum rating (currently, "A-") and comply with other requirements as required by the Covered Bonds Law for the Reserve Account to qualify as Other Assets of the Cover Pool. The Reserve Account will form part of the Cover Pool associated with the Programme, provided that the amounts standing to the credit of such Reserve Account (together with the remaining Other Assets) do not at any time exceed 20 per cent. of the value of the mortgage loans and other eligible assets allocated to the Cover Pool.

Funds held in the Reserve Account, given their nature of Cover Pool assets, are available to meet amounts due in relation to the Covered Bonds and shall not be applied towards a partial principal redemption of the Covered Bonds prior to their Extended Maturity Date, subject to Conditions 6.8 (*Extension of*

*Maturity up to Extended Maturity Date)* and 6.9 (*Pass-through Provision*). See *Terms and Conditions of the Covered Bonds*.

Upon redemption of all Series of Covered Bonds, any funds remaining to the credit of the Reserve Account will be paid to the Issuer.

At the Issuer's option, the Reserve Account may be replaced by a liquidity facility, through a Liquidity Facility Agreement to be agreed with a Liquidity Facility Provider pursuant to which the Issuer, or the Special Administrator, will be entitled to make liquidity drawings equal to the interest payable on the Covered Bonds on any Interest Payment Dates following the occurrence of a Liquidity Event up to a maximum amount equal to Total Target Reserve Amount. This replacement will be subject to obtaining the Hedging Counterparty's consent and one of the following: (i) prior confirmation from the Rating Agencies that such replacement would not result in the reduction, removal, suspension or placement on credit watch of the credit ratings assigned to each such Covered Bonds; or (ii) a written indication by the Rating Agencies that it does not have any comments to said replacement; or (iii) a written communication by the Rating Agencies that, having concluded the review of said replacement, it does not consider a confirmation to be due; or (iv) within 30 days after each of the Rating Agencies has been notified, no additional information or additional period to analyse have been requested, nor has the Issuer received any other written communication from the Rating Agencies.

**LIQUIDITY FACILITY PROVIDER:**

An eligible entity of which the short-term unsecured debt obligations are rated as required by the Covered Bonds Law for liquidity facility providers or such other rating that will not result in a reduction or qualification of the ratings then assigned to the Covered Bonds or is otherwise approved by these rating agencies for the purposes of entering into any Liquidity Facility Agreement, in any case in compliance with the Covered Bonds Law.

**TAXATION OF THE COVERED BONDS:**

All payments in respect of the Covered Bonds will be made without deduction for, or on account of, withholding Taxes imposed by any jurisdiction, unless the Issuer shall be obliged by law to make such deduction or withholding. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. See *Taxation*. In order for withholding tax not to apply the holders of the Covered Bonds must, *inter alia*, deliver certain tax certifications.

**THE COVERED BONDS LAW:**

The Covered Bonds Law introduced into Portuguese Law a framework for the issuance of certain types of asset covered bonds. Asset covered bonds can only be issued by (i) credit institutions for the purpose of the Credit Institutions General Regime or (ii) by special credit institutions created pursuant to the Covered Bonds Law, whose special purpose is the issue of covered bonds. The Covered Bonds Law establishes that issuers of mortgage covered bonds shall maintain a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, over which the holders of the relevant covered bonds, have a statutory special creditor privilege (*privilégio creditório especial*).

The Covered Bonds Law also provides for (i) the inclusion of certain hedging contracts in the relevant cover pool and (ii) certain special rules that shall apply in the event of insolvency of the Issuer. The Covered Bonds Law and the Regulatory Notices further provide for (i) the public supervision and regulation of issuers of covered bonds, (ii) the role of a cover pool monitor in respect of each issuer of covered bonds and the relevant cover pool maintained by it, (iii) the role of the common representative of the holders of covered bonds, (iv) restrictions on the types and status of the assets comprised in a cover pool (including loan to value restrictions, weighted average interest receivables and weighted average maturity restrictions), and (v) asset/liability management between the cover pool and the covered bonds, See *Characteristics of the Cover Pool, Insolvency of the Issuer, Cover Pool Monitor, Common Representative of the Holders of Covered Bonds and The Covered Bonds Law*.

The Covered Bonds issued by the Issuer will qualify as mortgage covered bonds (“*obrigações hipotecárias*”) for the purposes of the Covered Bonds Law. The Covered Bonds will be senior obligations of the Issuer and will rank equally with all other Covered Bonds which may be issued by the Issuer. In the event of an insolvency of the Issuer, the holders of the Covered Bonds issued by the Issuer, together with the Other Preferred Creditors, will have recourse under the Covered Bonds Law to the Cover Pool ahead of other creditors (whether secured or unsecured) of the Issuer who are not preferred creditors under the Covered Bonds Law. See *Characteristics of the Cover Pool - Insolvency of the Issuer*.

On 6 May 2022, Decree-Law 31/2022, of 6 May 2022, approving the new Legal Regime of Covered Bonds and transposing the Directive (EU) 2019/2162 of the European Parliament and of the Council, of 27 November 2019 (the “CBD”), was published in the Portuguese Official Gazette (*Diário da República*). Without prejudice to some transitional provisions, this new regime entered into force on 1 July 2022. In accordance with the CBD, Decree-Law 31/2022, of 6 May 2022, provides for permanent grandfathering with respect to certain requirements of the new regime for Article 52 (4) UCITS Directive-compliant covered bonds issued before 8 July 2022 and includes an option for EU Member States to allow tap issues of grandfathered covered bonds (for up to 24 months after 8 July 2022, which Portugal has elected for under the new legislation), provided that such issues comply with certain prescribed requirements (*inter alia* that the maturity date is no later than 8 July 2027). Pursuant to the transitional regime set out in Article 7 (4) of the Legal Regime of Covered Bonds, this Base Prospectus is intended to be used solely for tap issues of grandfathered Covered Bonds. Such grandfathered covered bonds will continue to be governed by the Covered Bonds Law in conjunction with certain provisions of the Legal Regime of Covered Bonds (e.g., certain provisions relating to insolvency of the issuer). The supervision of grandfathered covered bonds has been transferred from the Bank of Portugal (*Banco de Portugal*) to CMVM from 1 July 2022. For the purposes of the above referred grandfathering the CMVM has clarified that, in case of conditional pass-through Covered Bonds, the relevant date to be considered is the maturity date and not the extended maturity date (insofar as no events



determining an extended maturity date have occurred at the time of the relevant tap issue). The Decree-Law also provides that the secondary legislation passed by the Bank of Portugal will remain in force until the CMVM has issued replacement regulations.

**GOVERNING LAW:** Except for the Hedging Contracts, which are governed by, and will be construed in accordance with, English Law, unless otherwise specifically provided, the Covered Bonds and all other documentation relating to the Programme are governed by, and will be construed in accordance with, Portuguese Law.

Under this Programme, the Issuer may from time to time issue Covered Bonds denominated in any currency agreed between the Issuer and the relevant Dealer, subject as set out herein. An overview of the terms and conditions of the Programme and the Covered Bonds appears under *General Description of the Covered Bonds Programme*. The applicable terms of any Covered Bonds will be agreed between the Issuer and the relevant Dealer prior to the issue of those Covered Bonds and will be set out in the *Terms and Conditions of the Covered Bonds* endorsed on, or attached to, the Covered Bonds as completed by the Final Terms, as more fully described under *Final Terms of the Covered Bonds* below.

This Base Prospectus will only be valid for admitting Covered Bonds to trading on the Euronext Dublin regulated market or any other regulated market until no more Covered Bonds concerned with this Programme are issued in a continuous or repeated manner in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding on all Covered Bonds previously or simultaneously issued under the Programme, does not exceed €5,000,000,000 (subject to increase in accordance with the Programme Agreement (as defined below) or its equivalent in other currencies). For the purpose of calculating the euro equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

- a) the euro equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms of the Covered Bonds*) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding Business Day, in each case, on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Lisbon foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and
- b) the euro equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms of the Covered Bonds*) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## RISK FACTORS

*Investing in financial instruments, including securities, involves risk. Before making any investment decision, one must take into consideration all the information described in this Base Prospectus and, in particular, the risks mentioned herein.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur.*

*Prospective investors in the Covered Bonds should carefully read and consider all the information contained in this Base Prospectus, including the risk factors set out in this section, prior to making any investment decision. The Issuer believes that the factors described below identify the risks that are considered more relevant prior to the issuance of the Covered Bonds, based on the probability of their occurrence and on the expected extent of their negative impact, should they occur. Although these are the specific risks which are considered to be more significant and capable of affecting the Issuer's ability to meet its obligations in relation to the Covered Bonds, they may not be the only risks to which the Issuer is exposed, and the Issuer may be unable to make payments on or in connection with any Covered Bonds for other reasons or for the identified risks having materialised differently.*

*The Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Additional risks or uncertainties not presently known to the Issuer or which the Issuer currently considers immaterial may also have an adverse effect on the Issuer's ability to make payments on or in respect of the Covered Bonds.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus or incorporated by reference herein and make their own assessments prior to making any investment.*

*Words and expressions defined in the Definitions section shall have the same meaning in this section.*

*Where information has been sourced from a third party, the Issuer confirms that, as far as the Issuer is aware, it has accurately reproduced such information. The Issuer accepts responsibility to the extent that no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable).*

The risk factors described below are those that the Issuer believes are material and specific to the Issuer and that may affect the Issuer's ability to fulfil each of the obligations under the Covered Bonds. The risk factors have been organised into the following categories:

- Risk factors relating to Banco Montepio's legal status as a savings bank (caixa económica bancária);
- Risk factors relating to Banco Montepio's business;
- Risks related to the legal and regulatory framework;
- Risks related to Covered Bonds generally; and
- Risks related to the structure of a particular issue of Covered Bonds.

Within each category, the most material risks, in the assessment of the Issuer, are set out first. The Issuer has assessed the relative materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact. The order of the categories does not imply that any category of risk is more material than any other category.

### **Risk factors relating to Banco Montepio's legal status as a savings bank (caixa económica bancária)**

*Change in the legal framework of the Issuer*

On 14 September 2017, the Issuer completed a change in its legal status from a savings bank affiliated (*caixa económica anexa*) to Montepio Geral Associação Mutualista (“**MGAM**”) into a full service savings bank (*caixa económica bancária*) incorporated as a public limited liability company (*sociedade anónima*), under the supervision of the Bank of Portugal. The nature of the Issuer as a full service savings bank (*caixa económica bancária*) limits the types of entities that can hold the majority of the capital or the voting rights in the Issuer, in particular, these are mutual associations, charities and charitable institutions. This legal limitation may have a material adverse effect on the Issuer's ability to meet its capital requirements and a failure to meet such requirements may have a material adverse effect on the Issuer's condition, the ability to pursue its business and results of its operations.

*Reliance on Montepio Geral Associação Mutualista as an equity provider*

Banco Montepio was established by MGAM in 1844, as an affiliated entity (*caixa económica anexa*) of MGAM, in order to support MGAM in the pursuit of its goals. MGAM is a private institution of social support (i.e. a mutual benefits association) whose principal purposes 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 a mutual benefits association and is the major shareholder (owner institution or *instituição titular*, as per the Savings Banks Act) of Banco Montepio with 99.99 per cent. of Banco Montepio's share capital (€2,420 million as at 31 December 2021), pursuant to Article 6 (2) of the new savings banks act by Decree-Law 190/2015, of 10 September (“**Savings Banks Act**”).

If MGAM is not in a position to capitalise Banco Montepio and/or the contribution of other shareholders in Banco Montepio's capital is not sufficient to allow it to meet its capital requirements, this may have a material adverse effect on the Issuer's condition, the ability to pursue its business and results of its operations.

Moreover, MGAM's main source of funds is membership revenues (*quotas*) and the subscribed members' savings plans (*modalidades mutualistas*). These funds are invested by MGAM in a diversified set of financial and non-financial assets, including different types of securities and equity participations (including its interest in Banco Montepio) and real estate. Among these investments, and as at 31 December 2021, MGAM held €201.1 million of debt securities issued and other subordinated debts issued by Banco Montepio, which represents approximately 1.1 per cent. of Banco Montepio's total liabilities.

If MGAM's performance, either financial or reputational, deteriorates and MGAM is not able to provide additional share capital or funding to Banco Montepio, it may have a material adverse impact on Banco Montepio's ability to meet its capital requirements and the cost of its funding, which may in turn have an impact on its prospective financial performance and condition.

*A deterioration in investor confidence in MGAM as a result of a disposal of any shares or voting rights in the Issuer may have a material adverse effect on the Issuer*

Being a full service savings bank, the Savings Banks Act limits the types of entities that can hold the majority of the capital or the voting rights in the Issuer, in particular, these are mutual associations, charities and charitable institutions.

MGAM may elect to offer Banco Montepio's shares to investors generally, without prejudice to its capacity as Banco Montepio's owner institution (*instituição titular*).

The participation of these investors in Banco Montepio's share capital may be perceived by its stakeholders as a sign of MGAM's inability to provide additional share capital to the Issuer. This could have a material adverse effect on investor confidence in MGAM and, as a result, a material adverse effect on the Issuer's business, reputation, financial condition and results of operations or prospects.

*Changes to the financial regime and regulation applicable to MGAM may impact its ability to provide share capital to the Issuer and its relationship with the Issuer*

MGAM is currently supervised (*sob tutela*) by the Portuguese Ministry of Solidarity, Employment and Social Security in accordance with the provisions set forth in the previous Mutual Associations Code (*Código das Associações Mutualistas*).

Following the amendments to the Mutual Associations Code (*Código das Associações Mutualistas*), enacted by Decree-Law 59/2018, of 2 August, as amended by Decree-Law 37/2019, of 15 March, MGAM became subject to a special supervisory regime and, as a result, it is subject to certain provisions of the Legal Regime of Access and Exercise of the Insurance and Reinsurance Activity (*Regime Jurídico de Acesso e Exercício da Atividade Seguradora e Resseguradora*) (the “**RJASR**”) and the financial supervision of the Portuguese insurance and pension funds authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões*) (the “**ASF**”).

A 12-year transitional period for adaptation to the specific supervisory regime was initiated on 27 November 2018, during which the relevant mutual associations (including MGAM) must take the necessary steps with a view to ensuring a gradual adaptation to the new regulatory framework. Only at the end of that transitional period, and provided that the legal requirements for that purpose are met, will the relevant mutual associations become fully subject to the specific financial supervision regime, subject to the RJASR.

During this transitional period and without prejudice to the powers of the member of the Government responsible for the area of Social Security, the ASF has powers to monitor the actions and diligences adopted by the relevant mutual associations with a view to progressively adapting to the new regulatory and supervisory framework.

Only at the end of the 12-year transitional period for the adaptation of mutual associations to the RJASR will the ASF have full supervisory powers. Until then, the member of Government responsible for the social security area will be responsible for the effective supervision of MGAM.

The ASF is responsible for assessing whether the mutual associations covered by the transitional period comply with the acts necessary for the gradual adaptation of these institutions to the future regulatory framework, and it is up to the competent social security department to determine the application of the measures provided for by law in the event of non-compliance. New rules that restrict MGAM from providing additional share capital to the Issuer may be introduced. Furthermore, the Issuer cannot predict other rules which the authorities may introduce and the effects such rules may have on MGAM's organisation and performance and, in particular, its relationship with the Issuer.

Please refer to the section “*Change in the legal framework of the Issuer*” for a description of the possible consequences arising from the change of Banco Montepio's legal nature into a public limited liability company in 2017.

### **Risk factors relating to Banco Montepio's business**

As a result of its business activities, Banco 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 Banco Montepio's financial condition and results of operations.

*The potential impacts of the end of moratoria implemented by Banco Montepio as a response to the COVID-19 pandemic*

As a result of the COVID-19 pandemic, one of the measures introduced by the Board of Directors of the Issuer was to implement moratoria on certain contracts, including in relation to certain counterparties and consumers to decrease the risk of default in the short-term. This measure did not, however, entirely

eliminate this risk, whose magnitude is uncertain given the uncertainty around the impact and ongoing effects of the COVID-19 pandemic. In particular, Banco Montepio's short and medium term outlook suggests the COVID-19 pandemic may have adverse effects of uncertain magnitude on certain core business areas, profitability, credit risk and reduction of its non-performing assets.

The moratoria enacted under the special aid scheme provided to households and companies in the context of the COVID-19 pandemic expired on 31 December 2021, with the vast majority having already expired at the end of September 2021. The great majority of customers resumed debt payment service as planned on the date they adhered to the moratorium and, as of the date of this Base Prospectus, there is no increase in the credit risk or delinquencies on the portfolios that were subject to the moratoria. Nevertheless, there is still a high level of uncertainty as Banco Montepio cannot guarantee that prevailing market conditions will persist or return to normal pre-COVID-19 activity levels in the future. If activity levels do not increase to pre-COVID-19 levels, activity and commission levels may continue to be affected and risks of default may increase.

By the end of 2021, the aggregate value of the loans subject to a moratorium that had expired totalled €2,697 million, of which 88 per cent. were performing.

As at 31 December 2021, Banco Montepio had granted EBA compliant moratoria, that expired at the end of 2021, in relation to loans and advances to customers' portfolio in an amount of €2.7 billion, representing 22.1 per cent. of the outstanding gross loans and advances to customers. Given the uncertainty around the impact of market agents' activity levels and whether or not they will recover to pre-COVID-19 levels, there may be an adverse effect on the business and profitability of Banco Montepio driven by the borrowers' lower capacity to honour debt service, which may require reinforcement of impairments and the cost of credit risk might increase.

Any of the factors outlined above could have an adverse effect on the Issuer's business, financial results, operations, profits and financial position.

#### *The Issuer is exposed to Credit risk*

The Issuer is exposed to the credit risk of its customers and counterparties, as well as to concentration risk in its credit exposure. Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in Portuguese or global economic conditions, or arising from systemic risks in financial systems, could affect recovery and, accordingly, the value of the Issuer's assets and require an increase in the Issuer's provision for credit impairment and other related provisions, which would have a material adverse effect on the financial condition and capital position of the Issuer and/or the Banco Montepio Group and on the results of the Issuer and/or the Banco Montepio Group's operations.

In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. Deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect the Issuer's business and results.

As at 31 December 2021, Banco Montepio's total credit risk exposure was € 17,188 million (€16,552 million as at 31 December 2020). Its balance of Non-Performing Exposures ("NPEs") amounted to € 975 million

as at 31 December 2021 (€1,290 million as at 31 December 2020), representing 8.0 per cent. (10.4 per cent. as at 31 December 2020) of the Issuer's gross loans and advances to customers.

An increase in Non-Performing Loans ("**NPLs**") would result in a deterioration of the Issuer's asset quality metrics and adversely impact the Issuer's ability to reduce the level of NPLs in accordance with the Transformation Plan (as defined in "*Description of the Issuer - Strategy*").

*The Issuer's activity is subject to market risk*

Market risk reflects the potential loss that can be registered in a given asset portfolio as a result of changes in market interest and exchange rates and/or in the market prices of the various financial instruments which comprise that asset portfolio, taking into account the correlation and volatilities between those assets.

Risk analysis and management is performed on an integrated basis, involving the whole Group, by Banco Montepio's risk division (*Direção de Risco - DRI*).

The Issuer's net income arising from its assets and liabilities may be adversely impacted by market risks (including, but not limited to, the impact of COVID-19). It is difficult to accurately predict changes in economic or market conditions and to anticipate the effect that such changes could have on the Issuer's financial condition and on the results of its operations.

The most significant market risks faced by the Issuer are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios.

For interest rate risk measurement purposes, assets and liabilities' sensitivity to interest rate changes are aggregated by time bands according to their respective repricing dates, and the balance-sheet interest rate mismatch is calculated. As at 31 December 2021, the interest rate gap was € 3,836 million, compared to € 3,600 million as at 31 December 2020.

For currency risk, the measurement procedure is the application of funds raised in various currencies through active money markets and for periods not exceeding those of the funds raised. Thus, existing exchange rate gaps are essentially due to possible mismatches between the periods of application of funds and of the resources.

A significant downward movement in global capital markets could have an adverse impact on activity, results and on the value of the assets comprising the Issuer's investment portfolio, as well as on the value of the assets that comprise its pension fund portfolio. If the value of the assets in the Issuer's pension fund deteriorates, the Issuer may be required to make additional contributions to the fund and this may consequently have a negative impact on the Issuer's ability to allocate its net profit to the development of its business activity.

The impact of a change in interest rates could have an adverse effect on the Issuer's profit and loss and/or net interest income. As at 31 December 2021, a shift in interest rates by 1.0 percentage point would have led to a decrease in the expected economic value of the bank portfolio of approximately € 88.2 million, compared with a reduction of € 55.5 million as at 31 December 2020.

The most relevant exposure of the Issuer is in relation to Italian, Spanish and Portuguese sovereign debt. Please refer to the risk factor headed "*Sovereign Debt and Sovereign Risk*" for additional information.

*The Issuer is exposed to volatility in interest rates which may have an impact on loans' growth and on the net interest income*

Interest rates are sensitive to many factors beyond the Issuer's control, including monetary policies implemented by the ECB, as well as domestic and international economic and political conditions. Central banks' interest rate cuts could also lead to a further compression of interest spreads. Overall, significant drops in interest rates can be expected to have an adverse effect on the Issuer's net interest income and continued low interest rates will make it more difficult to achieve growth. On the other hand, higher interest rates could lead to certain borrowers becoming unable to service their debts, resulting in a higher proportion of non-performing loans.

Inflationary pressures have significantly increased since 2021 and especially in 2022 with the Russia-Ukraine conflict. In this context, several central banks, including the ECB, signalled the need to accelerate the removal of monetary policy stimuli. In addition to the high volatility seen in the interest rate markets and in financial markets globally, with a general rise in risk premia, the perspective of a sharp increase in interest rates has generated fears of deceleration or even contraction in global economic activity.

A rise in interest rates could reduce customer demand for credit, which could in turn reduce the Issuer's ability to originate credit for its customers, as well as contribute to an increase in the default rate of its customers.

After almost 7 years of negative Euribor rates, on 21 July 2022 the ECB decided to raise euro interest rates by 50 basis points, i.e. 0.5 per cent., in an effort to curb the record inflation prevailing in the eurozone. However, Euribor rates were already in positive territory before the ECB's decision. The 12-month rate turned positive in April, with the 6-month and 3-month rates reaching that threshold in June and mid-July, respectively. On 8 September 2022 and 27 October 2022, the ECB decided to further raise euro interest rates by 75 basis points in each meeting, totalling a 150 basis points increase. The ECB is expected to raise interest rates further since inflation remains far too high.

If the Issuer is unable, for any reason, to re-price or adjust the rates on its interest earning assets, in response to changes in rates on its interest bearing liabilities, in an expedited or effective manner, as a result of economic or other reasons, the Issuer's interest income margins would be adversely affected, which may negatively affect its business, financial condition and results of operation or prospects.

*Liquidity risk faced by the Issuer which may depend on the ECB funding*

Liquidity risk reflects the risk of the Issuer's inability to fulfil its payment obligations upon maturity without significant losses arising from a deterioration of the financing conditions (financing risk) and/or from the sale of its assets for a value below market values (market liquidity risk).

The Issuer's practices reflect the utilisation of diversified financing sources, focusing on stable sources, in particular deposits, as well as the maintenance of high quality liquid assets, which comply with the ECB's Eligibility Criteria.

The ECB currently makes funding available to European banks that satisfy certain conditions, including pledging eligible collateral. As at 31 December 2021, the Issuer had a €4,587 million portfolio of assets eligible for Eurosystem monetary policy operations, of which €3,737 million were encumbered (€2,958 million related to ECB funding and the remaining €779 million to other funding sources). The total funding obtained by the Issuer from the ECB amounted to € 2,902 million at the end of December 2021, corresponding entirely to funds raised under the TLTRO ("**Targeted Longer-term Refinancing Operations**").

Although the monetary policy followed by the ECB in past years has contributed to improving the liquidity conditions of European banks (namely (i) the interest rate reduction on the third targeted longer-term refinancing operations programme ("**TLTRO III**"); (ii) improved financing and liquidity packages; and (iii)

the package of collateral easing measures to respond to the Covid-19 pandemic), the ECB is now starting to remove the monetary stimulus given the rise in inflation. This could require the Issuer to find alternative funding sources, some of which may be more costly or may not be available at all, or to dispose of assets at a potentially significant discount in relation to their respective book values, with a corresponding negative impact on the Issuer's capital position and results of operations. Additionally, any sudden change could also have a material effect on the financial markets and the valuation of the Issuer's assets, including its public debt portfolio.

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

*The Issuer's development is dependent on successful implementation of its Transformation Plan*

In March 2018, the Issuer adopted a new strategy to improve the efficiency, profitability and adequacy of Banco Montepio's business model, and subsequently launched a Transformation Plan to analyse Banco Montepio's existing position and establish a vision for Banco Montepio with clear options and specific business goals for the medium and long term. For more information, see "*Business Description – Strategy*". There may be risks and unforeseen circumstances related to the Transformation Plan that the Issuer is not aware of, or that were considered immaterial by the Issuer. Expected revenue and cost synergies, operational efficiencies, business growth and other benefits may not materialise because the assumptions upon which informed the Banco Montepio Group's decision to proceed with its strategy might be incorrect or may be materially and adversely impacted given the change to macro-economic conditions in Portugal as a result of widespread health crises (such as the COVID-19) or geopolitical conflicts (such as the Russia-Ukraine war ). Any such risks and unpredictable circumstances may adversely affect the business and performance of the Issuer.

*The Issuer's Strategy includes targets that may not be achieved*

The Issuer's strategy aims to ensure profitability, the strengthening of capital and the maintenance of comfortable liquidity levels, defining as priorities the increase of core net operating income and capital management, risk management reinforcement, platform efficiency, liquidity management, human resources management and the governance model (the "**Strategy**").

If any of the targets set out in the Strategy are not met, the Issuer will consequently seek to take additional measures in order to achieve them, but there is no guarantee that it will be able to meet these targets. The Issuer's Strategy targets have not been set for the purpose of the offering of any Covered Bonds and are not, and should not be, regarded by potential investors as a forecast of future performance by Banco Montepio. Failure by the Issuer to implement such additional measures could have a negative impact on the Issuer's business, the products and services it offers and/or the value of its assets.

*Litigation and Conduct risks*

Banco Montepio faces various issues that may give rise to the risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, and conduct by companies in which Banco Montepio holds strategic investments or joint venture partnerships, which could increase the number of litigation claims and the amount of damages asserted against Banco Montepio, or subject Banco Montepio to regulatory enforcement actions, fines and penalties. Banco Montepio is currently subject to ongoing litigation, in particular:

- (i) on 9 September 2019, Banco Montepio was notified of the decision by the Competition Authority (*Autoridade da Concorrência*) on the administrative process PRC-2012/9, in which it was held that Banco Montepio (and other Portuguese banks) were engaged in anti-competitive practices and the exchange of sensitive commercial information, in breach of Article 9 of Law 19/2012, of 8 May 2012



and Article 101 of the Treaty on the Functioning of the European Union, and imposed on Banco Montepio a fine of €13 million; and

- (ii) the Bank of Portugal has instituted various administrative proceedings against Banco Montepio for alleged breaches of regulatory requirements. The Bank of Portugal has issued summary decisions against Banco Montepio in some of these proceedings, whereas others are in a preliminary phase. Where defendants have not provided evidence to support their claims, it is difficult to assess the risk of a finding against Banco Montepio. The Issuer has assessed an aggregate level of potential fines in respect of these proceedings to be approximately €9 million.

As at the date of this Base Prospectus, Banco Montepio cannot predict the outcome of the above described proceedings. For more information on Banco Montepio's ongoing litigation, see "*Description of the Issuer – Legal and arbitration proceedings*". Any material legal proceedings, publicity surrounding such legal or regulatory proceedings or an unfavourable decision from these legal proceedings may adversely impact on Banco Montepio's business, reputation and operating results.

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

The Issuer may not be able to foresee and mitigate the impacts of this risk and if this risk occurs it could materially adversely affect the Issuer's business, reputation, financial condition and operating results or prospects.

#### *Risks related to Banco Montepio's International Activity*

The international activity of the Banco Montepio Group is carried out by the subsidiaries Finibanco Angola, S.A. ("**Finibanco Angola**") and Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. ("**Banco MG Cabo Verde**") (the latter until 30 November 2021, the date on which the process of dissolution and voluntary liquidation began), and through the representative offices. The Issuer believes its operation in Angola, through Finibanco Angola, is exposed to the risk of adverse political, governmental or economic developments in Angola.

In addition, the Issuer's operations are subject to regulation in each jurisdiction in which it operates. These regulations are often complex and costly to comply with in terms of time and other resources. Breach of applicable regulations may lead to penalties, fines, compliance costs, reputational harm and even loss of licences to operate.

These factors could have a material adverse effect on the Issuer's financial condition, business and its operating results.

#### *A downgrade in the credit ratings of the Issuer*

Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

The Issuer's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Issuer's cost of borrowing funds. As at the date of this Base Prospectus, the Issuer had been assigned: Long Term Issuer Default Rating of "B-" with positive outlook and Short Term Issuer Default Rating of "B" by Fitch; Baseline Credit Assessment of "b2" by Moody's and Long Term Issuer Rating of "B" with stable outlook and Short Term Issuer Rating of "R-4" with stable outlook by DBRS. The ratings assigned to the Issuer by Fitch indicate that material default risk

is present, but a limited margin of safety remains, financial commitments are currently being met, however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. The rating assigned to the Issuer by Moody's indicates that the Issuer is judged to have speculative intrinsic, or standalone, financial strength, and is subject to high credit risk absent any possibility of extraordinary support from an affiliate or a government. The rating assigned to the Issuer by DBRS indicates that the Issuer is of speculative, non-investment grade credit quality; its capacity for the payment of financial obligations is uncertain; and it is vulnerable to future events. A downgrade of the Issuer's credit ratings, or the Issuer being placed on a negative ratings watch, may increase its cost of borrowing and have a material adverse effect on its business, reputation, financial condition and results of operations or prospects.

A downgrade of the Issuer's credit ratings (or announcement of a negative ratings watch) may also limit its ability to raise funding or capital. Moreover, actual or anticipated changes in the Issuer's credit ratings or the credit ratings of the Covered Bonds (if applicable) generally may affect the market value of the Covered Bonds. In addition, ratings assigned to the Covered Bonds (if applicable) may not reflect the potential impact of all risks related to the transaction, the market or any additional factors discussed in this Base Prospectus and other factors may affect the value of the Covered Bonds.

Information on the ratings assigned to the Issuer (including any changes to the ratings as described in the preceding paragraphs), as well as on any update to the Issuer's rating, is available on CMVM's website ([www.cmvm.pt](http://www.cmvm.pt)) and on the Issuer's website (<https://www.bancomontepio.pt/institucional/investor-relations/ratings>).

In addition, a downgrade or potential downgrade of Portugal's sovereign rating or a change in rating agency methodologies relating to systemic support provided by Portugal could negatively affect the perception by ratings agencies of the Issuer's rating. There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of Portugal.

Furthermore, the negative economic impact which may be caused by events such as certain meteorological conditions, natural disasters, fires, war and/or military conflicts, or widespread health crises (such as COVID-19) or the fear of such crises may result in downgrades to the ratings assigned to the Issuer. A downgrade in the Issuer's credit ratings would increase its costs of funding and could have a materially adverse effect on the Issuer and/or the Banco Montepio Group's business, reputation, financial condition and results, operations or prospects.

#### *Sovereign Debt and Sovereign Risk*

The high level of indebtedness of the Portuguese Republic, the perception that Portugal may fail to meet its fiscal targets, combined with uncertainty regarding the long-term growth potential of the domestic economy, may result in an increase in the sovereign risk premium for Portuguese public debt securities in secondary debt markets and restrict access of the Portuguese Republic to primary debt markets. Such risk could be exacerbated by reduced confidence in international financial markets or be triggered by weak performance in the domestic economy or adverse developments in the local political environment.

Should the foregoing occur, a deterioration of Portuguese sovereign debt risk could negatively impact the Issuer's liquidity position, both through funding difficulties and the reduction of the Issuer's pool of assets eligible for discount at the ECB, in addition to increased funding costs and the Issuer's capacity to increase its loan and asset portfolio. This could have a negative impact on the financial condition, credit quality and operating results of the Issuer. This scenario could be further aggravated by persistent volatility in the financial sector and capital markets or by financial difficulties, including the possible default of one or more financial institutions or sovereigns, which could lead to significant liquidity problems in the market in general, and to losses and defaults by other institutions.

The Issuer maintains trading and investment positions in debt securities, foreign exchange, equity and other markets. The most significant exposure of the Issuer is in relation to sovereign debt, namely Italian followed by Spanish and Portuguese, as comprised in its own securities portfolio. As at 31 December 2021, the exposure of the Issuer to foreign sovereign debt was €2,377.5 million, with €42.1 million in the fair value through other comprehensive income ("**FVOCI**") portfolio and €2,335.4 million in other financial assets at amortised cost portfolio (bonds issued by foreign public entities). As at 31 December 2021, the exposure of the Issuer to Portuguese sovereign debt was €701.0 million, with €32.1 million in fair value through other comprehensive income ("**FVOCI**") portfolio and €669.9 million in other financial assets at amortised cost portfolio (bonds issued by domestic public entities). These positions could be adversely affected by volatility in Portuguese sovereign debt creating a risk of substantial losses.

As at 31 December 2021, the net capital gains obtained on the sale of Portuguese sovereign bonds amounted to €15.9 million compared to €43.0 million as at 31 December 2020. As at 31 December 2021, the net capital gains obtained on the sale of foreign sovereign bonds amounted to €0.9 million compared to €6.5 million as at 31 December 2020. There is a risk that the Issuer may not receive these capital gains in the future or even that losses may be recognised in the future if market appetite for Portuguese securities turns subdued compared to other peripheral economies.

#### *Concentration risk and significant exposure to the real estate market*

The Issuer has significant credit exposure to certain groups of clients. As at 31 December 2021, the Issuer's top 10 client group credit exposures represented 6.3 per cent. of the Issuer's total credit exposure (which includes the Gross loans and advances to customers in the aggregate amount of €12,189 million, the guarantees and sureties provided in the aggregate amount of €480 million and the irrevocable credit facilities amounting to €694 million).

In particular, the Issuer is exposed to a contraction of the real estate market in Portugal given its high exposure to the Portuguese real estate market through mortgage loans, loans granted to construction companies, assets obtained in lieu of payment (disclosed as "Non-current Assets Held for Sale" and "Other assets" in its balance sheet), properties securing loans or related to its operations, funding of real estate development projects and through the exposure to real estate funds which are majority owned by the Issuer (disclosed in the Issuer's balance sheet as "Investment Properties"), as well as real estate fund units (*unidades de participação*) held in its own portfolio.

The total value of Investment Properties (*propriedades de investimento*) held by the Issuer as at 31 December 2021 amounted to €102.9 million (€125.9 million as at 31 December 2020) being comprised of real estate properties held by various funds which are consolidated into the results of the Banco Montepio Group and properties held by SSAGIncentive – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

The Issuer's Assets received in recovery of credit (including Impairment of assets received in recovery of credit) amounted to €465.2 million as at 31 December 2021 (€567.4 million as at 31 December 2020) and included buildings and other assets resulting from the foreclosure of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the entering into of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of the Issuer; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (*payment pro solvendo*). According to the Issuer's expectation, these assets are expected to be sold in a period of less than one year and the Issuer has a strategy for its sale. Nevertheless, given prevailing market conditions, and although those assets are intended to be sold as soon as possible, in some situations the Issuer's expectations may not be fulfilled.

The participation units (*unidades de participação*) of real estate investment funds held in the Issuer's variable-income securities – investment units amounted to €111.3 million as at 31 December 2021 (€252.6 million as at 31 December 2020).

Given that current real estate prices are relatively high compared to historical levels and the cyclical nature of the Portuguese real estate market, there is a risk that Portuguese real estate prices will decrease from current levels.

Changes in the Portuguese real estate market regulations, adverse geopolitical events and a general slowdown in global economic activity, may lead to a decline in demand for real estate and, consequently, a downward adjustment in prices. In addition, events such as certain meteorological conditions, natural disasters, fires, war and/or military conflicts, or widespread health crises (such as COVID-19) or the fear of such crises in a particular region may weaken economic conditions and could lead to a decline in the real estate values of the real estate properties located in the regions affected by such events.

A significant devaluation of prices in the Portuguese real estate market may lead to impairment losses in the assets held directly by Banco Montepio and increased exposure in counterparty risk for loans secured on real estate collateral. Accordingly, the Issuer is vulnerable to a contraction in the real estate market and any of the foregoing could have a materially adverse effect on the Issuer's business, financial condition and results of operations or prospects.

*Banco Montepio is exposed to pension fund risk*

Pension fund risk arises from the potential devaluation of Banco Montepio's pension fund portfolio of assets or from a decrease in the income derived from those assets.

The Pension Fund Monitoring Commission is responsible for the regular analysis and monitoring of the management of Banco Montepio's pension fund. In addition, the Risk Division produces monthly reports on the evolution of the market value of the pension fund portfolio and associated risk indicators.

As at 31 December 2021, the accumulated actuarial remeasurements recognised in the other comprehensive income of the pension fund stood at €273.8 million (€301.2 million as at 31 December 2020).

In the event of a shortfall in its pension liabilities, Banco Montepio may be required or may choose to make additional payments to its pension schemes, as foreseen in Banco Montepio's pension fund constitutional documents, which, depending on the amount, could have a material adverse effect on Banco Montepio's business, reputation, financial condition and operating results or prospects.

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

Banco Montepio uses internally developed models to support some of its activities, including, but not limited to, scoring models used to assess clients' (individuals and corporates) capacity to repay loans granted by the Group. Even though Banco Montepio works continually to upgrade its internal models and to adapt them to constantly changing market conditions, these models do not exclude the possibility of Banco Montepio incurring losses associated with factors not foreseen or contemplated in the model's respective parameters or methodology. This could have an adverse effect on Banco Montepio's business, reputation, financial condition and results of operation or prospects.

### *Deferred Tax Assets Regime*

As at 31 December 2021, the Issuer had registered Deferred Tax Assets (“DTAs”) of €459.9 million (as at 31 December 2020: €496.2 million), of which €61.1 million were not dependent on future profitability (as at 31 December 2020: €66.9 million).

The Issuer may not generate enough future profits to allow for the deduction of the DTAs and hence the DTA could have a material adverse effect on the Issuer’s business, reputation, financial condition and results of operation or prospects.

Pursuant to current legislation (Law 61/2014, of 26 August (as amended)), if the Issuer incurs losses on an individual basis, there is the risk that the Portuguese State will become a shareholder of Banco Montepio by virtue of the conversion of some DTA into ordinary shares. Taking into consideration that Banco Montepio registered a negative net income on an individual basis in 2020, following the approval of the annual accounts by the governing bodies and in accordance with the provisions of Law 61/2014, of 26 August (as amended), in 2021 a partial portion of the DTAs resulting from non-deduction of expenses and deductions of assets value resulting from loan impairment losses and post-employment or long-term employee benefits was converted into tax credits, for which purpose a special reserve corresponding to 110 per cent. of its amount was set up.

Accordingly, in accordance with Article 8 of the annex to Law 61/2014, of 26 August (as amended), in 2021 Banco Montepio created a special reserve in the amount of €4.8 million, corresponding to a tax credit of €4.3 million, which at 31 December 2021 was included in the calculation of the total current tax assets.

These amounts may be changed in the context of the certification to be carried out by the Tax and Customs Authority (*Autoridade Tributária e Aduaneira*).

For further information, please refer to section “*Banking regulation in Portugal*”.

*Operational risks, such as systems disruptions or failures, breaches of security, human error, changes in operational practices, inadequate controls, including in respect of third parties with which the Issuer does business, may adversely impact its reputation, business and results*

The Issuer faces the risk that the design and operating effectiveness of its controls and procedures may prove to be inadequate. Operational risks are inherent to the Issuer’s business. The Issuer’s business is dependent on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems such as those of the Issuer’s suppliers or counterparties. The occurrence of any of these operational risks may adversely impact the Issuer’s business, reputation, financial condition and results of operation or prospects.

### *IT and Telecommunications Systems Risk*

The Issuer and its activities are increasingly dependent on highly sophisticated information technology (“IT”) systems. As such, the failure of computer or telecommunications systems could have an adverse effect on the Issuer. Given the high volume of transactions the Issuer processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures of the Issuer’s internal processes, employees or systems, including any of the Issuer’s financial, accounting or other data processing systems, could lead to financial loss and damage to the Issuer’s reputation. In addition, despite the contingency plans the Issuer has in place, the Issuer’s ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its operations and the communities in which it does business.

IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Issuer, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyberattacks could result in the loss or compromise of customer data or other sensitive information. A breach of sensitive customer data, such as account numbers, could have a significant reputational impact and significant legal and/or regulatory costs for the Issuer.

The Issuer's risk and exposure to these matters remains heightened, especially during the current COVID-19 pandemic, because of the evolving nature and complexity of these threats from cybercriminals and hackers.

Failure of the Issuer's IT systems could lead to a breach of regulations and (contractual) obligations and have a material adverse effect on the Issuer's business, reputation, financial condition and results of operation or prospects.

*The Issuer is subject to the risk of internal and external fraud, crime, cybercrime, or other types of misconduct by employees or third parties which could have a material adverse effect on the Issuer*

The Issuer is subject to the risk of fraud, crime, money laundering, cybercrime and other types of misconduct by employees and third parties, as well as to unauthorised transactions by employees, third party service providers and external staff, including "rogue trading". This type of risk could result in breaches of law, rules, regulations and internal policies, losses, claims, fines, regulatory action, legal proceedings or reputational damage.

The Issuer may be subject to disruptions of its operating or information systems, arising from criminal acts by individuals and groups via cyberspace, which may interrupt the service to clients.

The continuous efforts of individuals and groups, including organised crime, via cyberspace to commit fraud through electronic channels or to gain access to information technology systems used by the Issuer (including with respect to clients' and the Issuer's information held on those systems and transactions processed through these systems) are a growing threat to the Issuer. The manifestations of risks to technology — including cyber security — change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential attacks via cyberspace, it is possible that future attacks may lead to significant breaches of security and loss of (personal) data. In addition, the Issuer may as a result not be able to access data or operate its systems, it may not be able to recover data, or establishing that data is not compromised may be very time consuming and costly.

There is a risk that cyber-security risk may not be adequately managed or, even if adequately managed, a cyber-attack may take place and be successful, which could lead to breach of regulations, investigations and administrative enforcement by supervisory authorities and claims that may materially and adversely affect the Issuer's business, reputation, financial condition, results of operation or prospects and its position in legal proceedings.

The Issuer remains potentially exposed to the risk that the procedures implemented and the measures adopted with respect to the storage and processing of personal data relating to its customers may prove to be inadequate and/or not in compliance with the laws and regulations in force from time to time and/or may not be promptly or properly implemented by employees and associates, especially considering the entry into force on 25 May 2018 of the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the council, of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC). Thus, data could be subject to damage, loss, theft, disclosure or processing for purposes other

than those authorised by the customers, or even use by unauthorised parties (whether third parties or employees of companies of the Issuer).

If any of these circumstances occur, there could be a material adverse effect on the Issuer's business, reputation, financial condition and results of operation or prospects.

### **Risks related to the legal and regulatory framework**

#### *Legislation on Bank Recovery and Resolution*

On 10 February 2012, the Decree-Law 31-A/2012 introduced the legal framework for the adoption of resolution measures into the General Regime for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras* ("RGICSF") regulated by the Decree-Law 298/92, of 31 December 1992, as amended).

Such resolution framework has been further amended by Decree Law 114-A/2014, of 1 August, Decree Law 114-B/2014, of 4 August, and Law 23-A/2015, of 26 March, which have transposed the Directive 2014/49/EU, of 16 April on deposit guarantee schemes and the BRRD.

A Single Resolution Mechanism ("SRM") has been introduced including a single resolution board ("SRB") and a single fund for the resolution of banks. The requirements of the SRM are set out in the SRM Regulation (as defined below) and the BRRD.

The Bank of Portugal may require the Issuer to make changes to its legal structure pursuant to its implementation of requirements under the SRM Regulation, the BRRD or other applicable law or regulation. Therefore, the Issuer cannot anticipate if additional costs might be due and for which proportion, as well as if there could be an impact on the Issuer's results and financial position.

The minimum requirement for own funds and eligible liabilities regime ("MREL"), became effective during 2016, and requires the issue of new senior debt with a subordination structure or strengthening of Tier 2 capital. The implementation of the MREL regime is subject to a transition period and will have implications on the issue of debt by bank institutions, which will lead to changes in the liability structure.

In accordance with Article 145-Y of the RGICSF, financial institutions are required to meet MREL requirement set by the Bank of Portugal. Banco Montepio has already been notified by the Bank of Portugal regarding the MREL requirements to be met which are as follows:

- a) MREL requirement to be met permanently by Banco Montepio from 1 January 2022 onwards, based on its consolidated financial position, of 5.33 per cent. of total leverage ratio exposure ("LRE");
- b) MREL requirement as a percentage of total risk weighted assets ("RWA") shall be met during a transition period ending on 1 January 2025;
- c) Determination of an intermediate target, that expired on 1 January 2022, in which Banco Montepio, based on its consolidated financial position, had to comply with a MREL requirement set at 13.67 per cent. of RWA;
- d) From 1 January 2022 to 1 January 2025, Banco Montepio, based on its consolidated financial position, must comply with a MREL requirement that will increase on the first day of each year, beginning on 1 January 2022 with 13.67 per cent. until 20.77 per cent., added by the combined buffer requirements, to be met from 1 January 2025 onwards; and
- e) No minimum subordination requirement has been applied.

The MREL requirement determined by the Bank of Portugal is based on the applicable legislation and is therefore subject to being updated from time to time.

As of 1 January 2022, Banco Montepio complied with the intermediate MREL requirement set for that

date, both as a percentage of the RWA (with a ratio of 14.7 per cent.) and as a percentage of the LRE (with a ratio of 6.4 per cent.).

In order to meet MREL requirements, the Issuer may need to issue MREL-eligible instruments, impacting its funding structure and financing costs. Such mechanisms and procedures, besides having the capacity to restrain the Issuer's strategy, could increase the average cost of the Issuer's liabilities, in particular, without limitation, the cost of additional Tier 1 and Tier 2 instruments and thus negatively affect the Issuer's earnings. Tier 1 instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, if they include convertibility features.

Accordingly, the Issuer may not be able to issue the necessary MREL-eligible instruments, due to adverse market conditions or to investors' negative perception of the Issuer, which could lead to a failure to comply with the regulatory requirements, or, alternatively, if the Issuer is able to issue the above mentioned instruments, there is a risk that market conditions will be such that the Issuer will need to issue those instruments at a higher premium. These proposals and/or requirements could therefore have an adverse effect on the business, reputation, financial condition and results of operation or prospects of Banco Montepio.

*The Issuer is subject to compliance risk with existing and future regulations, the breach of which could cause damage to the Issuer*

The Issuer operates in a highly regulated industry. The Issuer's banking activities are subject to extensive regulation by, among other entities, the ECB, the Bank of Portugal, the EBA, the ESMA and the CMVM, as well as other supervisory authorities from the EU and the countries in which the Issuer conducts its activities. These regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, bribery and terrorism financing, privacy, know your customer, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

Activity, liquidity and capital adequacy requirements applicable to the Issuer limit its ability to advance loans to customers and may require it to issue additional capital in the future. This may affect the Issuer's future activities, its results and the cost and ability to obtain funds that could be classified as own funds, and the repayment of the existing subordinated debt.

Pressure to comply with activity, liquidity and capital adequacy requirements applicable to the Issuer could force the Issuer to liquidate assets held at depressed prices or on unfavourable terms, thus leading to a materially adverse impact on its business, reputation, financial condition and results of operation or prospects.

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

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



Due to the persistence of the financial crisis and the subsequent government intervention, regulation in the financial services sector has increased substantially over the last decade and this trend is expected to continue. Further regulation of the sector may include measures such as the imposition of higher and more stringent capital requirements, leverage ratios and loss absorbing capacity resources more generally, as well as more demanding duties concerning the disclosure of information and more onerous restrictions on certain types of activity or transactions.

In addition, new regulations may restrict or limit the type or volume of transactions in which the Issuer participates, or cause a change in the fees or commissions that the Issuer charges on certain loans or other products; consequently, any changes in regulation or supervision, particularly in Portugal, may have a material adverse effect on the Issuer's business, reputation, financial condition and results, operations or prospects.

Changes to supervisory rules and regulations in respect of the Issuer's activities, in particular in Portugal, may have a negative impact on the Issuer's business, the products and services it offers and/or the value of its assets. Future regulatory changes, changes in tax laws or other alterations may be unpredictable and are outside the Issuer's control.

It is not possible to predict the timing or form of any future regulatory initiatives. A potential further alignment by the Bank of Portugal to the ECB's regulations and recommendations may harden its stance in certain areas, such as capital requirements and acceleration of NPL disposals, which may, in turn, have an adverse impact on the Issuer and/or the Banco Montepio Group's results and financial position. Further changes or difficulties in the interpretation of or compliance with new tax or variations in the interpretation of laws, regulations and guidelines might negatively affect the Issuer's business, reputation, financial condition and results of operations or prospects.

The fulfilment of current and future capital requirements, as set out by the European Commission, the European Council and the European Parliament (together, the **"European Authorities"**), by the Bank of Portugal and by the ECB has had, and could further have, a significant impact on the Issuer's capital structure and financial position.

The CRR has been directly applicable in European States since 1 January 2014 and includes provisions regarding, for instance, own funds requirements, minimum capital ratios and liquidity ratios. These measures may have a significant impact on the Issuer's capital and on its respective assets and liabilities management.

Banks operating in Portugal are obliged to comply with several capital ratios, including a minimum Common Equity Tier 1 ("**CET1**") ratio of 4.5 per cent., a minimum Tier 1 ratio of 6 per cent. and a minimum total capital ratio of 8 per cent., in each case of risk-weighted assets ("**RWAs**").

The capital adequacy requirements currently applicable, or in the future applicable, to the Issuer may limit its ability to advance loans to customers and may require it to issue additional equity capital or subordinated debt in the future, which are expensive sources of funding.

#### *Legislation changes regarding banking commissions*

The current legislation in Portugal, namely Decree-Law 3/2010, of 5 January 2010, prohibits charges for the provision of payment services and for operations at ATMs. The law prohibits the collection of charges by credit institutions for cash withdrawals, deposits or service payments at ATMs, as well as the collection of charges by beneficiaries of payment services for payment transactions via automatic payment terminals. Law 53/2020, of 26 August, extended this legislation on 26 August 2020, and came into effect on 1 January 2021, to impose limits on the collection of commissions by payment service providers for withdrawals of funds, payments of services or transfers, in or through payment applications operated by third parties (e.g. MBWay or PayPal), websites or in a merchant shop and for issuing virtual cards for secure

purchases on websites and codes for cash withdrawals at ATMs. Additionally, new legislation was introduced, namely Law 57/2020, of 28 August, which came into effect on 1 January 2021. This new legislation has introduced new rules for the protection of consumers of financial services in banking commissioning, housing credit and consumer credit, which prohibits imposing additional commission for certain activities. Law 44/2020, of 19 August, amended the basic bank account commissioning terms and conditions in order to offer to these current account holders low-cost access to a set of banking services considered essential.

Other similar or broader initiatives may arise in the future, the content and range of which is still unknown, that may impose more limits to commissions charged by banks, including the Issuer, which may adversely affect the business and performance of the Issuer.

#### *Exposure to extensive and changing legislative and regulatory oversight*

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. Changes in supervision and regulation, in particular in Portugal, could materially affect the Issuer's business, the products and services it offers or the value of its assets. The COVID-19 or other pandemics may also result in the Portuguese Government, EU authorities and relevant regulatory bodies, introducing legislative and regulatory changes. Future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer. There is a risk that changes in financial services laws, regulations, administrative actions and policies might negatively affect the Issuer's business, reputation, financial condition and results of operations or prospects.

#### *Borrower's protection laws*

Existing legal and regulatory frameworks impose obligations for credit institutions to ensure protection for borrowers, including, implementing procedures for gathering information, contacting borrowers, monitoring the execution of loan agreements and managing default risk situations; the duty to assess the financial capacity of borrowers and present default correction proposals adapted to the borrower's situation; and drawing up a plan for restructuring debts emerging from home loans or replacing mortgage foreclosures that in some cases of extra-judicial procedures may restrict the Issuer's options to (i) terminate the relevant agreements; (ii) initiate judicial proceedings against the borrower; (iii) assign its credits over the borrower; or (iv) transfer its contractual position to a third party. These legal and regulatory frameworks for borrower's protection are expected to continue in the future.

Any existing or future legislation and regulation for the protection of borrowers may limit the Issuer's rights with respect to its powers over defaulting clients and, as a result, may have a material adverse effect on the Issuer's business, reputation, financial condition and results of operations or prospects.

#### *Basel Committee: potential impact of Basel IV and other requirements*

In December 2017, the Basel Committee on Banking Supervision ("**BCBS**") published a package of proposed reforms for the global regulatory framework of banking industry which is frequently referred to as "**Basel IV**". The BCBS's aim is to make the capital framework more robust and to improve confidence in the system.

The BCBS has proposed reforms which are designed to make banks more resilient and increase confidence in the banking system. The Basel IV proposals include updates to the ways banks calculate their capital requirements with the aim of making outcomes more comparable across banks globally.

The framework will now be considered by lawmakers in national jurisdictions and at the EU level. As part of this process, national or EU authorities must decide on the use of a limited number of alternative calculations allowed under the BCBS proposal, so called "national options and discretions".

The BCBS proposed a nine-year implementation timetable. A five-year “phase-in” period was previously expected to commence on 1 January 2022, with full implementation expected from 1 January 2027. In light of the COVID-19 pandemic, the BCBS revised the timeline with the “phase-in” period commencing on 1 January 2025, with full implementation expected from 1 January 2030.

There is still a high degree of uncertainty with regards to the Basel IV implementation, and subsequently how and when it will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact on the future capital requirements of the Issuer.

Furthermore, under the CRD IV, institutions may be subject to restrictions in relation to making “discretionary payments” (which are defined broadly as payments relating to CET1 capital, variable remuneration and payments on additional tier 1 instruments) in certain circumstances, including a shortfall in meeting its capital buffer requirements or a failure to meet the minimum requirement for own funds and eligible liabilities. If the Issuer’s ability to make discretionary payments becomes subject to such restrictions, this could have an impact on its ability to raise, and the cost of, any form of capital or funding.

On 23 November 2016, the EU Commission proposed substantial changes to the CRD IV, the CRR, the Bank Recovery and Resolution Directive (“**BRRD**”) and the Single Resolution Mechanism framework (the “**November 2016 Proposals**”). The November 2016 Proposals were adopted by the Council on 14 May 2019 and published in the Official Journal of the EU, as follows:

- Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (“**BRRD II**”); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council, of 20 May 2019 amending Regulation (EU) 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (“**SRMR II**”).

Both BRRD II and SRMR II entered into force on 27 June 2019. BRRD II foreseen transposition date was on or before 28 December 2020 and SRMR II applying from 28 December 2020.

Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019 amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (“**CRR II**”) and Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (“**CRD V**”) introduce a new approach for the measurement of counterparty credit risk, the implementation of the Net Stable Funding Ratio (“**NSFR**”), a changed framework for interest rate risk and changes to the treatment of trading book exposures, in addition to other amendments relating to capital, liquidity, leverage, remuneration and the EU’s recovery and resolution framework.

The BRRD II should have been transposed into domestic laws by 28 December 2020 with certain requirements relating to the implementation of the TLAC standard applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. This public consultation was open until 20 April 2021 and split into two main sections: a section covering the general objectives of the review, and a section seeking technical feedback on stakeholders’ experience with the Covid-19 crisis and framework and the need for changes in the future framework, notably regarding (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and

impact on the 'no creditor worse off' principle, and (iii) depositor insurance. The European Commission launched a general public consultation on 25 February 2021, which was open until 20 May 2021.

In this context, a new regime that establishes the rules for banking activity (the "**Banking Activity Code**") (*Código da Atividade Bancária*), which aims to replace the RGICSF and transpose BRRD II and CRD V, was proposed in 2020. The proposed Banking Activity Code aims to introduce changes and/or updates on matters of, among others, internal governance, conflicts of interest and related parties, non-cooperative offshore tax jurisdictions, duties of information and administrative procedures and supervisor enforcement.

On 1 July 2022 a legislative proposal was presented for amendments to the RGICSF, which is currently being discussed in detail in Parliament and is expected to become published. This legislative proposal will address the late transposition of BRRD 2 and CRD V, as the Bank Activity Code works have not been developing (albeit the Government continues to analyse the new Bank Activity Code, since the results of the public consultation carried out until January 2021 were not unanimous).

CRR II came into effect on 28 June 2021 (subject to certain applications and exemptions, such as those relating to the transitional arrangements for International Financial Reporting Standard 9 – Financial Instruments ("**IFRS 9**") and the characteristics of new regulatory capital instruments). The impact of changes to the IFRS, such as IFRS 9, cannot always be accurately quantified in advance, but the changes in the fair values and impairments of financial instruments resulting from the above could have a material adverse effect on the Issuer's business, reputation, financial condition, results, operations and, if such changes are significant, also on its prospects.

Under the new legal framework, there is the risk that the Issuer is not able to comply with stricter and more demanding regulatory requirements regarding capital, liquidity, leverage, and others in a timely manner.

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

Following the decision of the Bank of Portugal on 3 August 2014 to apply a resolution measure to Banco Espírito Santo ("**BES**"), most of its business was transferred to a bridge bank, Novo Banco, S.A. ("**Novobanco**"), specifically set up for that purpose and capitalised by the resolution fund – as created by Decree-Law 31- A/2012, of 10 February 2012 (the "**Resolution Fund**"). The Resolution Fund is funded by contributions from the institutions participating in the Resolution Fund and contributions from the Portuguese banking sector – with an initial share capital of €4.9 billion. Of this amount, €300 million corresponded to the Resolution Fund's own financial resources, €3.9 billion resulted from a loan granted by the Portuguese State (the "**2014 Portuguese State Loan**"), €700 million from a loan granted by a group of credit institutions that are members of the Resolution Fund including the Issuer (the "**Participants' Loan**"). As at 31 December 2021, the Issuer's share of the Participants' Loan was €70 million.

The Issuer's pro rata share in the Resolution Fund will vary from time to time according to the Issuer's liabilities and own funds, when compared to the other institutions participating in the Resolution Fund. Contributions to the Resolution Fund are adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution. This number varies over time and it is very difficult to determine the Issuer's exact participation at any given point in time.

In 2021, the total contribution amount to the Resolution Fund totalled €77.9 million (€72.0 million in 2020), which represented an increase of €5.9 million compared to the previous year, of which approximately 6.0 per cent. (6.2 per cent. in 2020) were contributions from the Issuer.

In relation to the contributions from the Portuguese banking sector, in accordance with the available data, in 2021 it amounted to €186.8 million (€177.7 million in 2020), of which approximately 5.5 per cent. (6.1 per cent. in 2020) was paid by the Issuer).

In 2021 the periodic contribution created within the scope of BRRD transposition amounted to €133.1 million (€128.2 million in 2020), of which approximately 5.8 per cent. per cent. (4.8 per cent. in 2020) was paid by the Issuer, which included the contributions collected under the combined terms of the scheme transposing BRRD and the SRM Regulation from the institutions covered by the SRM. This amount was therefore almost entirely transferred to the Single Resolution Fund ("**SRF**") in accordance with the Intergovernmental Agreement and is not included in the calculation of the funding sources of the Resolution Fund. Excluded from the transfer to the SRF is only the amount paid to the Resolution Fund by the participating institutions that do not fall within the scope of the SRM, which amounted to 6 thousand euros.

The negative impact on the Issuer of the resolutions of BES and Banco Internacional do Funchal, S.A. ("**Banif**") cannot be anticipated, as there is the risk that the Resolution Fund may need further recapitalisation while both resolutions are not totally settled. See "*The Portuguese Banking Sector – The resolution measure applied to **Banif***" section of this Base Prospectus for further information.

Furthermore, there is the risk that the resolution measures applied to BES and Banif may prejudice investors' and economic agents' positive perception of the Portuguese financial system and the Issuer as a participant thereto.

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

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

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

#### **Risks related to Covered Bonds generally**

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

##### *Covered Bonds are obligations of the Issuer only*

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege (*privilegio creditório especial*) created under the Covered Bonds Law over the Cover Pool (as defined in Terms and Conditions of the Covered Bonds) maintained by the Issuer. Although primarily based and secured by the credits comprised in the Cover Pool, an investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer, which will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. In case of insufficiency of the assets constituting the Cover Pool, the holders of the Covered Bonds will be treated as common creditors of the Issuer and will have to rely, for the performance by the Issuer of its obligations under the Covered Bonds, on the sufficiency of the assets of the Issuer available to common creditors. Accordingly, the holders of Covered Bonds will become exposed to the credit risk of the Issuer, in case of insufficiency of the assets constituting the Cover Pool to meet the obligations of the Issuer under the Covered Bonds. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the actual or

perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

The Covered Bonds will not represent an obligation or be the responsibility of the Arrangers, the Dealers or the Common Representative or any person other than the Issuer.

***The new covered bonds directive may trigger the need to make some adjustments to the Programme***

On 12 March 2018, the European Commission published a Proposal for a Directive of the European Parliament and of the Council on the issue of covered bonds and their public supervision, amending Directive 2009/65/EC and Directive 2014/59/EU. In November 2019, the European Parliament and the Council adopted the legislative package with a new covered bonds directive and regulation. The new Directive (EU) 2019/2162 of the European Parliament and of the Council, of 27 November 2019 (the “**CBD**”) and Regulation (EU) 2019/2160 of the European Parliament and of the Council, of 27 November 2019 were published in the Official Journal on 18 December 2019 and came into effect on 7 January 2020.

The CBD replaces current Article 52 (4) of Directive 2009/65/EC on undertakings for collective investment in transferable securities (as amended, the “**UCITS Directive**”) and establishes a revised common base-line for the issue of covered bonds for EU regulatory purposes (subject to various options that Member States may choose to exercise when implementing the new directive into their national legal orders).

The CBD has been transposed into Portuguese national legislation by Decree-Law 31/2022, of 6 May 2022, which entered into force on 1 July 2022, which approved the Legal Regime of Covered Bonds.

Regulation (EU) 2019/2160, which amends Article 129 of the CRR, is directly applicable in the EU since 8 July 2022. It further strengthens the criteria applicable to covered bonds that benefit from preferential capital treatment under the CRR regime and adds requirements on minimum overcollateralisation and substitution assets. However, given that certain elements of this new regime will require transposition through national laws, there can be no assurances or predictions made as to its precise effect on the Covered Bonds. There is a risk that Covered Bonds issued after the July 2022 deadline which do not comply with the CBD regime may not be eligible as collateral in repurchase agreements with the ECB.

It should also be noted that the CBD provides for permanent grandfathering with respect to certain requirements of the new regime for Article 52 (4) UCITS Directive-compliant covered bonds issued before 8 July 2022 and includes an option for EU Member States to allow tap issues of grandfathered covered bonds (for up to 24 months after 8 July 2022, which Portugal has elected for under the new legislation), provided that such issues comply with certain prescribed requirements. Pursuant to the transitory regime set out in paragraph 4 of Article 7 of the Legal Regime of Covered Bonds, this Base Prospectus is intended to be used solely for tap issues of grandfathered Covered Bonds within such prescribed requirements. Such grandfathered Covered Bonds will continue to be governed by the Covered Bonds Law in conjunction with certain provisions of the Legal Regime of Covered Bonds (*e.g.*, certain provisions relating to insolvency of the issuer).

Further, in accordance with the transitional provisions of Decree-Law 31/2022, of 6 May 2022, an issuer of covered bonds under the Covered Bonds Law may apply to the CMVM, as supervisory authority, to convert its existing covered bonds programme, under the Covered Bonds Law, to a covered bonds programme compliant with the Legal Regime of Covered Bonds, by submitting the application to the CMVM together with the adjusted programme documentation and other applicable supporting documents and information. If the CMVM authorises such conversion, the covered bonds issued under the Covered Bonds Law will become subject to the Legal Regime of Covered Bonds and the terms of such compliant covered bonds programme. Until authorisation from the CMVM is provided, the existing covered bonds programme does not fulfil the legal requirements to be considered compliant with the Legal Regime of Covered Bonds. The Legal Regime of Covered Bonds entails significant differences *vis-à-*

vis the Covered Bonds Law, notably on the requirements for extension of maturity (including documentation and information requirements and an opposition right of the CMVM).

Prospective investors should therefore inform themselves of the above legal changes, including, *inter alia*, the differences between the Legal Regime of Covered Bonds and the Covered Bonds Law and the impacts of a possible conversion of the Programme, if so decided by the Issuer and authorised by CMVM, into a covered bonds programme compliant with the Legal Regime of Covered Bonds, in addition to any other regulatory requirements applicable to their investment in the Covered Bonds.

*Implementation of legislation relating to taxation could have a material adverse effect on Covered Bonds*

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

*The secondary market risk for Covered Bonds*

When issued, there may not exist an established trading market for Covered Bonds, and such a market may potentially never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Covered Bonds easily or do so at prices that will provide a yield comparable to similar investments that benefit from a developed secondary market. This is particularly true for the case for Covered Bonds that are especially sensitive to interest rates, currency or market risks and those that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

*Risks relating to Floating Rate Covered Bonds*

Floating Rate Covered Bonds (as defined in "*Terms and Conditions of the Covered Bonds*") bear a variable interest income. A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Covered Bonds in advance. Interest on Floating Rate Covered Bonds may be payable plus or minus a margin.

*If the Covered Bonds include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Covered Bonds concerned*

Fixed/Floating Rate Covered Bonds are Covered Bonds which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Covered Bonds as the change of interest basis may result in a lower interest return for Noteholders. Where the Covered Bonds convert from a fixed rate to a floating rate, the spread on such Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. Where the Covered Bonds convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Covered Bonds and could affect the market value of an investment in the relevant Covered Bonds.

*If the Issuer has the right to redeem the Covered Bonds at its option, this may limit the market value of the Covered Bonds concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

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

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. 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 Covered Bonds 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.

#### *Extended Maturity of the Covered Bonds*

An Extended Maturity Date will be specified in the relevant Final Terms for each Series of Covered Bonds issued under the Programme. Pursuant to the Covered Bonds Law, the Extended Maturity Date may not fall any later than 50 (fifty) years after the Issue Date of such Series. If an Issuer Event occurs, the maturity of the Covered Bonds issued under the Programme will automatically be extended to the Extended Maturity Date, as defined in the applicable Final Terms. In that event, the Issuer may redeem at par all or part of the principal amount outstanding of those Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, subject as otherwise provided in the applicable Final Terms. In that event also, the interest payable on the principal amount outstanding of those Covered Bonds will change as provided in the applicable Final Terms and such interest may apply on a fixed or floating basis.

The extension of the maturity of the principal amount outstanding of those Covered Bonds from the Maturity Date up to the Extended Maturity Date will not result in any right of the holders of Covered Bonds to accelerate payments on those Covered Bonds or constitute an event of default for any purpose and no payment will be due to the holders of Covered Bonds in that event, unless otherwise established in the Terms and Conditions (see Terms and Conditions of the Covered Bonds) as amended by the applicable Final Terms.

#### *Risks relating to all outstanding Covered Bonds of the Programme upon occurrence of an Insolvency Event in respect of the Issuer*

If an Insolvency Event has occurred in respect of the Issuer, all outstanding Covered Bonds of the Programme will assume the form of pass-through covered bonds. If, as a result of the occurrence of such event triggering the pass-through condition, all covered bonds become pass-through Covered Bonds, there is a risk that holders of Covered Bonds of the Programme with a Maturity Date after such date receive principal repayments prior to the Maturity Date and therefore earlier than expected, which may result in a lower yield than expected on such holder of Covered Bonds' investment.

#### *Risks relating to some but not all Covered Bonds of the Programme upon occurrence of an Issuer Default of Payment*

In the case of an Issuer Default of Payment Event on one Series of Covered Bonds of the Programme, such Covered Bonds of that Series shall be considered and will assume the form of pass-through covered bonds and will be due on their Extended Maturity Date, which may result in a lower yield than expected for such holder of Covered Bonds' investment.



*Risks relating to any termination payments due to the relevant Hedge Counterparty as a result of early termination*

If an Issuer Event has occurred and any Covered Bonds are redeemed early on an Interest Payment Date following that Issuer Event, then the Hedging Contracts relating to such Covered Bonds (if any) will terminate early (in whole or in part) on such Interest Payment Date. In the event of an early termination of the Hedging Contracts, a termination payment may be due from the Hedge Counterparty to the Issuer or from the Issuer to the Hedge Counterparty. Any termination payments due to the Issuer as a result of any such early termination will result in greater amounts being available to the holders of such Covered Bonds; however, any termination payments due to the relevant Hedge Counterparty as a result of any such early termination will be paid ahead of any amounts due to the holders of such Covered Bonds and, accordingly, less funds will be available for distribution to those holders on such Interest Payment Date.

*Risks relating to the increase in the margin payable by the Issuer to the Hedge Counterparty in any relevant Hedging Contract so as to account for any extension in the Maturity Date of any Covered Bonds*

If an Issuer Event has occurred, then the margin payable by the Issuer to the Hedge Counterparty in any relevant Hedging Contract may be increased so as to account for any extension in its term and, as a consequence, greater amounts may become due from the Issuer to Hedge Counterparties on subsequent Interest Payment Dates. Payments to the Hedge Counterparties rank ahead of payments to holders and, accordingly, any increase in payments to the Hedge Counterparties will result in less funds being available for distribution to holders on subsequent Interest Payment Dates.

*Mismatch risk and Market risk - distinction between standard and conditional pass-through covered bonds*

Under a pass-through structure, the mismatch risk between the maturity of the underlying assets and the maturity of the covered bonds is transferred to the investor, as the repayment of the covered bonds, in case the pass-through mechanism is triggered, will rely primarily on the collections of the Cover Pool (without prejudice to claim over the Issuer or its insolvency estate, as applicable, held by the holders of the Covered Bonds), up until the extended maturity date, as opposed to what happens prior to pass-through being triggered, in which circumstance the Issuer is primarily bearing this mismatch risk, irrespective of the cover pool cashflows. At the same time, market risk may be increased, not directly due to the pass-through structure itself, but due to potential fire sales of the underlying assets (losses resulting from the fire sale of the mortgage loans at a higher discount) to realise cash, notably if the holders of the Covered Bonds decide to accelerate payments under the Covered Bonds, after they have become pass-through, in accordance with the Conditions.

Additionally, there is a risk that, particularly if all Covered Bonds become Pass-Through Covered Bonds, the speed of repayment of such Pass-Through Covered Bonds will be reduced, because the available funds for repayment will be divided pro rata with respect to all Covered Bonds and not only those that have matured. In such case, it is likely that the repayment of such Covered Bonds will take longer and not at the moment holders of Covered Bonds anticipated to receive payments.

*The Terms and Conditions provide that the Issuer may vary the Terms and Conditions in respect of a Successor Rate or an Alternative Reference Rate as determined by an Independent Adviser without any requirement for consent or approval of the holders of the Covered Bonds*

Any changes to the administration of a benchmark or screen rate or the emergence of alternatives to such benchmark or screen rate as a result of these potential reforms, may cause the benchmark or screen rate to perform differently from in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of a benchmark or screen rate or changes to its administration could require changes to the way in which the Rate of Interest is calculated on Covered Bonds referencing such benchmark or screen rate (as applicable). Uncertainty as to the nature of

alternative reference rates and as to potential changes to the benchmarks or screen rates referenced by the Covered Bonds may adversely affect the return on the Covered Bonds and the trading market for securities referencing such benchmark or screen rate. The development of alternatives to benchmarks or screen rates may result in Covered Bonds referencing such benchmarks or screen rates performing differently than would otherwise have been the case if such alternatives had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Covered Bonds referencing a benchmark or screen rate.

The Terms and Conditions also provide for certain fallback arrangements in the event that a Benchmark Event occurs in relation to Covered Bonds for which Screen Rate Determination applies. Either (i) the Issuer will appoint an Independent Adviser to determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the Original Reference Rate or (ii) if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed is unable to determine the relevant rates, the Issuer may (after consulting with the Independent Adviser (if any)) determine a Successor Rate or, failing which an Alternative Reference Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest may result in the Covered Bonds performing differently (including paying a lower Rate of Interest for any Interest Period) than they would do if the Original Reference Rate were to continue to apply.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by an Independent Adviser or the Issuer, as the case may be, the Terms and Conditions provide that the Issuer may vary the Terms and Conditions and the Set of Agency Procedures as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the holders of the Covered Bonds.

If a Successor Rate or Alternative Reference Rate is determined by an Independent Adviser or, as the case may be, the Issuer, the Terms and Conditions also provide that an Adjustment Spread may be determined by the Independent Adviser or, as the case may be, the Issuer to be applied to such Successor Rate or Alternative Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as the case may be) to holders of the Covered Bonds as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Reference Rate. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to holders of the Covered Bonds. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. Furthermore, there is no guarantee that a Successor Rate or an Alternative Reference Rate will be determined or applied. Any of the foregoing could have an adverse effect on the value or liquidity of and return on the Covered Bonds.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Covered Bonds based on the rate which was last observed on the Relevant Screen Page.

Any of the above matters or any other significant change to the setting or existence of the Original Reference Rate could adversely affect the ability of the Issuer to meet its obligations under the Covered Bonds and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with

respect to any Covered Bonds linked to or referencing a benchmark.

#### *Dynamic Nature of the Cover Pool*

The Cover Pool may contain mortgage credits, other eligible assets, substitution assets and hedging contracts, in all cases subject to the limitations provided for in the Covered Bonds Law and the Regulatory Notices. The Covered Bonds Law permits the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the composition of mortgage credits (and other permitted assets) comprised in the Cover Pool will change from time to time in accordance with the Covered Bonds Law - See "*The Covered Bonds Law*".

#### *Other Assets/Hedging Contracts*

The Covered Bonds Law permits the inclusion in the Cover Pool of other eligible assets and hedging contracts subject to certain restrictions under the Covered Bonds Law and the Regulatory Notices. The aggregate amount of other eligible assets cannot exceed 20 per cent. of the total value of the mortgage credits and other eligible assets comprised in the Cover Pool. See *Characteristics of the Cover Pool*. The inclusion of other eligible assets and hedging contracts as mentioned above can affect the performance of the Cover Pool and the value of and amounts ultimately payable under the Covered Bonds, as compared to a situation where no such inclusion was made, or was made at different levels.

#### *Hedging Contracts*

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Law, except if the Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any exchange rate risk coverage. At the date of this Base Prospectus it is intended that the Hedging Contracts will hedge the interest rate exposure with respect to the Mortgage Credits comprised in the Cover Pool, as well as the interest rate exposure with respect to the Covered Bonds. See *Characteristics of the Cover Pool – Hedging Contracts*. The entering into of hedging contracts, or the absence of entering into of hedging contracts, where the Issuer is entitled to enter into the same, can impact the performance of the Cover Pool and the value of, and amounts ultimately payable under, the Covered Bonds, as compared to a situation where the opposite decision has been taken by the Issuer.

#### *Value of security over residential property*

The holders of Covered Bonds benefit from a special creditor privilege (*privilegio creditório especial*) over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (See *Characteristics of the Cover Pool*). The security for a mortgage credit included in the Cover Pool consists of, among others, a mortgage over a property granted in favour of the Issuer. The value of this property and, accordingly, the level of recovery on the enforcement of the mortgage, may be affected by, among other circumstances, a decline in the value of the relevant property and no assurance can be given that the values of the relevant properties will not decline in the future. Changes in the value of the mortgaged properties securing mortgage credits that are part of the Cover Pool can impact the performance of the Cover Pool and the value of and amounts ultimately payable under the Covered Bonds.

#### *Amortisation of Mortgage Credits*

Mortgage credits included in the Cover Pool are and generally will be subject to amortisation of principal and payment of interest on a monthly basis. They are also subject to early repayment of principal by the relevant borrowers, whether in whole or in part. Early repayments of principal on mortgage credits may result in the Issuer being required to include further mortgage credits and/or substitute assets in the

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

*The regulation and reform in relation to “benchmarks” may adversely affect the value of the Covered Bonds linked to or referencing such “benchmarks”*

Interest rates and indices which are deemed to be “benchmarks” are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds referencing such a benchmark. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU- based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks provided by administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the “**UK Benchmark Regulation**”) applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by UK supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation and the UK Benchmark Regulation could have a material impact on any Covered Bonds linked to or referencing a “benchmark” or index, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing the rate or level or of affecting the volatility of the published rate or level of the “benchmark”. More broadly, any of the international or national reforms or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have any of the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or to contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks; (iii) lead to the disappearance of the benchmark.

The potential elimination of any benchmark (including, for example, EURIBOR), or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions, or result in other consequences, in respect of any Covered Bonds linked to such benchmark. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”, (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds linked to or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation and/or the UK Benchmark Regulation in making any investment decision with respect to any Covered Bonds linked to or referencing a “benchmark”.

The Terms and Conditions provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR or other relevant reference rates and include any page on which such benchmark may be published (or any successor service), becomes unavailable or a Benchmark Event otherwise occurs, as well as the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate and that such Successor Rate or Alternative Reference Rate may be adjusted (if required). If a Benchmark Event occurs, in accordance with Condition 4.5 (Benchmark Replacement), the Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate or an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in the Covered Bonds performing differently (which may include payment of a lower rate of interest) than they would do if the Original Reference Rate were to continue to be referenced. In addition, the market (if any) for Covered Bonds linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Covered Bonds linked to the Original Reference Rate.

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

Set out below is a brief description of certain market risks, including macroeconomic risk, liquidity risk, exchange rate risk, interest rate risk and credit risk that may have a material adverse effect on the business, reputation, financial condition and results of operation or prospects of Banco Montepio.

#### *The impact of war in Ukraine on the Portuguese financial system*

Russia's invasion of Ukraine on 24 February 2022 triggered the enforcement of economic sanctions on Russia globally (including the European Union, United States of America and the United Kingdom) and a surge in various commodity prices, which have inevitably resulted in a change in the outlook for growth in activity and prices in most economies, albeit to different extents.

The scenario arising from the invasion of Ukraine has direct and indirect implications on the banking system. The direct effects include the impact on the deterioration of the quality of direct exposures to these geographies or to others interconnected with them, reinforced by international sanctions, which will also increase operational risk.

Banco Montepio Group's exposure to the 23 member states of the United Nations ("UN") that make up the Eastern Europe Regional Group, in which Russia and Ukraine are included, corresponding to loan portfolio exposures, is residual, totaling 0.5 million euros (0.0023 per cent. of the Group's total assets). As at 31 December 2021, exposure to Russia and Ukraine under the same criterion, was only €0.04 million and €0.002 million, respectively.

With regards to the indirect implications, a conflict such as this will tend to have an unfavourable impact on the Banco Montepio Group's income statement due to lower activity resulting from increased uncertainty and higher credit risk, with potential consequences on impairment.

With regards to net interest income, the impact is dependent upon market expectations about the future of interest rates and the ECB's monetary policy decisions, in which the favourable effect of re-fixing loan portfolios indexed to EURIBOR rates may be countered by the negative consequences on default levels and, consequently, on loan impairment. At first, markets anticipated that the phasing out of the monetary policy incentives implemented by the ECB would be postponed in light of the COVID-19 pandemic. However, the decisions taken by ECB most recently have changed this assessment, and a less accommodative monetary policy is now more likely, given the impact of the military conflict on energy prices and, consequently, on inflation.

In addition, exposure to the economies most impacted by the war by some systemically relevant banking entities may bring about some disruptions to financial stability, and there is still considerable uncertainty surrounding the magnitude of such exposures and interconnections with other financial entities.

All the above factors could have a materially adverse effect on the Issuer and/or the Banco Montepio Group's business, reputation, financial condition and results, operations or prospects.

#### *COVID-19 pandemic and similar future outbreaks impacting global economy and markets*

Coronaviruses (CoV) are a large family of viruses that cause illness ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). COVID-19, reportedly first discovered in Wuhan, Hubei Province, China, on 31 December 2019, was a new strain that had not been previously identified in humans.

Despite successful vaccination programmes in many countries, the risk to the global economy posed by further virus mutation continues. Due to the spread of Delta and other variants of COVID-19, particularly in China, disruptions in global trade flows, including port closures, have led to a shortage of inputs and goods in large parts of the world and had negatively impacted growth.

Another wave of infections due to virus mutations could result in a more widespread health crisis. Additionally, the various pandemic containment measures undertaken by governments, including lockdowns, have had financial consequences for corporations and individuals. These factors in combination may result in protracted volatility in the international markets and/or a severe and extended global recession because of disruptions to nearly all economic sectors.

The final implications of this pandemic are difficult to estimate at this stage, it has had, and might still have, significant macro-economic consequences and has had, and might still have, substantial worldwide negative effects. As such, the Issuer may be adversely affected by the wider macroeconomic effects of the COVID-19 pandemic and any potential similar future outbreaks, given the likeliness of a substantial negative effect on Portugal and the Portuguese economy.

The ongoing impact of COVID-19 on global markets has been varied, increasing short-term volatility and leaving investors concerned over slowing economic growth in the world economy. In the short term, the further economic impact of the COVID-19 pandemic will depend on a number of factors, including (i) virus mutations and emergence of new strains of the virus which impact its severity, duration and spread, (ii) access to and delivery of vaccination programmes at a global level, and (iii) continuing, additional or the re-introduction of social restrictions.

In the medium to long-term, if the spread of COVID-19 is prolonged further or new strains of the virus (including strains against which current vaccinations are less effective) emerge, macroeconomic conditions may continue to be adversely affected, leading to further economic downturns in the markets in which the Issuer operates and in the global economy more broadly (and such downturns could be widespread, severe and lasting). The ability of the Issuer's customers and third-party providers to comply with their continuing obligations, including to the Issuer's, may also be materially adversely affected.

The actions taken by governments and other relevant authorities in response to the COVID-19 pandemic and any potential similar future outbreaks, including the imposition of quarantine, stay at home or mandatory business closures may reduce the ability of the Issuer and its clients to carry out their work. This may, either directly or indirectly, have an impact on the global economy, the Issuer, its clients, investors and credit markets which in turn may adversely affect the Issuer's business, reputation, financial condition and results, operations or prospects.

#### *The impact of the financial and credit crisis*

The capital and credit markets have experienced several periods of volatility and disruption, since 2008. The market dislocations have led to the failure of several substantial financial institutions, causing widespread liquidation of assets and further constraining the credit markets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, have 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 Banco Montepio, and reduces its ability to sell assets at prices deemed acceptable.

If current levels of market volatility worsen significantly, Banco Montepio'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 Banco Montepio to liquidate assets held at depressed prices or on unfavourable terms.

These factors could have an adverse effect on the business, reputation, financial condition and result, operations or prospects of Banco Montepio.

#### *United Kingdom's Exit from the European Union*

On 23 June 2016, the UK held a referendum on the country's membership of the EU, according to which the UK voters elected to leave the EU ("**Brexit**"). The UK formally left the EU on 31 January 2020. The terms of the new trade relationship were negotiated in December 2020. Since then, British and EU exporters have faced increased difficulties related to regulatory red tape and border disruptions. The EU-UK agreement is also under pressure, given difficulties in executing the terms related to Northern Ireland. Uncertainty related to these issues could create difficulties for Portuguese exporters. The EU and the UK have reached a post-Brexit deal on financial services, but this has yet to be ratified. Failure to implement this agreement could hamper access to financial market infrastructures, the ability to perform contractual obligations under existing contracts and access to funding markets.

Given the current uncertainties and the range of possible outcomes, no assurance can be given in relation to the possible impact of any of the matters described above. Such impact could have an adverse effect on the business, reputation, financial condition and result, operations or prospects of Banco Montepio.

#### *Economic activity in Portugal*

As the Issuer 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. Thus, a decline in Portuguese economic activity may have a material effect on the Issuer's financial condition and on the results of its operations. A deterioration in Portugal's international economic performance and/or uncertainty regarding implemented political measures may also have a material effect on the Issuer's financial condition and on the results of its operations.

A weaker international economic outlook, together with high geopolitical uncertainty and trade tensions, pose additional challenges to the stability of the global financial system and to the Portuguese economy. The uncertainty and risks associated with the world economy's growth have increased in recent months, in particular, due to international trade tensions (e.g. US and China; US and EU), the COVID-19 pandemic, the Russia-Ukraine geopolitical conflict and rising inflation. Besides, a sharper slowdown in China's economic activity (despite higher-than-estimated developments in early 2019) and the still high sensitivity of some emerging markets to changes in risk premia may accentuate downside risks to global economic activity. For more information, please refer to the risk factor headed "*COVID-19 pandemic and similar future outbreaks impacting global economy and markets*".

The Bank of Portugal projects that the Portuguese economy will grow by 6.7 per cent. in 2022, 2.6 per cent. in 2023 and 2 per cent. in 2024. The rate of change projected for 2022 is the result of the carry-over effect of developments in activity in the previous year, associated with the pandemic crisis recovery process, which continued into the beginning of 2022. GDP reached pre-pandemic levels in the first quarter of 2022 (*Source: Economic Bulletin, Bank of Portugal, June 2022 and October 2022*).

The risks identified may interact together and, should they materialise, mutually enhance one another, having a negative impact on (i) the Issuer's cost of funding and its ability to issue Covered Bonds under the Programme; (ii) the yield of Portuguese Government bonds, impacting the capital position of the Issuer; and (iii) the Portuguese economy, which, in turn, would have a negative impact on the business of the Issuer.

The Issuer's business activities (including mortgage lending activities) are dependent on the level of banking and financial services required by its customers and borrowers in Portugal which are, in turn, influenced by economic activity, saving levels, investment and employment. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, and the condition of the Portuguese economy and market interest rates.

Several challenges persist as fiscal consolidation is still unfolding, and private and public debt levels remain high. It is still unclear whether the Portuguese economy will continue to recover in a sustainable way, particularly through an increase in public and private investment.

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

Furthermore, the reduction in the profitability of companies and the increase in corporate and personal insolvencies have had, and may continue to have, a negative influence on the ability of the Issuer's clients to pay back loans, and, consequently, could cause an increase in the ratio of overdue loans, reflecting a deterioration of the Issuer's quality of assets.

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

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

The Issuer will pay principal and interest on the Covered Bonds 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 Covered Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency equivalent market value of the Covered Bonds.



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 Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this will adversely affect the value of the Fixed Rate Covered Bonds.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. There is no obligation on the Issuer to maintain any rating for itself or for the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each securities rating should be evaluated independently of any other securities rating. Any Rating Agency may lower or withdraw its rating. In the event that the ratings initially assigned to the Covered Bonds are subsequently lowered, withdrawn or qualified for any reason, the Issuer will not be obliged to provide any credit facilities or credit enhancement for the original ratings to be restored. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Covered Bonds.

The ratings assigned to the Covered Bonds assess the likelihood of full and timely payment of interest due on each Interest Payment Date to holders of the Covered Bonds, and the likelihood of ultimate payment of principal in relation to Covered Bonds either on the Final Maturity Date or on the Extended Maturity Date, as applicable. The ratings address only the credit risks associated with the transaction. However, other non-credit risks are not addressed but may have a significant effect on yield to investors. Due to the methodology of the main rating agencies, the Issuer's credit rating may be affected by the rating of Portugal's sovereign debt. If Portugal's sovereign debt is downgraded, the Issuer's credit rating may also likely be downgraded by an equivalent amount. In addition, the negative economic impact which may be caused by events such as certain meteorological conditions, natural disasters, fires, war or military conflicts or widespread health crises (such as COVID-19) or the fear of such crises may result in downgrades to the ratings assigned to the Covered Bonds.

If any rating assigned to the Covered Bonds is lowered or withdrawn or can no longer be issued or used for regulatory or other reasons, the market value of the Covered Bonds may be reduced.

#### *Change of law*

The Terms and Conditions of the Covered Bonds are governed by Portuguese law in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any potential judicial decision or change to Portuguese law, including the Covered Bonds Law, the Regulatory Notices, the Legal Regime of Covered Bonds, any secondary legislation thereunder or administrative practice following the issue date of the relevant Covered Bonds.

#### *Risks related to procedures for collection of Holders of the Covered Bonds' 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 Covered Bonds (the "**beneficial owner**") of the information referred to in "*Special Debt securities tax regime*" below 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. Details of those procedures are set out in “*Taxation – Special Debt securities tax regime*”. 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 Covered Bonds are registered by Interbolsa. Beneficiaries must comply with such procedures in order to receive payments under the Covered Bonds 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 Covered Bonds. None of the Issuer, the Arranger, the Dealers, the agents or the clearing systems assume any responsibility therefor.

### **Risks related to the structure of a particular issue of Covered Bonds**

A wide range of Covered Bonds may be issued under the Programme. Covered Bonds may have features which contain particular risks for potential investors, who should consider the terms of the Covered Bonds before investing.

#### *Issuer’s Repurchase Commitment*

The Issuer may provide a Repurchase Commitment to purchase a Series of Covered Bonds on its Repurchase Date. Such Repurchase Commitment will be an unsecured obligation of the Issuer only and, for the avoidance of doubt, it will not be secured on the Assets comprised in the Cover Pool. Failure by the Issuer to comply with its Repurchase Commitment will not constitute an event of default under the Terms and Conditions of the corresponding Series of Covered Bonds.

The Repurchase Commitment will only apply to certain Series of Covered Bonds, as per the applicable Final Terms, and will be given solely for the benefit of Qualified Investors (as defined below).

Accordingly, non-qualified investors or Qualified Investors of Series of Covered Bonds that do not benefit from the Repurchase Commitment should be aware that they will not be entitled to request the Issuer to repurchase the relevant Covered Bonds and must be prepared to hold the Covered Bonds until final redemption thereof.

For the purposes of this commitment, “**Qualified Investor**” (“*investidor qualificado*”) shall mean any qualified investor in accordance with and for the purposes of the Portuguese Securities Code (*Código dos Valores Mobiliários*) and/or in accordance with and for the purposes of other applicable laws (including Regulation (EU) 2017/1129 (the Prospectus Regulation)), to whom an offer can be lawfully made under circumstances which are not deemed to be a public offer in any relevant jurisdiction.

As described under the section “*Legislation on Bank Recovery and Resolution*”, under national and EU law, the Issuer may be subject to resolution measures. If the Issuer is subject to such measures, the impact thereof on repurchase commitments that benefit holders of Series of Covered Bonds cannot be anticipated, as the application and exact content of such measures is determined by the resolution authority, at the time of resolution. For instance, such repurchase commitment may remain a liability of the Issuer or subject to bail-in, whilst covered bond assets and liabilities are transferred to a bridge institution or another credit institution.

*A holder of a Floating Rate Covered Bonds is exposed to the risk of fluctuating interest rate levels which make it impossible to determine the yield of Floating Rate Covered Bonds in advance and to the risk of uncertain interest income*

Floating Rate Covered Bonds bear a variable interest income. A holder of a Floating Rate Covered Bond is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest

rate levels make it impossible to determine the yield of Floating Rate Covered Bonds in advance. Interest on Floating Rate Covered Bonds may be payable plus or minus a margin.

*Covered Bonds which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- a) the earnings release of the Issuer for the first nine months of 2022 (available at [https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en\\_GB/banco-montepio-consolidated-results-3-quarter-2022.pdf](https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en_GB/banco-montepio-consolidated-results-3-quarter-2022.pdf)) including the unaudited information set out at the following pages in particular:

### **9M2022 EARNINGS RELEASE**

---

Key Indicators .....	20
Consolidated Income Statement.....	21
Consolidated Balance Sheet .....	22

- b) the semi-annual report and unaudited consolidated annual financial statements of Banco Montepio as at and for the first semester 2022 ended on 30 June 2022, together with the limited review report thereon (the "**Semi-Annual Report 2022**") (available at <https://www.bancomontepio.pt/resources/SiteMontepio/documentos/institucional/informacao-financeira/banco-montepio-first-half-report-2022.pdf>), including the information set out at the following pages in particular:

### **SEMI-ANNUAL 2022 CONSOLIDATED FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT**

---

Interim Consolidated Income Statement .....	111
Interim Consolidated Statement of Comprehensive Income.....	112-113
Interim Consolidated Balance Sheet .....	114
Interim Consolidated Statement of Cash Flows .....	115
Interim Consolidated Statement of Changes in Equity .....	116
Notes to the Consolidated Financial Statements .....	117-283
Limited review report on the consolidated financial statements ...	436-440

- c) the annual report and audited consolidated annual financial statements of Banco Montepio as at and for the financial year ended 31 December 2021, together with the notes and the audit report thereon (the "**Annual Report 2021**") (available at [https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en\\_GB/banco-montepio-annual-report-2021.pdf](https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en_GB/banco-montepio-annual-report-2021.pdf)), including the information set out at the following pages in particular:

## 2021 CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT

---

Consolidated Income Statement.....	157
Consolidated Statement of Comprehensive Income.....	158-159
Consolidated Balance Sheet .....	160
Consolidated Statement of Cash Flows .....	161
Consolidated Statement of Changes in Equity .....	162
Notes to the Consolidated Financial Statements .....	163-359
Statutory Audit Report and Auditors' Report on the audit of the consolidated financial statements .....	590-600

- d) the annual report and audited consolidated annual financial statements of Banco Montepio as at and for the financial year ended 31 December 2020, together with the notes and the audit report thereon (the **"Annual Report 2020"**) (available at [https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en\\_GB/banco-montepio-annual-report-2020.pdf](https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en_GB/banco-montepio-annual-report-2020.pdf)), including the information set out at the following pages in particular:

## 2020 CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT

---

Consolidated Income Statement.....	164
Consolidated Statement of Comprehensive Income .....	165-166
Consolidated Balance Sheet .....	167
Consolidated Statement of Cash Flows .....	168
Consolidated Statement of Changes in Equity .....	169
Notes to the Consolidated Financial Statements .....	170-363
Statutory Audit Report and Auditors' Report on the audit of the consolidated financial statements .....	595-607

- e) the Terms and Conditions of the Covered Bonds set out on pages 79 to 106 of the base prospectus dated 14 July 2016 which can be viewed online at: [https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt\\_PT/informacao-financeira-montepio/funding-programes/covered-bond/20160714%20Banco%20Montepio%20CPTCB%20Base%20Prospectus.pdf](https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/covered-bond/20160714%20Banco%20Montepio%20CPTCB%20Base%20Prospectus.pdf);
- f) the Terms and Conditions of the Covered Bonds set out on pages 79 to 104 of the base prospectus dated 27 April 2017 which can be viewed online at: [https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt\\_PT/informacao-financeira-montepio/funding-programes/covered-bond/20170427%20Banco%20Montepio%20CPTCB%20Base%20Prospectus.pdf](https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/covered-bond/20170427%20Banco%20Montepio%20CPTCB%20Base%20Prospectus.pdf);

programes/covered-bond/20170427%20Banco%20Montepio%20CPTCB%20Base%20Prospectus.pdf;

- g) the Terms and Conditions of the Covered Bonds set out on pages 99 to 127 of the base prospectus dated 15 March 2019 which can be viewed online at: [https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt\\_PT/informacao-financeira-montepio/funding-programes/covered-bond/CPTCB-programme-dated-15032019.pdf](https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/covered-bond/CPTCB-programme-dated-15032019.pdf);

The financial statements of the Issuer incorporated by reference have been prepared in accordance with IFRS.

Any information contained in any of the documents specified above which is not specifically listed is incorporated by reference in this Base Prospectus for information purposes only. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the Prospectus Regulation.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

If any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds arises, the Issuer will prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.

## RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account of or benefit of, U.S. persons (see *Subscription and Sale and Secondary Market Arrangements* below).

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

Each of the Issuer, the members of the Board of Directors (which includes the Audit Committee) of the Issuer (see *Board of Directors and Other Corporate and Governing Bodies of the Issuer*), are responsible for the information contained in this Base Prospectus and hereby declare that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import. The Auditor has responsibility for the financial information that has been certified by it and that is incorporated by reference in this Base Prospectus. PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, registered with the CMVM with number 20161485, with Head Office at Palácio Sottomayor, Rua Sousa Martins, number 1 – 3<sup>rd</sup> floor, 1069-316 Lisbon has audited and certified the financial statements of the Issuer for the financial years ended 31 December 2020 and 31 December 2021. The consolidated and non-consolidated financial statements for such financial years give a true and fair view of the financial position of the Issuer as at 31 December 2020 and 31 December 2021, as applicable, and of the results of the Issuer’s operations and cash flows for the years then ended (see *General Information*). This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see *Documents Incorporated by Reference*). Any decision to invest in the Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including those documents incorporated by reference.

The Issuer further confirms that this Base Prospectus is true, accurate and complete in all material respects and is not misleading; the opinions and the intentions expressed in it are honestly held by it and based on reasonable assumptions; that there are no other facts relating to the information contained or incorporated by reference in this Base Prospectus the omission of which would make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

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

the date indicated in the document containing the same.

This Base Prospectus or any Final Terms (as defined below) does not constitute an offer to sell or a solicitation of an offer to buy any securities other than Covered Bonds or an offer to sell or a solicitation of any offer to buy any Covered Bonds in any circumstance in which such offer or solicitation is not authorised or unlawful. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers (save for application for approval by the Central Bank of Ireland of this Base Prospectus as a base prospectus for the purposes of the Prospectus Regulation) which would permit a public offering of any Covered Bonds within or outside the European Economic Area (“EEA”) or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or distributed or published in any jurisdiction and neither this Base Prospectus nor any advertisement or other offering material may be distributed in any jurisdiction, except under circumstances that would result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the United Kingdom, the EEA, Japan and the Republic of Italy. See *Subscription and Sale and Secondary Market Arrangements*.

The Arranger, the Common Representative and the Dealers have not separately verified (i) the information contained or incorporated in this Base Prospectus or (ii) any statement, representation, or warranty, or compliance with any covenant, of the Issuer contained in any Covered Bonds or any other agreement or document relating to any Covered Bonds or made in connection with the Programme, or any other agreement or document relating to the Programme. Accordingly, none of the Arranger, the Common Representative or the Dealers makes any representation to any investor in the Covered Bonds, express or implied, or accepts any responsibility, with respect to (a) the accuracy or completeness of any of the information in this Base Prospectus or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Covered Bonds or any other agreement or document relating to any Covered Bonds or the Programme. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger, the Common Representative or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds.

No Dealer accepts any liability in relation to the information contained in or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Covered Bonds issued under the Programme of any information coming to their attention. Each investor contemplating purchasing any Covered Bonds should: (i) determine for itself the relevance of the information contained in (including incorporated by reference into) this Base Prospectus, (ii) make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment, in each case, based upon such investigation as it deems necessary.



None of the Arranger, the Common Representative or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of the Arranger, the Common Representative or any of the Dealers.

Neither the Dealers nor the Issuer make any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “**€**”, “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, to “**U.S.\$**”, “**USD**” or “**U.S. dollars**” are to United States dollars, the lawful currency of the United States of America, and to “**£**” or “**GBP**” or “**pounds sterling**” are to pounds sterling, the lawful currency of the United Kingdom.

## FORM OF THE COVERED BONDS AND SETTLEMENT

The Covered Bonds will be held through a central securities depository (“CSD”) which will be the Portuguese domestic CSD, **Interbolsa** - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários (“**Interbolsa**”).

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

Interbolsa renders the services of centralized registration of securities registered in favour of its participants, and facilitates the settlement of securities transactions by electronic book-entry transfer between their respective participants. Interbolsa also provides various other financial services, including settlement of domestically and internationally traded securities.

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

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

### **General**

Interbolsa manages 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 the procedures required for the exercise of ownership rights inherent to the covered bonds held through Interbolsa.

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

Covered Bonds held through Interbolsa will be attributed an International Securities Identification Number (“**ISIN**”) code through the codification system of Interbolsa and will be accepted for clearing through LCH.Clearnet, S.A., as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Interbolsa’s settlement system. Under the procedures of Interbolsa’s settlement system, settlement of trades executed through Euronext Dublin 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 on the settlement date.

### ***Form of the Covered Bonds***

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

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

Each person shown in the records of an Interbolsa Participant as having an interest in Covered Bonds shall be treated as the holder of the Covered Bonds recorded therein, and accordingly the rights and obligations attached thereto.

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

### ***Payment of principal and interest in respect of Covered Bonds***

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the Covered Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in TARGET2 by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of their participants, who act as custodian banks of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer must provide Interbolsa with a prior notice of all payments in relation to Covered Bonds and all necessary information for that purpose. In particular, such notice must contain:

- a) the identity of the Paying Agent responsible for the relevant payment; and
- b) a statement of acceptance of such responsibility by the Paying Agent.

The Interbolsa Participant must, at the request of Interbolsa, inform the Paying Agent of the bank accounts to which the relevant payments shall be made. Interbolsa must notify the Paying Agent of the amounts to be settled, which Interbolsa calculates on the basis of the balances and on the tax rules governing the accounts of the Interbolsa Participants.

In the case of a partial payment, the amount held in the TARGET2 current account of the Paying Agent must be apportioned pro-rata between the accounts of the affiliate members of Interbolsa. After a

payment has been processed, whether in full or in part, the Paying Agent must confirm that fact to Interbolsa.

***Transfer of Covered Bonds***

Covered Bonds 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 Covered Bonds. No owner of a Covered Bond will be able to transfer such Covered Bond, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

## FINAL TERMS OF THE COVERED BONDS

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

Final Terms dated [•]

### [PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Covered Bonds (and beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and, with effect from such date, should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4 (1) of Directive 2014/65/EU (as amended, the “**MiFID II**”), (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4 (1) of MiFID II, or (c) not a qualified investor as defined in Regulation (EU) 2017/1129, (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds (and beneficial interests therein) or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Covered Bonds (and beneficial interests therein) or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

### [PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS

The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

### [MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

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

and determining appropriate distribution channels.]

#### **[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in [Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR")][UK MiFIR]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

#### **Caixa Económica Montepio Geral, caixa económica bancária, S.A.**

Issue of [**Aggregate Nominal Amount of Tranche**] [[●] per cent. /Floating Rate/ZeroCoupon] Covered Bonds due [●]

under the €5,000,000,000 Conditional Pass-through Covered Bonds Programme

THE COVERED BONDS (AS DESCRIBED HEREIN) ARE MORTGAGE COVERED BONDS ISSUED IN ACCORDANCE WITH DECREE-LAW 59/2006, OF 20 MARCH 2006 (AS AMENDED, THE "**COVERED BONDS LAW**"), AND FURTHER APPLICABLE REGULATIONS. THE ISSUER HAS THE CAPACITY TO ISSUE COVERED BONDS IN ACCORDANCE WITH THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS ARE SECURED ON THE COVER POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW. IN LIMITED FEATURES THE COVERED BONDS LAW IS COMPLEMENTED BY THE LEGAL REGIME OF COVERED BONDS, APPROVED BY DECREE-LAW 31/2022 OF 6 MAY 2022, WHICH PREVAILS IN CASE OF CONFLICT.

This document constitutes the Final Terms relating to the issue of Covered Bonds described herein.

#### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Terms and Conditions**") set forth in the Base Prospectus dated 17 November 2022, [as supplemented on [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017 (the "**Prospectus Regulation**").<sup>1</sup> [This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information.]]<sup>2</sup>

Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the

---

<sup>1</sup> References to the Prospectus Regulation shall be removed when the Final Terms are used as a pricing supplement, in the scope of exempt offers.

<sup>2</sup> Include for listed Covered Bonds only.

combination of these Final Terms and the Base Prospectus, as supplemented from time to time. The Base Prospectus and the supplements to the Base Prospectus are available for viewing at Caixa Económica Montepio Geral, caixa económica bancária, S.A., Rua Castilho, 5, 1250-066 Lisbon, at [www.bancomontepio.pt](http://www.bancomontepio.pt) and at <https://live.euronext.com/> and copies may be obtained from the same addresses.]

*[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 terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated [14 July 2016] / [27 April 2017] / [15 March 2019]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 17 November 2022 [as supplemented on [●]] which constitutes a base prospectus for the purposes of the Prospectus Regulation, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated [14 July 2016] / [27 April 2017] / [15 March 2019] and are incorporated by reference in the Base Prospectus.

Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms, the Terms and Conditions and the Base Prospectus dated 17 November 2022 [as supplemented on [●]]. The Base Prospectus and the supplements to the Base Prospectus are available for viewing at Caixa Económica Montepio Geral, caixa económica bancária, S.A., Rua Castilho, 5, 1250-066 Lisbon, at [www.bancomontepio.pt](http://www.bancomontepio.pt) and at <https://live.euronext.com/> and copies may be obtained from the same address.]

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

- |   |  |   |
|---|--|---|
| 1 | Issuer:  | Caixa Económica Montepio Geral, caixa económica bancária, S.A.  |
| 2 | (i) Series Number:   | [●]   |
|   | (ii) [Tranche Number:  | [●]   |
|   |  | <i>[(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.)]</i>        |
| 3 | Specified Currency or Currencies:                                | [●]   |
| 4 | (i) Aggregate Nominal Amount of Covered Bonds:                   |   |
|   | A. Series:   | [●]   |
|   | B. [Tranche:   | [●]]  |
|   | (ii) Specify whether Covered Bonds are to be admitted to trading | [Yes (if so, specify each Series/Tranche)/No]   |
| 5 | (i) Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |

- (ii) [Net Proceeds [•]]  
 [(Required only for listed issues)]
- 6 Specified Denominations: [•][any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than  
 €100,000]
- 7 (i) Issue Date: [•]  
 (ii) [Interest Commencement Date (if [•]]  
 different from the Issue Date):
- 8 Maturity Date: [*specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9 Extended Maturity Date: [insert date] [*The Extended Maturity Date should not fall later than 50 years after the Issue Date of such Series*].
- 10 Interest Basis
- (i) Period to (and including) Maturity Date: [Fixed Rate Covered Bonds]  
 [[•] per cent.] / [Floating Rate Covered Bonds]  
 [[Euribor] +/- Margin  
 Margin = [•] per cent.] [Zero Coupon] ]  
 [(further particulars specified in [17/18/19] below)  
 / [Not Applicable]]
- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [[•] per cent. Fixed Rate] [[Euribor] +/- Margin  
 Margin = [•] per cent.]  
 (further particulars specified in [17/18/19] below)  
 [Insert "Not Applicable" only if Extended Maturity Date does not apply]
- 11 Redemption/Payment Basis: [Redemption at par]  
 [Instalment]  
 If the maturity of the Covered Bonds is extended pursuant to Condition 6.8, redemption will be made in accordance with Condition 6.9
- 12 Change of Interest or Redemption/Payment Basis [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 17 and 18 below and identify there* [Not Applicable]]



- 13 Put/Call Options: [Investor Put] / [Issuer Call] / [Not Applicable]  
[if applicable (further particulars specified in [20/21] below)]
- 14 (i) Status of the Covered Bonds: The Covered Bonds will be direct, unconditional and senior obligations of the Issuer and rank *pari passu* with all other mortgage covered bonds issued or to be issued by the Issuer. The Covered Bonds will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law, which are secured by the Cover Pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law.
- (ii) ([Date [Board] approval for issuance of Covered Bonds obtained]): [●]
- 15 Method of distribution: [Syndicated/Non-syndicated]
- 16 Listing/Admission to Market [Euronext Dublin / Euronext Lisbon / None]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 17 Fixed Rate Covered Bonds Provisions
- (i) To Maturity Date: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (ii) From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable] (If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]
- Rate [(s)] of Interest:
- To Maturity Date: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrears], or following an Issuer Event payable monthly in arrears

From Maturity Date up to Extended Maturity Date:	<p>[Not Applicable]/ [●] per cent per annum. payable monthly in arrears</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i></p>
(i) Interest Payment Date(s):	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[[●] in each year up to and including the Maturity Date]
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	<p>[Not Applicable] [The first Business Day in each month up to and including the Extended Maturity Date]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i></p>
(ii) Fixed Coupon Amount [(s)]:	
• To Maturity Date:	[[●] per [●] in nominal amount, except if an Issuer Event has occurred, in which case it shall be [[●] per [●] in nominal amount]
• From Maturity Date up to Extended Maturity Date:	<p>[Not Applicable] [[●] per [●] in nominal amount]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i></p>
(iii) Broken Amount:	
• To Maturity Date:	<i>[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]</i>
• From Maturity Date up to Extended Maturity Date:	<p><i>[Not Applicable] [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]</i></p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i></p>
(iv) Day Count Fraction	
• To Maturity Date:	[30/360 or Actual/Actual (ICMA), in accordance with Condition 4]

	<ul style="list-style-type: none"> <li>From Maturity Date up to Extended Maturity Date:</li> </ul>	<p>[Not Applicable] [30/360 or Actual/Actual (ICMA), in accordance with Condition 4]</p> <p>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</p>
	(v) Determination Date(s):	
	<ul style="list-style-type: none"> <li>To Maturity Date (or any other date in which the Issuer Event has occurred):</li> </ul>	<p>[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year]</p>
	<ul style="list-style-type: none"> <li>From Maturity Date (or any other date in which the Issuer Event has occurred) up to Extended Maturity Date:</li> </ul>	<p>[Not Applicable] [The first Business Day in each month up to and including the Extended Maturity Date]</p> <p>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</p>
18	Floating Rate Covered Bonds Provisions	
	<ul style="list-style-type: none"> <li>To Maturity Date:</li> </ul>	<p>[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)</p>
	<ul style="list-style-type: none"> <li>From Maturity Date up to Extended Maturity Date:</li> </ul>	<p>[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)</p> <p>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</p>
	(i) Specified	
	Period(s)/Specified Interest Payment Dates:	
	<ul style="list-style-type: none"> <li>To Maturity Date (or any other date in which the Issuer Event has occurred):</li> </ul>	[•]
	<ul style="list-style-type: none"> <li>From Maturity Date (or any other date in which the Issuer Event has occurred) up to Extended Maturity Date:</li> </ul>	<p>[Not Applicable]/ [The first Business Day in each month up to and including the Extended Maturity Date]</p> <p>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</p>

(ii) Business Day Convention:

- To Maturity Date:

[Floating Rate Convention/ Following Business Day Convention/ Modified Following (Adjusted) Business Day Convention]

- From Maturity Date up to Extended Maturity Date:

[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following (Adjusted) Business Day Convention]  
*[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(iii) Additional Business Centre(s):

- To Maturity Date:
- From Maturity Date up to Extended Maturity Date:

[●]

[Not Applicable]/[●]

*[State "Not Applicable" unless Extended Maturity Date applies, and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:

- To Maturity Date:

[Screen Rate Determination/ISDA Determination]

- From Maturity Date up to Extended Maturity Date:

[Not Applicable]/ [Screen Rate Determination/ISDA Determination]

*[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):

- To Maturity Date:

[●]

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/[●]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
  
- (vi) Screen Rate Determination:
  - A. To Maturity Date:
    - Reference Rate: [Euribor]
    - Interest Determination Date: [●] (Second day of on which the TARGET2 System is open prior to the start of each Interest Period)
  
    - Relevant Screen Page: [●] (in the case of Euribor, if not “Reuters EURIBOR01” ensure it is a page which shows a composite rate or amend the fallback provisions accordingly)
  
  - B. From Maturity Date up to Extended Maturity Date: [Not Applicable]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
    - Reference Rate: [Euribor]
    - Interest Determination Date: [●] (Second day of on which the TARGET2 System is open prior to the start of each Interest Period)
  
    - Relevant Screen Page: [●] (in the case of Euribor, if not “Reuters EURIBOR01” ensure it is a page which shows a composite rate or amend the fallback provisions accordingly)
  
- (vii) ISDA Determination:
  - A. To Maturity Date:
    - Floating Rate Option: [●]
    - Designated Maturity: [●]
    - Reset Date: [●]

B. From Maturity Date up to Extended Maturity Date:	[Not Applicable] <i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i>
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
(viii) Margin(s):	
• To Maturity Date:	[●] per cent. per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[●] per cent. per annum <i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i>
(ix) Minimum Rate of Interest:	
• To Maturity Date:	[Not Applicable] / [●] per cent. per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] per cent. per annum <i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i>
(x) Maximum Rate of Interest:	
• To Maturity Date	[Not Applicable] / [●] per cent. per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] per cent. per annum <i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i>
(xi) Day Count Fraction:	
• To Maturity Date	<i>[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360]</i> (see Condition 4 ( <i>Interest</i> ) for alternatives)

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360] (see Condition 4 (*Interest*) for alternatives)  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]

(xii) Fall back provisions, rounding provisions and denominator relating to the interest on Floating Rate Covered Bonds:

- To Maturity Date [●]

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]

- 19 Zero Coupon Covered Bonds Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price [●]
  - (iii) Day Count Fraction in relation to late payment: [Condition 6.7 applies]  
(*consider applicable day count fraction if not U.S. dollar denominated*)

## PROVISIONS RELATING TO REDEMPTION

- 20 Call Option [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Covered Bond: [●] per Covered Bond of [●] Specified Denomination

- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- (iv) (iv) Notice period (if other than as set out in the Terms and Conditions): [●] *(NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 21 Put Option [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) [●] per Covered Bond of [●] Specified
- (iii) Notice period: [●] *(NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 22 Final Redemption Amount of each Covered Bond [[●] per Covered Bond of [●] Specified Denomination/Other] *(NB – It shall correspond to the nominal amount)*
- 23 Early Redemption Amount of each Covered Bond payable on an event of default Applicable  
*(each Covered Bond shall be redeemed at its principal amount outstanding upon the serving of an Acceleration Notice in accordance with Condition 9.1)*

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 24 Form of Covered Bonds: Book-entry (*escriturais*) with Interbolsa settlement system.  
Registered (*nominativas*) covered bonds
- 25 Additional Financial Centre(s): [Not Applicable/[●]]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates)*



- |    |   |  |
|----|---|--|
| 26 | Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price: | [Not Applicable/[•]]   |
|    |   |  |
| 27 | Details relating to Instalment Covered Bonds:   |  |
|    | (i) Instalment Amount(s):   | [Not Applicable/ <i>give details</i> ]   |
|    | (ii) Instalment Date(s):  | [Not Applicable/ <i>give details</i> ]   |
| 28 | Redenomination applicable:  | [Applicable/Not Applicable] ( <i>if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms</i> ) |

## DISTRIBUTION

- |    |  |  |
|----|--|--|
| 30 | (i) If syndicated, names of Dealers:               | [Not Applicable/ <i>give names and date of relevant agreement</i> ]  |
|    | (ii) Date of [Subscription] Agreement:             | [•]  |
|    | (iii) Stabilisation Manager (if any):              | [Not Applicable/ <i>give names</i> ]   |
|    | (iv) If non-syndicated, name of relevant Dealer:   | [Not Applicable/ <i>give name and date of relevant agreement</i> ]   |
| 31 | (i) [Prohibition of Sales to EEA Retail Investors] | [Applicable/Not Applicable]<br><br><i>(If the Covered Bonds clearly do not constitute “packaged” products or the Covered Bonds do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no key information document will be prepared in the EEA, “Applicable” should be specified.)</i> |

(ii) [Prohibition of Sales to UK Retail Investors]	<i>(If the Covered Bonds clearly do not constitute "packaged products" or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged products" and no key information document will be prepared in the UK, "Applicable" should be specified.)]</i>
(iii) [Prohibition of Sales to Belgian Consumers]	[Applicable/Not Applicable]
(iv) [U.S. Selling Restrictions:]	[Regulation S Compliance Category 2/TEFRA / not applicable]

#### **LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list the issue of the Covered Bonds described herein pursuant to the €5,000,000,000 Covered Bonds Programme of Caixa Económica Montepio Geral, caixa económica bancária, S.A.

#### **RESPONSIBILITY**

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

Signed on behalf of the Issuer:

By: .....  
Duly authorized Duly authorized

## PART B – OTHER INFORMATION

### 1. Listing

- (i) Listing: [Euronext Dublin/ Euronext Lisbon]] [Not Applicable.]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [Euronext Dublin / Euronext Lisbon] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading [●]

### 2. Ratings

Ratings: The Covered Bonds to be issued have been rated [insert legal name and defined term]:

[Moody's: [●]] and/or

[Fitch: [●]] and/or

[[Other]: [●]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*[(Include appropriate Credit Rating Agency Regulation (1060/2009) ("**CRA Regulation**") or Regulation (EU) 1060/2009 on credit rating agencies as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") disclosure)]*

*[A list of rating agencies registered under the CRA Regulation can be found at (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>).] [The UK CRA Regulation rating agency register can be found at (<https://register.fca.org.uk/s/>).]*

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

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

*“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business ” – amend as appropriate if there are other interests]*

### 4. Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- |         |                        |  |
|---------|------------------------|--|
| [(i)]   | Reasons for the offer  | [●]/[see “Use of Proceeds” in the Base Prospectus] |
| [(ii)]  | Estimated Net Proceeds | [●]  |
| [(iii)] | Total Expenses         | [●]  |

### 5. Yield

Indication of yield: [●] per cent.

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

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

### 6. Operational Information

- |       |              |                                    |
|-------|--------------|------------------------------------|
| (i)   | ISIN Code:   | [●]                                |
| (ii)  | Common Code: | [●]                                |
| (iii) | CFI:         | [Not Applicable/Not Available/[●]] |
| (iv)  | FISN:        | [Not Applicable/Not Available/[●]] |

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*

Delivery: Delivery [against/free of] payment

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

**7. Repurchase Commitment**

(i) Applicability of the Repurchase Commitment: ☐ [Yes] ☐ [No]

(ii) Repurchase Amount: ☐ per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]]   
[Other]

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into the Covered Bonds. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be incorporated by reference to each Covered Bond. Reference should be made to “Final Terms of the Covered Bonds” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.*

**THE COVERED BONDS (AS DEFINED IN THESE TERMS AND CONDITIONS) ARE MORTGAGE COVERED BONDS (“OBRIGAÇÕES HIPOTECÁRIAS”) ISSUED IN ACCORDANCE WITH THE COVERED BONDS LAW (AS DEFINED IN THESE TERMS AND CONDITIONS). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) IS A SAVINGS BANK (CAIXA ECONÓMICA BANCÁRIA) WITH THE CAPACITY TO ISSUE COVERED BONDS PURSUANT TO THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS LAW ARE SECURED ON THE ASSETS THAT COMPRISE THE COVER POOL (AS DEFINED BELOW) MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW. IN LIMITED FEATURES THE COVERED BONDS LAW IS COMPLEMENTED BY THE LEGAL REGIME OF COVERED BONDS, APPROVED BY DECREE-LAW 31/2022 OF 6 MAY 2022, WHICH PREVAILS IN CASE OF CONFLICT.**

This Covered Bond is one of a Series (as defined below) of mortgage covered bonds issued by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (the “**Issuer**”) in accordance with the procedures set out in the Agency and Payments Procedures (as defined below).

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

The Covered Bonds have the benefit of a set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time, the “**Agency and Payments Procedures**”) dated 27 April 2017 and made and agreed by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent and agent bank appointed by the Issuer.

Any reference to “**Holders of Covered Bonds**” shall mean the person or entity registered as such in the relevant securities’ account.

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

Copies of the Agency and Payments Procedures are available for inspection during normal business hours at the specified office of each of the Paying Agents (such Paying Agents referred to as the “**Agents**”). Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of each of the Agents and at Euronext Dublin’s website – <https://live.euronext.com/> - save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable by a holder holding one or more unlisted Covered Bonds and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity. The Holders of Covered Bonds are

deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency and Payments Procedures and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency and Payments Procedures. Words and expressions defined in the Agency and Payments Procedures or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency and Payments Procedures and the applicable Final Terms, the applicable Final Terms will prevail.

As used herein, “**outstanding**” means in relation to the Covered Bonds all the Covered Bonds issued other than:

- a) those Covered Bonds which have been redeemed and cancelled pursuant to these Terms and Conditions;
- b) those Covered Bonds in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Agent in the manner provided in the Agency and Payments Procedures (and, where appropriate, notice to that effect has been given to the Holders of Covered Bonds in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Covered Bonds;
- c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions;
- d) those Covered Bonds which have become prescribed under these Terms and Conditions.

## **1. FORM, DENOMINATION AND TITLE**

The Covered Bonds are in registered form (*nominativas*). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

The Covered Bonds will be in book-entry form (*escriturais*) in Interbolsa’s systems and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code (*Código dos Valores Mobiliários*) and the applicable CMVM regulations. No physical document of title will be issued in respect of the Covered Bonds. Each person shown in the records of an Interbolsa Participant as having an interest in Covered Bonds shall be treated as the holder of the Covered Bonds recorded therein as well as its attached obligations and liabilities.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Terms applicable to other types and structures of Covered Bonds, that the Issuer and any Dealer(s) may agree to issue under the Programme, will be set out in the applicable Final Terms.

The applicable Final Terms will specify that an Extended Maturity Date applies to a Series of Covered Bonds, and those Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Covered Bonds or Floating Rate Covered Bonds in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

Without prejudice to the foregoing, a Covered Bond may also be an Instalment Covered Bond depending upon the Redemption/Payment Basis shown in the applicable Final Terms, in which case, for the avoidance of doubt, the relevant Extended Maturity Date will apply (under a Default of Payment Event) if the Issuer fails to pay any applicable instalment, irrespectively of such failure applying on the Covered

Bond's Maturity Date or on a prior Interest Payment Date.

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit not lower than €100,000 (or its equivalent in another currency) as specified in the relevant Final Terms, unless the Covered Bonds will not be distributed to the public or admitted to trading on a regulated market, in which case lower denominations per unit may apply.

## **2. TRANSFERS OF COVERED BONDS**

The transferability of the Covered Bonds is not restricted.

Covered Bonds may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese Law, be transferred to a person who wishes to hold such Covered Bond, in accordance with Portuguese Law and with the applicable procedures of Interbolsa, which requires that the transfers are *prima facie* made via the global accounts held by the participants in such system.

Covered Bonds may be held through Euroclear and/or Clearstream, as long as these entities become indirect participants in Interbolsa. In such scenario, indirect holders of the Covered Bond will be able to transfer such interest in accordance with the applicable procedures set forth in Portuguese Law and the Interbolsa's regulations (as applicable to Euroclear and/or Clearstream as indirect participants of this system) and the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

## **3. STATUS OF THE COVERED BONDS**

The Covered Bonds and any interest thereon constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are mortgage covered securities issued in accordance with the Covered Bonds Law, which are secured by the Cover Pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and rank *pari passu* with all other obligations of the Issuer under mortgage covered securities issued or to be issued by the Issuer pursuant to the Covered Bonds Law.

## **4. INTEREST**

### **4.1 Interest on Fixed Rate Covered Bonds**

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Subject as provided in Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*), interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date (as specified in the relevant Final Terms).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

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



with applicable market convention.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (i) if **“Actual/Actual (ICMA)”** is specified in the applicable Final Terms:
  - (a) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **“Accrual Period”**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - 2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **“30/360”** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

- (i) **“Determination Period”** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);
- (ii) **“Principal Amount Outstanding”** means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bond in respect thereof; and
- (iii) **“sub-unit”** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

#### **4.2 Interest on Floating Rate Covered Bonds**

##### **(A) Interest Payment Dates**

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **“Interest Payment Date”**)

which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

- (i) in any case where Specified Periods are specified in accordance with Condition 4.2.(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following (Adjusted) Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “**Business Day**” means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**(B) Rate of Interest**

***Floating Rate Covered Bonds***

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

- (i) ***ISDA Determination for Floating Rate Covered Bonds:*** Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent

or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:

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

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

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

1. the offered quotation (if there is only one quotation on the Relevant Screen Page); or
2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable, the relevant Calculation Agent, of such offered quotations.

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

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

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2 (*Interest on Floating Rate Covered Bonds*) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2 (*Interest on Floating Rate Covered Bonds*) above is greater than such Maximum

Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

For the avoidance of doubt, if no Minimum Rate of Interest is specified in the applicable Final Terms, then the minimum rate of interest due under the relevant Covered Bonds shall be zero.

*(D) Determination of Rate of Interest and calculation of Interest Amounts*

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination (each an “**Interest Amount**”) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

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

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest

Period and the relevant Interest Payment Date to be notified to the Issuer (and the Special Administrator, when appointed) and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 11 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Common Representative and each Stock Exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Holders of Covered Bonds in accordance with Condition 11 (*Notices*). For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

*(F) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer (and the Special Administrator, when appointed), the Agent, the other Paying Agents, any Calculation Agent, the Common Representative and all Holders of Covered Bonds and (in the absence of wilful default or bad faith) no liability to the Issuer, any Calculation Agent, the Holders of Covered Bonds shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Accrual of interest**

Subject as provided in Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*), interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until (i) the date on which all amounts due in respect of such Covered Bond have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Agent and notice to that effect has been given to the Holders of Covered Bonds in accordance with Condition 11 (*Notices*).

**4.4 Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date**

(A) An Extended Maturity Date will be specified in the applicable Final Terms for the relevant Series of Covered Bonds, and if the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 4.3 (*Accrual of Interest*). In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 4.4(B) on the principal amount outstanding of the Covered Bonds in arrears on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(B) An Extended Maturity Date will be specified in the applicable Final Terms for the relevant Series of Covered Bonds, and if the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

(C) An Extended Maturity Date will be specified in the applicable Final Terms for the relevant Series of Covered Bonds, in the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date. In case such Covered Bonds are extended to their respective Extended Maturity Date and such extension takes place after their respective Maturity Date, then, for the purposes of this Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*), the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date; in case such extension occurs before such Maturity Date, then the principal amount outstanding shall be the Final Redemption Amount in accordance with Condition 6.7 (*Late payment on Zero Coupon Covered Bonds*). Furthermore, upon such an extension to their respective Extended Maturity Date, interest will be due on the relevant principal amount outstanding (as it may be reduced by reimbursements from time to time) at the interest rate provided for in the applicable Final Terms until those Covered Bonds are fully redeemed.

#### **4.5 Benchmark Replacement**

This Condition 4.5 applies only where Screen Rate Determination is specified in the applicable Final Terms as the manner in which any Rate of Interest is to be determined. If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply to the Covered Bonds:

(A) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint at its own expense an Independent Adviser to determine (without any requirement for the consent or approval of the holders of the Covered Bonds), no later than 10 days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or the relevant component part thereof) is otherwise to be determined by reference to the Original Reference Rate (the “**IA Determination Cut-Off Date**”), (A) a Successor Rate or, failing which, an Alternative Reference Rate, for the purposes of determining each relevant Rate of Interest (or the relevant component part thereof) applicable to the Covered Bonds and (B) in either case, an Adjustment Spread. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or any Adjustment Spread, the Independent Adviser will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(B) if the Issuer (i) is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Reference Rate in accordance with this Condition 4.5, in either case prior to the relevant IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Adviser in the event one has been appointed) may determine (without any requirement for the consent or approval of the holders of the Covered Bonds), no later than the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or the relevant component part thereof) is otherwise to be determined by reference to the Original Reference Rate, (A) a Successor Rate

or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 4.5. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by an Independent Adviser or the Issuer, as applicable, in accordance with paragraphs (A) or (B) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall (subject to adjustment as provided in paragraph (D) below) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and to further adjustment as provided in, this Condition 4.5);

(D) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines (in accordance with paragraphs (A) or (B) above) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable) for each determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Reference Rate (as applicable). If the Independent Adviser or, as the case may be, the Issuer (in accordance with paragraphs (A) or (B) above) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply as described in paragraph (C) above without an Adjustment Spread;

(E) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines (in accordance with paragraphs (A) or (B) above) a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or an Adjustment Spread in accordance with the above provisions, the Independent Adviser or, as the case may be, the Issuer may (without any requirement for the consent or approval of the holders of the Covered Bonds) also specify changes to these Conditions and/or the Set of Agency Procedures in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or any Adjustment Spread (as applicable), including, but not limited to, (A) the Day Count Fraction, Relevant Screen Page, Business Day Convention, Interest Determination Date, time at which the Relevant Screen Page is observed and/or the definition of Reference Rate and (B) the method for determining the fall-back rate in relation to the Covered Bonds (such amendments, together, the “**Benchmark Amendments**”). For the avoidance of doubt, the Issuer and the Agent shall effect such consequential amendments to the Set of Agency Procedures and/or these Conditions as may be required in order to give effect to the application of this Condition 4.5. No consent shall be required from the holders of the Covered Bonds in connection with determining or giving effect to the Successor Rate, Alternative Reference Rate or any Adjustment Spread (as applicable) or any Benchmark Amendments, including for the execution of any documents or other steps to be taken by the Issuer or the Agent (if required or useful);

(F) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate, Adjustment Spread and/or Benchmark Amendments (as applicable), give notice thereof to the holders of the Covered Bonds in accordance with Condition 11 (*Notices*) and the Agent (if different from the Issuer). Such notice shall be irrevocable and shall specify the relevant Successor Rate or Alternative

Reference Rate (as applicable), the Adjustment Spread (if any) and the specific terms of any other Benchmark Amendments, and their effective date;

(G) an Independent Adviser appointed pursuant to this Condition 4.5 shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Agent or the holders of the Covered Bonds for any advice given to the Issuer or in connection with any determination made by the Independent Adviser or the Issuer, as applicable, pursuant to this Condition 4.5; and

(H) without prejudice to the obligations of the Issuer under this Condition 4.5, the Original Reference Rate and the other provisions in this Condition 4 will continue to apply for the purpose of determining the Rate of Interest (or the relevant component part thereof) on the relevant Interest Determination Date (i) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) is unable to or does not determine a Successor Rate or an Alternative Reference Rate in accordance with this Condition 4.5, and (ii) if the Independent Adviser or, as the case may be, the Issuer does determine a Successor Rate or Alternative Reference Rate in accordance with this Condition 4.5, but the Agent (if different from the Issuer) and has not been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any Benchmark Amendments in accordance with Condition 4.5(F) prior to the relevant Interest Determination Date. For the avoidance of doubt, this Condition 4.5(H) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.5.

## **5. PAYMENTS**

### **5.1 Method of payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 5 (*Payments*), means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

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

### **5.2 Payments in relation to Covered Bonds**

Payments of principal and interest in respect of Covered Bonds held through Interbolsa may only be made in euro or in such other currencies accepted by Interbolsa for registration and clearing.

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the



Covered Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in TARGET2 by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

### **5.3 Payment Day**

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation; or
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

### **5.4 Interpretation of principal**

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

- (i) the Final Redemption Amount of the Covered Bonds;
- (ii) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (iii) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and
- (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

### **5.5 Reserve Account**

- (i) While Covered Bonds are outstanding, the Covered Bonds will have the benefit of a Reserve Account held by the Issuer with the Reserve Account Bank in respect of the Programme and the Reserve Account and any balances standing to the credit thereof will form part of the Cover Pool and be subject to the same legal regime as any Other Assets which are part of the Cover Pool. The Issuer shall ensure that the legal requirements as required by the Covered Bonds Law for the Reserve Account to qualify as Other Assets of the Cover Pool are met at all times.
- (ii) The Issuer will be required to maintain at all times in the Reserve Account funds in an amount equal to or in excess of Expenses, Owed Hedging Payments and interest on the Covered Bonds (i.e. items

(i) and (ii) of the payments priority provided for in Condition 6.9 (*Pass-through Provision*)), due and payable in the following 3 (three) months, including Expenses, Owed Hedging Payments and interest due assuming that, for each Covered Bond series, either (a) it is already pass-through if there are no scheduled payments in the next 3 (three) months, or (b) otherwise it becomes pass-through immediately after its next scheduled interest payment ("**Total Target Reserve Amount**"). The Total Target Reserve Amount shall be available on any Interest Payment Date towards the payment of interest due on the Covered Bonds that have been extended to their Extended Maturity Date to the extent that there are otherwise insufficient available funds or towards the payment of principal due on the Covered Bonds if all Series of Covered Bonds can be fully redeemed on such payment date if the Reserve Account funds are made available. As long as the funds in the Reserve Account equal or exceed the Total Target Reserve Amount, the Issuer will not be required to transfer any additional amounts to the Reserve Account. If the amounts standing in the Reserve Account exceed the Total Target Reserve Amount, the Issuer may, in case no Issuer Event has occurred, release the excess amounts, without prejudice to the obligation of compliance with the maintenance of the Overcollateralisation Percentage. Upon (i) the occurrence of an Insolvency Event, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the second Business Day after the notification has been made towards the payment of interest due (if any) on the Covered Bonds that have been extended to their respective Extended Maturity Date; (ii) a Series not having been repaid in full on its Maturity Date, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the Business Day following the occurrence of the related Default of Payment Event; (iii) interest due under a Series not having been paid in full on any Interest Payment Date, the Issuer or the Special Administrator (if applicable) shall no later than the next Business Day notify the Reserve Account Bank for the relevant funds deposited in the Reserve Account to be made available and applied pursuant to Condition 6.9 (*Pass-through Provision*) on the Business Day following the occurrence of the related Default of Payment Event.

- (iii) The funds available in the Reserve Account and the Total Target Reserve Amount shall be monitored by the Cover Pool Monitor on a monthly basis. If the Cover Pool Monitor identifies that the funds available in the Reserve Account do not meet the Total Target Reserve Amount, it shall report that fact in the next quarterly report to be delivered to the Issuer, in accordance with agreed upon procedures as foreseen in the Cover Pool Monitor Agreement.
- (iv) Upon redemption of all Series of Covered Bonds, any funds remaining to the credit of the Reserve Account will be paid to the Issuer.
- (v) At the Issuer's option, the Reserve Account may be replaced by a liquidity facility, through a Liquidity Facility Agreement to be agreed with a Liquidity Facility Provider pursuant to which the Issuer, or the Special Administrator, will be entitled to make liquidity drawings equal to the interest payable on the Covered Bonds on any Interest Payment Dates following the occurrence of a Liquidity Event up to a maximum amount equal to Total Target Reserve Amount. This replacement will be subject to obtaining the Hedging Counterparty's consent and one of the following: (i) prior confirmation from the Rating Agencies that such replacement would not result in the reduction, removal, suspension or placement on credit watch of the credit ratings assigned to each such Covered Bonds; or (ii) a written indication by the Rating Agencies that it does not have any comments to said replacement; or (iii) a written communication by the Rating Agencies that, having concluded the review of said replacement, it does not consider a confirmation to be due; or (iv) within 30 days after each of the Rating Agencies has been notified, no additional information or

additional period to analyse have been requested, nor has the Issuer received any other written communication from the Rating Agencies.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Final redemption**

Subject to Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), unless previously redeemed or purchased and cancelled or extended as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, in the relevant Specified Currency on the Maturity Date.

### **6.2 Redemption at the option of the Issuer (Call Option)**

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Common Representative, the Agent and, in accordance with Condition 11 (*Notices*), the Holders of Covered Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the nominal amount of all outstanding Covered Bonds will be redeemed proportionally. For the avoidance of doubt, the exercise and/or settlement of any such call option right is subject to no Issuer Event (other than a Default of Payment Event not affecting the relevant Series) having occurred prior to such exercise or settlement, and in case such event has occurred prior to the settlement date that exercise shall be of no effect. For the purpose of verifying the occurrence of a Default of Payment Event in respect of the relevant Series of Covered Bonds, failure by the Issuer to repay principal on the relevant Issuer Call Option settlement date will be regarded as a failure to pay on the respective Maturity Date. For the sake of clarity, no principal may be repaid following the redemption resulting from the exercise of the Issuer Call Option established in this Condition until Series governed by Conditions 6.9 (*Pass-through Provision*) have been fully redeemed.

### **6.3 Redemption at the option of the Holders of Covered Bonds (Put Option)**

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 11 (*Notices*) not less than 30 (thirty) nor more than 60 (sixty) days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. To exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. Any Put Notice given by a holder of any Covered Bond pursuant to this paragraph shall be irrevocable. The right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent. For the avoidance of doubt, the exercise and settlement of any Investor Put Option is subject to no Issuer Event (other than a Default of Payment Event

not affecting the relevant Series) having occurred prior to such exercise or settlement, and in case such event has occurred prior to the settlement date that exercise shall be of no effect. For the purpose of verifying the occurrence of a Default of Payment Event in respect of the relevant Series of Covered Bonds, failure by the Issuer to repay principal on the relevant Investor Put Option settlement date will be regarded as a failure to pay on the respective Maturity Date. For the sake of clarity, no principal may be repaid following the redemption resulting from the exercise of the Put Option established in this Condition, until Series governed by Conditions 6.9 (*Pass-through Provision*) have been fully redeemed.

#### **6.4 Instalments**

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates, provided that a failure by the Issuer to pay an Instalment Amount on an Instalment Date other than the Maturity Date will be regarded as a failure to pay on the relevant Maturity Date for the purposes of verifying a Default of Payment Event in respect of the relevant Series of Instalment Covered Bonds, thereby having as its consequence the application of Condition 6.8 (*Extended of Maturity Date up to Extended Maturity Date*) to the entire relevant Series and to all future Instalments Amounts due under such Series.

#### **6.5 Purchases**

The Issuer or any of its subsidiaries may at any time purchase or otherwise acquire Covered Bonds at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

#### **6.6 Cancellation**

All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.5 (*Purchases*) above shall be cancelled by Interbolsa and cannot be held, reissued or resold.

#### **6.7 Late payment on Zero Coupon Covered Bonds**

If the amount payable in respect of any Zero Coupon Covered Bond to which Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) does not apply, upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 6.1 (*Final redemption*), 6.2 (*Redemption at the option of the Issuer (Call Option)*) or 6.3 (*Redemption at the option of the Holders of Covered Bonds (Put Option)*) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated according to the following formula:

$$RP \times (1 + AY)^y$$

where:

**RP** means the Reference Price; and

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

**y** is a fraction, the denominator of which is 360 and the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Agent and notice to that effect has been given to the Holders of Covered Bonds either in accordance with Condition 11 (*Notices*) or individually.

The same formula above will apply following the occurrence of an Issuer Event affecting the relevant Zero Coupon Covered Bonds, to calculate the amount due and repayable in respect of such Zero Coupon Covered Bond, provided that for the purposes of determining the Final Redemption Amount, the relevant date shall be the Maturity Date.

#### **6.8 Extension of Maturity up to Extended Maturity Date**

(A) An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Covered Bonds, provided that the Extended Maturity Date may not fall later than 50 (fifty) years after the Issue Date of such Series.

(B) Such Extended Maturity Date, defined in the applicable Final Terms as applying to each Series of Covered Bonds, will apply if any of the following events (each, an “**Issuer Event**”) takes place:

- (i) Insolvency Event, in result of which all Series (which would otherwise be due on their respective Maturity Date) become due on their respective Extended Maturity Date, without prejudice to Condition 9 (*Events of Default and Enforcement*); and
- (ii) Default of Payment Event, in result of which the Series where such default in payment occurred become due on its respective Extended Maturity Date.

Upon the occurrence of any of the above Issuer Events, the Issuer shall forthwith notify the Common Representative and the Programme Account shall be set up by the Issuer (or the Special Administrator), as soon as reasonably practicable, within 30 (thirty) calendar days of that event. Without prejudice to the foregoing, the Common Representative shall be notified in case of an Issuer Event occurring as a result of a Default of Payment Event, by the Agent upon so becoming aware.

Without prejudice to the foregoing, once the Programme Account has been set up, all cash proceeds arising under, or otherwise existing in, the Cover Pool shall be transferred, on each Business Day, by the Issuer (or the Special Administrator) to the Programme Account. For the sake of clarity, in case the relevant Issuer Event was a Default of Payment Event, then, when all the Covered Bonds which have been extended to their respective Extended Maturity Date thereunder have been fully reimbursed and no other Issuer Event has taken place, this proceeds transfer obligation will no longer apply and any balance then existing in the Programme Account shall be released to the Issuer.

Upon an Insolvency Event, the Issuer (or the Special Administrator) shall, as soon as reasonably practicable, within 45 (forty-five) calendar days of that event notify the borrowers under any Mortgage Credits to make any due payments directly into the Programme Account.

(C) After an Issuer Event, the Issuer may redeem all or any part of the principal amount outstanding of all or (in case of a Default of Payment Event) the relevant Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, in accordance with Condition 6.9 (*Pass-through provision*) below. The Issuer, or if applicable the Special Administrator, shall give to the Holders of Covered Bonds (in accordance with Condition 11 (*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least 5 (five) Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer, or the Special Administrator, to notify such persons shall not affect the validity or effectiveness of any redemption of the Covered Bonds on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

(D) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) the principal amount outstanding shall be the amount calculated in accordance with Condition 6.7 (*Late payment on Zero Coupon Covered Bonds*).

(E) Any extension of the maturity of Covered Bonds under this Condition 6.8 shall be irrevocable. Where this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) shall not constitute an event of default for any purpose or give any holder of Covered Bonds any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Terms and Conditions.

(F) In the event of the extension of the maturity of Covered Bonds under this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*).

(G) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds that were extended to the Extended Maturity Date and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

(H) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further mortgage covered bonds.

## **6.9 Pass-through Provision**

Upon an Issuer Event occurring, any Available Funds shall be applied on each Interest Payment Date in making the following payments in the following order of priority, on a *pro rata* basis in the same priority line, and the Hedging Counterparty shall be notified by the Cover Pool Monitor of the Available Funds ahead of such Interest Payment Date:

- (i) Expenses and Owed Hedging Payments due on such date;
- (ii) Amounts of Interest due on such date;
- (iii) Replenishment of the Reserve Account up to the Total Target Reserve Amount;
- (iv) Redemption of principal across all Series that have been subject to an Extended Maturity Date, if applicable, or, redemption of all Series that have not been subject to an Extended Maturity Date in the relevant Interest Payment Date, if principal is due on this Interest Payment Date;
- (v) Crediting the Programme Account or, if this has not yet been set-up, otherwise retained in the Cover Pool, provided that:
  - (a) Any payments under item (iv) above, while some but not all Covered Bonds have been extended to their respective Extended Maturity Date, may only be made to the extent that, once made, the Issuer or the Special Administrator will not breach the Overcollateralisation Percentage;
  - (b) No funds debited from the Reserve Account may be used to make payments of Amounts of Interest due on such date, under (ii) above, in respect of Covered Bonds that have not been

extended to their respective Extended Maturity Date;

- (c) Funds may be debited from the Reserve Account immediately following the occurrence of a Default of Payment Event resulting from non-payment of interest;
- (d) While any Covered Bonds have been extended to their respective Extended Maturity Date, any Cover Pool monies or assets may only be used in making payments in accordance with the above payments priority (without prejudice to the best-efforts sale obligation below and the accumulation of any such sale proceeds in the Programme Account or, if this has not yet been set-up, otherwise accumulated in the Cover Pool);
- (e) In case the relevant Issuer Event was a Default of Payment Event, then, when all the Covered Bonds which have been extended to their respective Extended Maturity Date thereunder have been fully reimbursed and no other Issuer Event has taken place, this Condition 6.9 (Pass-through Provision) will no longer apply, and
- (f) Once all Series of Covered Bonds have been redeemed in full, any remaining funds shall be paid to the Issuer.
- (g) For the sake of clarity, upon the application of this Condition 6.9 (Pass-through Provision) following the occurrence of a Default of Payment Event, payment by the Issuer of the defaulted payment does not grant the Issuer the possibility of, nor has as its consequence the, reversion of the application of Condition 6.9 (Pass-through Provision) as regards the Series where such default occurred and the pass-through provision set forth therein.

In order to redeem, to the extent possible and at *pari passu*, the Covered Bonds that have been extended to their Extended Maturity Date prior to such date, the Issuer and/or the Special Administrator shall use and employ its best efforts to sell an amount sufficient to redeem, in whole or in part, all outstanding Covered Bonds that have been extended to their respective Extended Maturity Date, on each sixth Interest Payment Date following an Issuer Event, the assets comprised in the Cover Pool along commercial acceptable terms, provided that such sale and subsequent redemption of the respective Covered Bonds will not result in a breach of the Overcollateralisation Percentage on and between any Interest Payment Dates.

For the avoidance of doubt, (i) failure by the Issuer and/or the Special Administrator to sell or refinance the assets comprised in the Cover Pool will not constitute an event of default; and (ii) subject to the above terms and provided that (if required) relevant procedures are put in place (including Chinese walls and appropriate disclosures) to properly manage any potential conflict of interest and/or asymmetries of information, the Issuer may participate as purchaser in a sale of Cover Pool assets as outlined above.

The disposals of Cover Pool assets after an Issuer Event shall be disclosed by the Issuer or on its behalf as part of the regular reporting on the Covered Bonds, or by the Special Administrator.

### **7.1 Payments free of taxes**

All payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any Taxes (for which purpose investors are required in any case to comply with their obligations detailed under the *Taxation* section) unless the Issuer or any Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer or any Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

### **7.2 No payment of additional amounts**

Neither the Issuer nor the Paying Agent will be obliged to pay any additional amounts to the Holders of

Covered Bonds in respect of any Tax Deduction made in accordance with Condition 7.1 (*Payments free of taxes*) above.

### **7.3 Taxing Jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Portuguese Republic, references in these Terms and Conditions to the Portuguese Republic shall be construed as references to the Portuguese Republic and/or such other jurisdiction.

### **7.4 Tax Deduction not event of default**

Notwithstanding that the Issuer or any Paying Agent is required to make a Tax Deduction in accordance with Condition 7.1 (*Payments free of taxes*) above, this shall not constitute an event of default.

## **8. PRESCRIPTION**

The Covered Bonds will become void unless presented for payment within 20 (twenty) years (in the case of principal) and 5 (five) years (in the case of interest) in each case from the Relevant Date therefore, subject in each case to the provisions of Condition 5 (*Payments*). As used in these Terms and Conditions, “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders of Covered Bonds in accordance with Condition 11 (*Notices*). Also, following the occurrence of the above mentioned prescription terms (20 (twenty) years in the case of principal and 5 (five) years in the case of interest), such principal and interest, as applicable, will be considered abandoned in favour of the Portuguese State and will be handed over to the Portuguese State, in accordance with Decree-Law 187/70, of 30 April, as amended.

## **9. EVENTS OF DEFAULT AND ENFORCEMENT**

### **9.1 Insolvency Event**

Pursuant to the Covered Bonds Law, if an Insolvency Event in respect of the Issuer occurs, Conditions 6.8 (*Extension of Maturity up to Extended Maturity Date*) and 6.9 (*Pass-through Provision*) will apply. Notwithstanding the foregoing, pursuant to the Covered Bonds Law, the holders of Covered Bonds may approve a Resolution, by a majority of 2/3 (two thirds) of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding, to determine the serving of an Acceleration Notice, in which case all outstanding Covered Bonds shall immediately become due and payable at their Early Redemption Amount together with accrued interest. For the sake of clarity, the serving of an Acceleration Notice will supersede the provisions of Conditions 6.8 (*Extension of Maturity up to Extended Maturity Date*) and 6.9 (*Pass-through Provision*), the Covered Bonds becoming immediately due and payable as aforementioned.

If an Insolvency Event in respect of the Issuer occurs, the Holders of Covered Bonds enjoy, under the Covered Bonds Law, a special creditor privilege (*privilégio creditório especial*) over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Law, the Common Representative and the Hedge Counterparties also benefit from this special creditor privilege (*privilégio creditório especial*), which is not subject to registration.

For the purposes of these Terms and Conditions: “**Insolvency Event**” means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-Law 199/2006, of 25 October, the Credit Institutions General Regime and/or (if applicable) under the Code for the Insolvency and Recovery of Companies approved by Decree-Law 53/2004, of 18 March 2004), all as amended. Investors should see the *Insolvency of the Issuer* section.



## **9.2 Enforcement**

(A) Following the approval of a Resolution as described in Condition 9.1 (*Insolvency Event*), the holders of the Covered Bonds (or the Common Representative on their behalf, provided it has been indemnified and/or secured to its satisfaction) may at any time after service of an Acceleration Notice, at its discretion and without further notice, take such proceedings against the Issuer, and/or any other person as it may deem fit to enforce the provisions of the Covered Bonds.

(B) In exercising any of its powers and discretions the Common Representative shall only have regard to the interests of the Holders of Covered Bonds of all Series.

(C) No holder of Covered Bonds shall be entitled to proceed directly against the Issuer or to take any action with respect to the Common Representative Appointment Agreement, the Covered Bonds or any other Programme Document unless the Common Representative, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

## **10. AGENT AND PAYING AGENTS**

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

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

- (i) there will at all times be an Agent;
- (ii) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Agent) having a specified office in a city approved by the Common Representative in an European Union Member State;
- (iii) so long as any of the Covered Bonds are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or, as the case may be, other relevant authority;
- (iv) the Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to Council Directive (EU) 2015/2060, of 10 November 2015, as amended, on the taxation and savings income or any other Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

## **11. NOTICES**

All notices regarding the Covered Bonds shall be published in a manner which complies with the applicable listing rules of Euronext Dublin and also with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Covered Bonds are for the time being listed. 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.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements, namely CMVM Regulation 5/2008, as amended.

## **12. MEETINGS OF HOLDERS OF COVERED BONDS**

(A) The Portuguese Companies Code expressly applicable to Covered Bonds, pursuant to the Covered Bonds Law, contains provisions for convening meetings of the Holders of Covered Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.

(B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever part of the Principal Amount Outstanding of the Covered Bonds then outstanding; or (ii) a Resolution regarding a Reserved Matter of the Covered Bonds, will be any person or persons holding or representing at least 50 (fifty) per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented or, at any adjourned meeting, any person being or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding.

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

For the purposes of these Terms and Conditions, a “**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series, or the conversion of such Covered Bonds into bonds or other obligations or securities of the Issuer or shares, bonds or other obligations or securities of any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; (vi) to amend this definition; or (vii) any other matter required by law to be approved by the majorities set out in Condition 12(C)(ii).

(D) A Resolution approved at any meeting of the Holders of Covered Bonds of a Series shall, subject as provided below, be binding on all the Holders of Covered Bonds of such Series, whether or not they are present at the meeting. Pursuant to the Common Representative Appointment Agreement, the Common Representative may convene a single meeting of the Holders of Covered Bonds of more than one Series if in the opinion of the Common Representative there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*. A Written Resolution shall take effect as if it were a Resolution.

(E) Notwithstanding the provisions of the immediately preceding paragraph, any Resolution to direct the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or to direct the Common Representative to take any enforcement action (each a “**Programme Resolution**”) shall only be capable of being passed at a single meeting of the Holders of Covered Bonds of all Series then outstanding.

(F) Any such meeting to consider a Programme Resolution may be convened by the Issuer or the Common Representative or by Holders of Covered Bonds of any Series.

(G) A Programme Resolution passed at any meeting of the Holders of Covered Bonds of all Series shall be binding on all Holders of Covered Bonds of all Series, whether or not they are present at the meeting.

(H) In connection with any meeting of the Holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in euro, the nominal amount of the Covered Bonds of any Series not denominated in euro shall be converted into euro at the relevant exchange rate at the date of the meeting.

### **13. INDEMNIFICATION OF THE COMMON REPRESENTATIVE CONTRACTING WITH THE ISSUER**

(A) If, in connection with the exercise of its powers and discretions, the Common Representative is of the opinion that the interests of the Holders of Covered Bonds of any one or more Series would be materially prejudiced thereby, the Common Representative shall not exercise such powers and discretions without the approval of such Holders of Covered Bonds by a Resolution or by a Written Resolution of such Holders of Covered Bonds of at least the majority of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

(B) The Common Representative shall not be required to expend its own funds or otherwise incur or risk incurring any liability in the performance of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has grounds for believing the repayment of such funds is not reasonably assured to it under the Covered Bonds Law or if it has not been provided with adequate indemnity against or security for such risk or liability. Notwithstanding any Programme Resolution or any other Resolution approved at any meeting or any Written Resolution of any Holders of Covered Bonds, the Common Representative may (i) refrain from taking any action until it has been provided with sufficient funds or adequate indemnity against or security for any liability it may incur as a result of any such actions and (ii) refrain from doing anything which might in its opinion be contrary to any law of any jurisdiction or which might otherwise render it liable to any person and (iii) do anything which is in its opinion necessary to comply with any such law, and in no circumstances shall be liable to the Holders of Covered Bonds for any consequences of such actions or inaction. The Common Representative Appointment Agreement contains further provisions for the indemnification of the Common Representative and for its relief from responsibility.

### **14. OVERCOLLATERALISATION, VALUATION OF COVER POOL AND ISSUER COVENANTS**

#### **14.1 Maintenance of overcollateralisation**

For so long as the Covered Bonds are outstanding, and regardless of the time of issue of the Covered Bonds, the Value (determined in accordance with the Covered Bonds Law and the Regulatory Notices) of the Cover Pool maintained by the Issuer (the “**Overcollateralisation Percentage**”) shall at all times be a minimum of the higher of (i) 110.0 per cent. of the aggregate Value of all outstanding Covered Bonds issued under the Programme less any Covered Bonds held by the Issuer pursuant to Article 21 (2) of the Covered Bonds Law and not cancelled (or such other minimum legal overcollateralisation percentage established in the law), and (ii) 1 divided by the Asset Percentage.

The 110.0 per cent. referred to in (i) above is higher than the statutory limit of 105.26 per cent. set forth in the Covered Bonds Law (see *Covered Bonds Law*).

For the purposes above, the “**Asset Percentage**” means the lower of 100 per cent. and any other percentage determined by the Issuer from time to time.

As of 30 June 2022, the Asset Percentage was 83.412 per cent.. The Issuer may at any time reduce the Asset Percentage, but it may only increase the Asset Percentage above 84.75 per cent. subject to obtaining the Hedging Counterparty’s consent and one of the following: (i) prior confirmation from the Rating Agencies that such increase would not result in the reduction, removal, suspension or placement on credit watch of the credit ratings assigned to each such Covered Bonds; or (ii) a written indication by the Rating Agencies that it does not have any comments to said increase; or (iii) a written communication by the Rating Agencies that, having concluded the review of said increase, it does not consider a confirmation to

be due; or (iv) within 30 (thirty) days after each of the Rating Agencies has been notified, no additional information or additional period to analyse have been requested, nor has the Issuer received any other written communication from the Rating Agencies. Without prejudice to the above, and for the avoidance of doubt, the Asset Percentage increase will always require Moody's prior confirmation, whilst the alternatives indicated above in items (ii) to (iv) will only be available regarding the remaining Rating Agencies. Any change to the Asset Percentage shall be disclosed by the Issuer on the website of Euronext Dublin and of the CMVM and the Asset Percentage shall be disclosed by the Issuer or on its behalf as part of the regular reporting on the Covered Bonds.

Should a breach of the Overcollateralisation Percentage occur for 2 (two) consecutive monthly reporting dates, the Issuer shall forthwith notify the Common Representative and the Programme Account shall be set up by the Issuer, as soon as reasonably practicable, within 30 (thirty) calendar days of such breach. Once the Programme Account has been set up, all cash proceeds arising under, or otherwise existing in, the Cover Pool shall be transferred, on each Business Day, by the Issuer to the Programme Account.

Any such Cover Pool cash proceeds shall only be used by the Issuer in making payments owed by it in its capacity as Issuer of Covered Bonds (including any interest or redemption amounts due under the Covered Bonds, any Expenses and any Owed Hedging Payments). For the sake of clarity, in case an Issuer Event has occurred, the terms of Condition 6.9 (*Pass-through Provision*) prevail over the foregoing terms in this paragraph.

While the breach of the Overcollateralisation Percentage persists, the Issuer shall not issue further Covered Bonds.

Upon remedy and compliance of the obligation to maintain the Overcollateralisation Percentage, and provided that no Issuer Event has occurred (which would require the Programme Account to remain open pursuant to Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), the Issuer shall notify the Common Representative and its obligation to keep the Programme Account open and to transfer any Cover Pool proceeds to the Programme Account will no longer apply and any balance then existing in the Programme Account shall be released to the Issuer.

## **14.2 Issuer Covenants**

For so long as any of the Covered Bonds are outstanding, the Issuer shall ensure that:

- (A) *Loan to Value*: the Value of a Mortgage Credit granted by the Issuer may not exceed either 80 per cent. of the Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. of the Current Property Value, in case of a Property intended primarily for commercial purposes;
- (B) *Asset Cover*: the aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool;
- (C) *Average Maturity*: the remaining average Maturity of all outstanding Covered Bonds is at all times shorter than the remaining average Maturity of the Cover Pool entered in the Register;
- (D) *Interest Cover*: the total amount of interest receivable on the Cover Pool will at all times be at least equal to or exceed the total amount of interest payable on the outstanding Covered Bonds;
- (E) *Valuations*: all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Other Assets and Properties will be made in compliance with the requirements of the Covered Bonds Law and the Regulatory Notices (in particular Regulatory Notice 5/2006 and Regulatory Notice 6/2006);
- (F) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) in accordance with the Covered Bonds Law and the applicable

Regulatory Notices, as well as with all necessary elements and information relating to any other matters which the Cover Pool Monitor shall monitor in accordance with these Terms and Conditions;

(G) *Mortgage Credits*: the Mortgage Credits as of the date when they are included in the Cover Pool are not Non-Performing Mortgage Credits; and

(H) *Liabilities*: The net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts of the yield curve.

## 15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Holders of Covered Bonds to create and issue further securities with the same terms and conditions of the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

## 16. GOVERNING LAW AND JURISDICTION

Except for the Hedging Contracts and the Reserve Account Agreement, which are governed by, and will be construed in accordance with, English Law, the Common Representative Appointment Agreement, the Agency and Payments Procedures, the Covered Bonds and the other Programme Documents (including any non-contractual obligations arising out of, or in connection with said documents) are governed by, and shall be construed in accordance with, Portuguese Law unless specifically stated to the contrary.

The courts of Lisbon (or of England in case of the Hedging Contracts and of the Reserve Account Agreement) shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Common Representative Appointment Agreement, the Agency and Payments Procedures, the Covered Bonds and the other Programme Documents (including any non-contractual obligations arising out of, or in connection with said documents).

## 17. DEFINITIONS

In these Terms and Conditions, the following defined terms have the meanings set out below:

**“Acceleration Notice”** means a notice served on the Issuer pursuant to Condition 9 (*Events of Default and Enforcement*).

**“Adjustment Spread”** means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the holders of the Covered Bonds as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original

Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

- (c) if neither (a) nor (b) applies, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case in its discretion and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

**“Agency and Payments Procedures”** means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 27 April 2017 and made and agreed by Caixa Económica Montepio Geral, caixa económica bancária, S.A. and by any subsequent agent, paying agent, transfer agent and agent bank appointed by the Issuer.

**“Agent”** means Caixa Económica Montepio Geral, caixa económica bancária, S.A., with head office at Rua Castilho, 5, 1250-066 Lisbon and any successor agent appointed by the Issuer in accordance with the Agency and Payments Procedures.

**“Alternative Reference Rate”** means the rate that the Independent Adviser or, as the case may be, the Issuer determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in the same Specified Currency as the Covered Bonds and with an interest period of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or, as the case may be, the Issuer determines that there is no such rate, such other rate as the Independent Adviser or, as the case may be, the Issuer determines in its discretion is most comparable to the Original Reference Rate.

**“Amount of Interest”** means, following an Issuer Event, and in respect of an Interest Payment Date, the interest amount payable in respect of each Series of Covered Bonds.

**“Asset Percentage”** has the meaning given to it in Condition 14.1 (*Maintenance of overcollateralisation*).

**“Available Funds”** means any funds arising under the Cover Pool, including in result of any interest and principal payments under Mortgage Credits or any other assets that are part of the Cover Pool, any sale proceeds of any Mortgage Credits or other assets that are part of the Cover Pool, any hedging payment amounts paid by the hedging counterparty under the Hedging Contracts (for the avoidance of doubt, such amounts do not include any collateral that may transferred under the Hedging Contracts), any balances standing to the credit of the Reserve Account and the Programme Account, in all cases which are received by the Issuer or the Special Administrator or transferred to the Programme Account between, and including, the sixth Business Day prior to the Interest Payment Date immediately preceding the relevant Interest Payment Date up to, but excluding, the sixth Business Day prior to the relevant Interest Payment Date, as calculated by the Agent pursuant to the Agency and Payment Procedures.

**“Benchmark Event”** means, in respect of an Original Reference Rate:

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or be administered; or
- (b) the later of (I) a public statement by the administrator of the Original Reference Rate stating that it will, on or prior to a specified date, cease to publish the Original Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (II) the date falling 6 months before the specified date referred to in (b)(I); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate has been permanently or indefinitely discontinued; or
- (d) the later of (I) a public statement by the supervisor of the administrator of the Original Reference

Rate stating that the Original Reference Rate will, on or prior to a specified date, be permanently or indefinitely discontinued and (II) the date falling 6 months before the specified date referred to in (d)(I); or

- (e) the later of (I) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or prior to a specified date and (II) the date falling 6 months before the specified date referred to in (e)(I); or
- (f) it has, or will on or prior to the next Interest Determination Date, become unlawful for the Issuer, the Agent or any Calculation Agent specified in the applicable Final Terms, as the case may be, to calculate any payments due to be made to the holders of the Covered Bonds using the Original Reference Rate; or
- (g) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used.

**“Clearstream, Luxembourg”** means Clearstream Banking S.A..

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

**“Common Representative”** means Citicorp Trustee Company Limited acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5 LB, United Kingdom in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law (as supplemented by Article 28 of the Legal Regime of Covered Bonds) in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement or any successor common representative appointed by a Meeting of the Holders of Covered Bonds.

**“Cover Pool”** means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the Holders of Covered Bonds and the Other Preferred Creditors, and including the Mortgage Credits, the Hedging Contracts and the Other Assets, as specified in the Register.

**“Cover Pool Monitor”** means PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, S.A., a company incorporated under the laws of Portugal, member of the Portuguese Institute of Statutory Auditors (*“Ordem dos Revisores Oficiais de Contas”*), with its registered office at Palácio SottoMayor, Rua Sousa Martins, number 1, 3<sup>rd</sup>, 1069-316, in Lisbon.

**“Covered Bond”** means any conditional pass-through mortgage covered bond issued by the Issuer pursuant to the Covered Bonds Law in the form specified in the applicable Final Terms and **“Covered Bonds”** shall be construed accordingly.

**“Covered Bonds Law”** means the Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-Law 59/2006, of 20 March 2006, as amended.

**“Current Property Value”** means, in relation to a Property securing a Mortgage Credit, the updated Property Valuation of such Property.

**“DBRS”** means DBRS Ratings GmbH, which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such, DBRS Ratings GmbH is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Default of Payment Event”** means, in respect a Series of Covered Bonds, if such Series has not been repaid in full on its Maturity Date or on the following two Business Days, or if interest due under that Series has not been paid on any Interest Payment Date or on the following five Business Days. For the sake of clarity, a Default of Payment Event will only occur if the relevant repayment (or interest payment, as applicable) is not done by the end of the following two (or five, as applicable) Business Days mentioned above.

**“Euroclear”** means Euroclear Bank SA/NV.

**“Expenses”** means the fees of and expenses due to the Common Representative, the fees of and expenses due to the Special Administrator, including any expenses incurred by the Special Administrator in connection with any actual or prospective disposals of Cover Pool assets, the fees of and expenses to cover for the maintenance and operating of the Reserve Account and the Programme Account, the fees and expenses of the Cover Pool Monitor, Covered Bonds listing costs and other costs that may be agreed and defined as **“Expenses”** for this purpose in the agreements entered into in connection with the Programme.

**“Extended Maturity Date”** has the meaning given in the relevant Final Terms.

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

**“Fitch”** means Fitch Ratings Ireland Limited, which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such Fitch Ratings Ireland Limited is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Fixed Interest Period”** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

**“Hedging Contracts”** means the hedging contracts entered into by the Issuer in accordance with the Covered Bonds Law for the purpose of hedging interest rates, exchange or liquidity risks in relation to the Cover Pool.

**“Independent Adviser”** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case selected and appointed by the Issuer.

**“Instruction 13/2006”** means the regulatory instruction (*“Instrução”*) 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Insolvency Event”** has the meaning given to it under Condition 9.1 (*Insolvency Event*).

**“Interbolsa”** means Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários.

**“Interbolsa Participant”** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

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



**“Interest Payment Date”** means the date specified as interest payment date in the Final Terms of a Series of Covered Bonds and, upon the occurrence of an Issuer Event, the first Business Day of each month, following such occurrence, for all the outstanding Series or for all the applicable Series in case of a Default of Payment Event.

**“Issuer Event”** means an Insolvency Event or a Default of Payment Event.

**“Legal Regime of Covered Bonds”** means the legal regime of covered bonds (*Regime Jurídico das Obrigações Cobertas*), approved by Decree-Law 31/2022, of 6 May 2022 (as amended from time to time).

**“Liquidity Event”** means the delivery by the Issuer of a 5 (five) day prior notice to the Liquidity Facility Provider of not having enough available funds to make the payment of the Amounts of Interest due on the Covered Bonds in the Interest Payment Date of any Covered Bond.

**“Liquidity Facility Agreement”** means a liquidity facility agreement entered into in replacement of the Reserve Account, in accordance with Condition 5.4, with a Liquidity Facility Provider.

**“Liquidity Facility Provider”** means a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies (and in any case not lower than the minimum rating required by the Covered Bonds Law).

**“Loan to Value”** means, in respect of a Mortgage Credit, the ratio of the aggregate Value of such Mortgage Credit to the Current Value of the Property securing such Mortgage Credit.

**“Maturity”** means the final legal maturity of any outstanding Covered Bonds, Mortgage Credits, Hedging Contracts or Other Assets, as applicable;

**“Maturity Date”** has the meaning given in the relevant Final Terms.

**“Moody's”** means Moody's Investors Service España, S.A., which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such, Moody's Investors Service España, S.A. is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Mortgage”** means, in respect of any Mortgage Credit, the charge by way of legal mortgage over the relevant Property together with all other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

**“Mortgage Credit”** means the pecuniary credit receivables secured by a Mortgage and/or any Additional Security forming the Cover Pool and which complies with the following eligibility criteria established in the Covered Bonds Law:

- (a) pecuniary receivables not yet matured, which are neither subject to conditions nor encumbered, judicially seized or apprehended and which are secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
- (b) mortgage credits secured by junior mortgages provided all Mortgage Credits secured by senior mortgages on the same property are held by the Issuer and allocated to the Cover Pool;
- (c) receivables secured by a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

**“Non-Performing Mortgage Credits”** means, with respect to a Mortgage Credit, that such Mortgage Credit:

- (a) is in the course of being foreclosed or otherwise enforced; or

- (b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days or more.

**“Other Assets”** means all assets other than Mortgage Credits and Hedging Contracts which comply with the eligibility criteria established in the Covered Bonds Law and which are included in the Cover Pool as specified in the Register, including:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem;
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent, and which will include, for the avoidance of doubt, any funds standing to the credit of the Reserve Account and the Programme Account and which are subject to the same legal requirements and regime as such other deposits (and which compliance at all times the Issuer shall ensure); and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the supervisory authority.

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

**“Other Preferred Creditors”** means the Hedge Counterparties (who benefit of a special creditor privilege (*privilegio creditório especial*) and of an interest in the autonomous estate (*património autónomo*) relating to the Cover Pool)), the Common Representative (or any successor thereof) and the Special Administrator (both benefit of an interest in the autonomous estate (*património autónomo*) relating to the Cover Pool).

**“Overcollateralisation Percentage”** has the meaning given in Condition 14.1 (*Maintenance of overcollateralisation*).

**“Owed Hedging Payments”** means any payments owed by the Issuer due to the relevant hedge counterparties under the Hedging Contracts.

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

**“Programme”** means the €5,000,000,000 Conditional Pass-through Covered Bonds Programme of the Issuer.

**“Programme Account”** means the cash account to be held with a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by the Covered Bonds Law. The Programme Account, and any balance to the credit thereof, will form part of the Cover Pool and be subject to the same legal requirements and legal regime as any Other Assets which are part of the Cover Pool.

**“Programme Resolution”** means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the Holders of Covered Bonds of all Series then outstanding.

**“Property”** means, in relation to any Mortgage Credit, the property or properties upon which the repayment of such Mortgage Credit is secured by the corresponding Mortgage and **“Properties”** means all of them.

**“Property Valuation”** means, in relation to any Property:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulatory Notice 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognized indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 5/2006.

**“Rating Agencies”** means Moody's and Fitch.

**“Register”** means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Regulatory Notices;

**“Regulation S”** means Regulation S under the Securities Act.

**“Regulatory Notice 5/2006”** means the regulatory notice (“Aviso”) 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 6/2006”** means the regulatory notice (“Aviso”) 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 8/2006”** means the regulatory notice (“Aviso”) 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

**“Regulatory Notices”** means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006 and Regulatory Notice 8/2006, as amended from time to time, and any amending, replacing or supplementing secondary legislation passed by the CMVM, in accordance with the Legal Regime of Covered Bonds.

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

**“Relevant Nominating Body”** means, in respect of an Original Reference Rate:

- (a) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Original Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

**“Reserve Account”** means the cash account held with a counterparty with credit ratings sufficiently high

to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by the Covered Bonds Law, being the Accounts Bank, and the operation of which shall be governed by Conditions 5.5 (*Reserve Account*) and 6.9 (*Pass-through Provision*) and the Reserve Account Agreement. The Reserve Account, and any balance to the credit thereof, will form part of the Cover Pool and be subject to the same legal requirements and legal regime as any Other Assets which are part of the Cover Pool.

**“Reserve Account Agreement”** means the agreement so designated entered into between the Issuer and the Reserve Account Bank in relation to the creation, operation and maintenance of the Reserve Account, on or about 1 July 2016, as amended and/or supplemented and/or restated from time to time (including a Deed of Novation dated on or about 7 September 2020).

**“Reserve Account Bank”** means Elavon Financial Services DAC, a Designated Activity Company registered in Ireland with the Companies Registration Office, registered number 418442, with its registered office at Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D 18 W319, acting through its UK Branch (registered number BR020005) from its offices at 125 Old Broad Street, London, Fifth Floor, London EC2N 1AR under the trade name U.S. Bank Global Corporate Trust Services, acting in its capacity as bank at which the Reserve Account is held. Under a Deed of Novation dated on or about 7 September 2020, from 25 September 2020 the Reserve Account Bank contractual position was novated to Elavon Financial Services DAC (described above), acting through its office in Ireland, and the definition of Reserve Account Bank shall be interpreted accordingly.

**“Reserved Matter”** means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or shares, bonds or other obligations or securities of any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; or (vi) to amend this definition.

**“Resolution”** means a resolution adopted at a duly convened meeting of Holders of Covered Bonds and approved in accordance with the applicable provisions.

**“Securities Act”** means the United States Securities Act of 1933, as amended.

**“Special Administrator”** means such entity as appointed by the CMVM, in case of an Insolvency Event, pursuant to the Legal Regime of Covered Bonds to manage in the place of the Issuer the Cover Pool, which shall be separated from the Issuer’s insolvency estate, all in accordance with the Legal Regime of Covered Bonds.

**“Stock Exchange”** means the Irish Stock Exchange Plc trading as Euronext Dublin or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms. **“TARGET Day”** means any day on which the TARGET2 System is open.

**“Successor Rate”** means the rate that the Independent Adviser or, as the case may be, the Issuer determines is a successor to, or replacement of, the Original Reference Rate, and is formally recommended by any Relevant Nominating Body.

**“TARGET2 System”** means the Trans-European Automated Real-time Gross Settlement Express Transfer System.

**“Tax”** shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee,

deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly.

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

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

“**Terms and Conditions**” means in relation to the Covered Bonds, the terms and conditions to be endorsed on the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

“**Total Target Reserve Amount**” has the meaning given in Condition 5.5 (*Reserve Account*).

“**Value**” means:

- (a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- (b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

## CHARACTERISTICS OF THE COVER POOL

### INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

Under the Covered Bonds Law, as complemented by the Legal Regime of Covered Bonds, mortgage covered bonds (“*obrigações hipotecárias*”) may be issued by credit institutions legally authorised to grant credits guaranteed by mortgages over property. The Issuer complies with these requirements and is thus allowed to issue covered bonds under the Covered Bonds Law.

### ISSUER REQUIRED TO MAINTAIN COVER POOL

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

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

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

### ELIGIBILITY CRITERIA FOR ASSETS FORMING THE COVER POOL

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

#### *Mortgage Credits Eligibility Criteria*

- (a) pecuniary receivables not yet matured, which are neither subject to conditions, nor encumbered, judicially seized or apprehended and which are secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
- (b) mortgage credits secured by junior mortgages provided all mortgage credits secured by senior mortgages on the same property are held by the Issuer and allocated to the Cover Pool;
- (c) receivables secured by a personal guarantee granted by a credit institution or an appropriate insurance policy, in each case together with a mortgage counter guarantee evidencing (a) or (b) above.

#### *“Other Assets” Eligibility Criteria:*

The following assets may also be included in the Cover Pool as Other Assets:

- (a) deposits with the Bank of Portugal, in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the

national central banks of the EU member states whose currency is the euro);

- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent, and which will include, for the avoidance of doubt, any funds standing to the credit of the Reserve Account and the Programme Account and which are subject to the same legal requirements and regime as such other deposits (and which compliance at all times the Issuer shall ensure); and
- (c) other assets meeting both the low risk and high liquidity requirements of the Regulatory Notices.

The aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool allocated as collateral to all Covered Bonds issued by the Issuer.

At the date of this Base Prospectus, the Issuer intends to include in the Cover Pool mortgage credits which are located in Portugal and secured primarily on residential property for the purposes of the Covered Bonds Law.

The Issuer does not intend at the date of this Base Prospectus to include either (i) Mortgage Credits which have their primary security over commercial property or (ii) Mortgage Credits in respect of which the associated Property is located for the purposes of the Covered Bonds Law outside Portugal without first obtaining (in each case for so long as the Covered Bonds are rated by such rating agency) from Moody's and/or Fitch a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Covered Bonds.

## **HEDGING CONTRACTS**

The Covered Bonds Law allows the Cover Pool to include hedging contracts aimed exclusively at hedging risks, namely interest rate, foreign exchange rate or liquidity risks. These hedging contracts will form part of the Cover Pool and may be taken into account in the assessment of the financial ratios and requirements of the Covered Bonds Law and described in this section.

Pursuant to the requirements of the Covered Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) recognised market of an OECD country, or (iii) with a counterparty which is a credit institution with a rating of at least «A-» or equivalent. The Covered Bonds Law empowered the Bank of Portugal to develop, by regulatory notice ("*Aviso*"), the eligibility criteria for hedging contracts to form part of the Cover Pool.

Also pursuant to the Covered Bonds Law, the Register shall, in relation to each Hedging Contract, identify (i) the Covered Bonds to which the relevant Hedging Contract relates; (ii) the corresponding Cover Pool; (iii) the nominal value of the Hedging Contract; (iv) the Hedge Counterparty; and (v) the commencement date and the maturity date of such Hedging Contract.

If a particular Tranche of Covered Bonds is issued in a denomination other than the euro, the Issuer must enter into Hedging Contracts for the purpose of hedging any currency exchange risk.

Interest rate exposure of the Issuer relating to Mortgage Credits comprised in the Cover Pool will be managed through the Hedging Contracts. Interest rate swaps will be entered into with a Hedge Counterparty relating to both the Cover Pool and the Covered Bonds issued by the Issuer. The Hedging Contracts will qualify as derivative financial instruments for the purposes of the Covered Bonds Law.

Under the terms of the Hedging Contracts entered into with the Hedge Counterparty, if the rating of the Hedge Counterparty falls below the relevant applicable ratings as set out in such Hedging Contracts, the Hedge Counterparty will be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Hedging Contract; (ii) arranging for its obligations under the Hedging

Contracts to be transferred to an entity with the ratings required by the relevant rating agency; (iii) procuring another entity with the ratings required by the relevant rating agency to become co-obligor in respect of its obligations under the Hedging Contracts; or (iv) taking such other action so that, in respect of the relevant rating agency, the then ratings of the Covered Bonds following such action are not lower than the ratings immediately prior to the downgrade of the Hedge Counterparty. A failure to take such steps will allow the Issuer to terminate the Hedging Contracts.

In addition, certain other termination events and/or events of default may apply under the terms of the proposed Hedging Contracts, which may entitle the Hedge Counterparty and/or the Issuer to terminate the Hedging Contracts.

Upon any termination in whole or in part of the Hedging Contracts, the Issuer may be required to make (or be entitled to receive) a termination payment to (or from) the Hedge Counterparty.

The Hedging Contracts will be governed by English law.

### **LOAN-TO-VALUE RESTRICTIONS**

Pursuant to the Covered Bonds Law, the amount of any mortgage credit asset included in the Cover Pool may not exceed (i) the value of the corresponding Mortgage, and (ii) 80 per cent. of the value of the Property, if it is residential property, or 60 per cent. of the value of the Property, if it is commercial property. See *Valuation of Cover Pool* below.

### **WEIGHTED AVERAGE TERM TO MATURITY**

The Covered Bonds Law sets out certain criteria, including matching weighted average term to maturity, which are required to be met by the Issuer in respect of its Cover Pool. In any case, the average maturity of the outstanding Covered Bonds cannot exceed, at any time, the average maturity of the Mortgage Credits and Other Assets allocated to the relevant issuance.

### **OVERCOLLATERALISATION**

Pursuant to the Covered Bonds Law, the nominal principal amount of any Covered Bonds outstanding may not exceed 95 per cent. of the aggregate nominal amount of the Cover Pool less any Covered Bonds acquired by the Issuer pursuant to the Covered Bonds Law and not cancelled. In addition, the aggregate amount of interest payable to the holders of Covered Bonds may not exceed, at any time, the amount of interest to be collected under the Cover Pool (including both the Mortgage Credits and the Other Assets) allocated to the Covered Bonds.

Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to guarantee that the Value of the Cover Pool maintained by the Issuer shall at all times be a minimum of the higher of (i) 110.0 per cent. of the aggregate Value of all outstanding Covered Bonds issued under the Programme less any Covered Bonds held by the Issuer pursuant to Article 21.2 of the Covered Bonds Law and not cancelled and (ii) 1 divided by the Asset Percentage. For the purposes above, the “Asset Percentage” means the lower of 100 per cent. and any other percentage determined by the Issuer from time to time. As of 30 June 2022, the Asset Percentage was 83.412 per cent.. The Issuer may at any time reduce the Asset Percentage, but it may only increase the Asset Percentage above 84.75 per cent. subject to obtaining the Hedging Counterparty’s consent and one of the following: (i) prior confirmation from the Rating Agencies that such increase would not result in the reduction, removal, suspension or placement on credit watch of the credit ratings assigned to each such Covered Bonds; or (ii) a written indication by the Rating Agencies that it does not have any comments to said increase; or (iii) a written communication by the Rating Agencies that, having concluded the review of said increase, it does not consider a confirmation to be due; or (iv) within 30 days after each of the Rating Agencies has been notified, no additional information or additional period to analyse have been requested, nor has the Issuer received



any other written communication from the Rating Agencies. Any change to the Asset Percentage shall be disclosed by the Issuer on the website of Euronext Dublin and the CMVM and the Asset Percentage shall be disclosed by the Issuer or on its behalf as part of the regular reporting on the Covered Bonds.

The 110.0 per cent. referred to in (i) above is higher than the statutory limit of 105.26 per cent. set forth in the Covered Bonds Law.

*See Terms and Conditions of the Covered Bonds.*

For the purposes of the calculation by the Issuer and the Cover Pool Monitor of the level of overcollateralisation referred above:

- (a) Mortgage Credits shall be included at their outstanding principal amount, together with any accrued but unpaid interest;
- (b) the Covered Bonds shall be accounted according to the nominal value of outstanding principal, including matured and accrued interest;
- (c) in relation to any Other Assets:
  - (i) deposits shall be accounted for according to their aggregate amount together with any accrued but unpaid interest; and
  - (ii) securities eligible for Eurosystem credit transactions shall be accounted for a value which is obtained in accordance with the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

Also, for the purpose of these calculations, the Issuer and the Cover Pool Monitor shall use the foreign exchange rates published by the ECB as a reference.

In addition, the net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis point parallel shifts in the yield curve.

#### **COMPLIANCE WITH FINANCIAL REQUIREMENTS**

The Cover Pool Monitor must monitor the Issuer's compliance with the financial requirements established in the Covered Bonds Law and in the Regulatory Notices described in this section. The Issuer must, as soon as practicable after becoming aware that it has failed to comply with any provisions of the Covered Bonds Law summarized herein (or when it is reasonable to expect that they will not be complied with), take all steps to comply with that provision, by undertaking one or more of the following procedures:

- (a) allocating new mortgage credit assets, with or without substitution of those already allocated to the Covered Bonds; and/or
- (b) allocating additional Other Assets within the limits set out in the Covered Bonds Law; and/or
- (c) acquiring Covered Bonds in the secondary market.

#### **VALUATION OF COVER POOL**

The Covered Bonds Law sets out certain requirements and criteria which are required to be met by the Issuer in respect of the valuation of Mortgage Credits comprised in the Cover Pool.

The Covered Bonds Law empowered the Bank of Portugal to specify, by regulatory notice ("Aviso"), requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the value of mortgage credit assets or Other Assets for the purposes of the Covered Bonds Law. The Covered Bonds Law also empowered the Bank of Portugal to specify, by regulatory notice, requirements in relation to the valuation basis and methodology, time of

valuation and any other matter that it considers relevant for determining the value of substitution assets that are to form the Cover Pool. These requirements are set out in Regulatory Notice 6/2006.

### ***Valuation of Properties***

#### *General Overview*

The value of each Property associated with a Mortgage Credit comprised in the Cover Pool should be determined in accordance with the rules and criteria set out in Regulatory Notice 5/2006 of the Bank of Portugal. Such value corresponds to the commercial value of such Property, determined in accordance with prudent criteria and taking into consideration (i) the sustainable long term characteristics of such Property, (ii) the standard conditions of the local market, (iii) the current use of the relevant Property, and (iv) any alternative uses of the Property in question.

Pursuant to the requirements of Regulatory Notice 5/2006, the commercial value awarded by the Issuer to each of the Properties related to Mortgage Credits comprised in the Cover Pool may not be higher than the market value of such Property. For these purposes, the “**market value**” of each Property shall correspond to the price by which the relevant Property can be purchased by a third party able to complete such purchase on the date of the valuation of the Property, assuming that (i) the Property is publicly put on sale, (ii) the market conditions allow for a regular transfer of such Property, and (iii) there is a normal period of time to, considering the nature of the Property in question, negotiate the purchase and sale of such Property.

#### *Valuation by expert*

Prior to the inclusion in the Cover Pool of the related Mortgage Credit, each Property must be valued by a real estate valuation expert. Such valuation shall be reviewed by a real estate valuation expert whenever (i) the information available to the Issuer indicates that there may have been a substantial decrease in the value of the Property or (ii) the value of the Property may have materially decreased in relation to general market prices.

A valuation made by a real estate valuation expert prior to the enactment of Regulatory Notice 5/2006 may, however, be used by the Issuer provided that:

- (a) the valuations were carried out by a valuation expert who is independent from the credit analysis and credit decision process within the Group;
- (b) the valuations were subject to a written report from the valuation expert;
- (c) the Properties had been valued in light of the corresponding market value, or in light of the value of the mortgaged asset value, as established by Regulatory Notice 5/2006; and
- (d) there has been no evidence that the relevant Property was over-valued at the time of allocation of the relevant Mortgage Credit to the issue of Covered Bonds.

The real estate valuation experts appointed from time to time by the Issuer to conduct the required valuation of Properties shall be independent and be adequately qualified and experienced for the performance of their functions. The Issuer may not appoint a real estate valuation expert with any potential conflicts of interest, notably where there is (i) any specific interest of the valuation expert in the Property subject to the valuation; (ii) any relationship, commercial or personal, with the borrower of the Mortgage Credit related to the Property subject to valuation, or (iii) where the remuneration of the valuation expert is dependent on the valuation of the relevant Property.

The Issuer may appoint a valuation expert within the Group, provided such valuation expert is independent from the credit analysis and decision making process within the Group.

The selection of real estate valuation experts by the Issuer must ensure adequate diversification and

rotation, and the Issuer shall maintain a permanent and updated list of selected valuation experts, setting out the criteria which have led to the respective selection, as well as the Properties valued by each valuation expert. This list shall be sent to the supervisory authority by the end of January in each year, with reference to 31 December of the previous year, indicating, if applicable, any changes made to such list from the list submitted the previous year.

Under Regulatory Notice 5/2006, the supervisory authority may, in relation to a given Property, require the Issuer to appoint another valuation expert, in particular when the value resulting from the previous valuation raises doubts as to its correctness.

Valuation experts are required to comply with the terms and conditions set forth in Law 153/2015, of 14 September.

#### *Methods of valuation*

The Issuer must ensure that each real estate valuation expert it appoints uses one of the following methods of valuation, which shall be chosen in light of the specific characteristics of the Property subject to valuation, as well as of the specific conditions of the local market:

- (a) Cost method;
- (b) Income method; or
- (c) Comparison method.

#### *Valuation report*

Each real estate valuation expert appointed by the Issuer shall prepare a report in relation to the valuation of each Property, setting out, in a clear and detailed manner, all the elements relevant for the full understanding of the analysis and conclusions of such valuation, in particular:

- (a) the identification of the relevant Property, with a detailed description of its characteristics;
- (b) a description and basis of the method(s) of valuation, any parameters used and/or assumptions adopted, identifying the manner in which the volatility effects of the short term market or the market temporary conditions were taken into account;
- (c) a description of possible qualifications to the analysis;
- (d) the valuation of the Property, in terms of both the value of the Mortgaged Credit and of the market value of the Property;
- (e) a statement of the valuation expert that he has performed the valuation according to the applicable requirements set out in the Covered Bonds Law and in the Regulatory Notices;
- (f) the date of the valuation and the identification and the signature of the valuation expert.

#### *Subsequent valuations of Properties and subsequent update of the value of Properties*

In respect of Mortgage Credits that exceed (i) 5 per cent. of the own funds of the Issuer or (ii) €500,000, in the case of residential Properties, or €1,000,000, in the case of commercial Properties, the valuation of the relevant Property shall be reviewed by a real estate valuation expert at least every three years.

The Issuer shall also perform an internal review of the value of each of the Properties at least once every three years, for residential Properties, and at least once a year for commercial Properties.

The Issuer may be required to conduct Property valuations whenever there is relevant information that indicates that a substantial decrease of the Property value has taken place or that the property value may have suffered a material decline in relation to standard market prices.

For the purpose of conducting an update of the valuation of the Properties, the Issuer may resort to recognised indexes or statistical methods. In this case, the Issuer shall send the supervisory authority a report with the detailed description of such indexes and statistical methods, as well as the grounds for their use, together with an opinion on the adequacy of such indexes and statistical methods produced by a reputable independent valuation expert. All subsequent updates of the value of the Properties shall be documented by the Issuer, setting out the description of the relevant criteria and the frequency of the review.

The Issuer shall provide the Cover Pool Monitor with all information necessary for the Cover Pool Monitor to supervise compliance by the Issuer with the requirements set forth in the Covered Bonds Law and in Regulatory Notice 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

### ***Valuation of Other Assets***

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

- (a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
- (b) the securities eligible for Eurosystem credit transactions shall be valued for by the value resulting from the rules regarding evaluation and margin calculation laid down by the Eurosystem or, if lower, according to the nominal value of such securities, including accrued but unpaid interest.

### ***Insurance***

Pursuant to the Covered Bonds Law, if any property mortgaged as security for payment of interest and principal in relation to a mortgage credit asset comprised in the Cover Pool does not have adequate insurance policy contracted by the relevant owner, the Issuer must obtain such insurance coverage adequate to the risks inherent to the relevant property. The Issuer must bear the costs of such insurance. In any case, the insurance policy attached to any property included in the Cover Pool must provide for a full coverage, allowing, in case of total loss, for such property to be rebuilt. Any compensation due under any such insurance policies must be paid directly to the Issuer, up to the limit of the relevant Mortgage Credit.

## **COVER POOL SEGREGATED REGISTER AND SPECIAL CREDITOR PRIVILEGE**

### ***Autonomous pool of assets and segregated register***

Pursuant to the Covered Bonds Law, the Cover Pool constitutes an autonomous pool of assets ("*patrimonio autónomo*") not liable for any general indebtedness incurred by the Issuer until all amounts due to the holders of Covered Bonds and the Other Preferred Creditors are fully paid and discharged.

The Covered Bonds Law provides that the appropriate particulars of each asset comprised in the Cover Pool (including Mortgage Credits, Other Assets and Hedging Contracts) must be recorded in a segregated register within and maintained by the Issuer. Such register must record the following:

- (i) the outstanding principal amount;
- (ii) the applicable interest rate;
- (iii) the applicable maturity;
- (iv) the notary's office where the relevant mortgage was entered into, when applicable;
- (v) the reference regarding the definitive inscription of the mortgages in the corresponding real estate registry.

Pursuant to Article 4 (3) of the Covered Bonds Law, the Cover Pool is identified in the transaction documents by a code provided by the supervisory authority. The key to such code is deposited with the supervisory authority. Regulatory Notice 8/2006 sets out the conditions under which the holders of Covered Bonds may have access to the segregated register of the Cover Pool.

### *Special creditor privilege*

Under the Covered Bonds Law, the holders of Covered Bonds enjoy a special creditor privilege over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other creditors, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Law, this special creditor privilege (*privilégio creditório especial*) applied automatically for the benefit of the holders of Covered Bonds, the Common Representative and the Hedge Counterparties and is not subject to registration.

The mortgages created as security for the mortgage credit assets comprised in the Cover Pool shall prevail over all other real estate preferential claims.

From and including 1 July 2022, Article 5 (*Dual Recourse*) of the Legal Regime of Covered Bonds applies, which, while continuing to apply the same regime as above, specifies further detail thereto, confirming that the holders of covered bonds and the hedging counterparties have: (a) a claim against the credit institution issuing the covered bonds; (b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a special creditor privilege on the cover assets in the amount of the principal and any accrued and future interest; (c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the privileged credit referred in (b) cannot be fully satisfied, a claim against the insolvency estate of that credit institution, which ranks *pari passu* with the claims of the credit institution's ordinary unsecured creditors of the credit institution. It is further specified that the entitlements under (a) to (c) above are limited to the total payment obligations under the covered bonds and that the above dual recourse and special creditor privilege also applies in case of maturity extension of those covered bonds subject to automatic maturity extension, pursuant to the Legal Regime of Covered Bonds.

## **INFORMATION ON THE COVER POOL**

The Issuer publishes quarterly investor reports on the outstanding Covered Bonds, including key information regarding characteristics of the Cover Pool, outstanding Covered Bonds and other Assets (including the Reserve Account), as at the last business day of each calendar quarter and the applicable Overcollateralisation. The Investor Report is produced and distributed by the end of the calendar month following each calendar quarter, and distributed to the Rating Agencies and Cover Pool Monitor via electronic mail. Such reports are available at: <https://www.bancomontepio.pt/institucional/investor-relations/funding-programmes>.

### **Covered Bond Programme - main characteristics**

The table below shows the main characteristics of the Covered Bond Programme, as of 30 September 2022 (the full version of the quarterly Investor Report as well as any future quarterly updates thereto are available for consultation at <https://www.bancomontepio.pt/institucional/investor-relations-funding-programmes>).

Covered Bonds Outstanding	Issue Date	Coupon	Maturity Date	Remaining Term (Years)	Nominal Amount
<b>Syndicated</b>					
Series 10 (ISIN PTCMGTO0029)	17/10/2017	Fixed Rate	17/10/2022	0.0	750,000,000
Series 11 (ISIN PTCMGAOM0038)	14/11/2019	Fixed Rate	14/11/2024	2.1	500,000,000
<b>Private Placements</b>					

Covered Bonds Outstanding	Issue Date	Coupon	Maturity Date	Remaining Term (Years)	Nominal Amount
Series 6 (ISIN PTCMGEOE0034)	09/11/2016	Floating Rate	09/11/2023	1.1	300,000,000
Series 8 (ISIN PTCMGFOE0033)	16/03/2016	Floating Rate	16/03/2026	4.2	500,000,000
Series 9 (ISIN PTCMG SOM0020)	22/05/2017	Floating Rate	22/05/2024	1.6	250,000,000
<b>Total</b>				<b>1.7</b>	<b>2,300,000,000</b>

#### Mortgage Credit Pool

##### Main Characteristics

Number of Loans	55,860
Aggregate Original Principal Balance (EUR)	4,487,208,019
Aggregate Current Principal Balance (EUR)	2,746,299,078
Average Original Principal Balance per loan (EUR)	80,330
Average Current Principal Balance per loan (EUR)	49,164
Current principal balance of the 5 largest borrowers (EUR)	5,506,967
Weight of the 5 largest borrowers (current principal balance) %	0.20%
Current principal balance of the 10 largest borrowers (EUR)	9,079,236
Weight of the 10 largest borrowers (current principal balance) %	0.33%
Weighted Average Seasoning (months)	123.2394091
Weighted Average Remaining Term (months)	274.4962633
Weighted Average Current Unindexed LTV (%)	51.09%
Weighted Average Current Indexed LTV (%)	n.a.
Weighted Average Interest Rate (%)	1.51%
Weighted Average Spread (%)	1.28%
Max Maturity Date	04/02/2066

Subsidized Loans	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Yes	3,203	5.73%	69,238,779	2.52%
No	52,657	94.27%	2,677,060,299	97.48%

Insured Property	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Yes	55,860	100.00%	2,746,299,078	100.00%
No	0	0.00%	0	0.00%

Interest Rate Type	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Fixed	3,361	6.02%	200,294,700	7.29%
Floating	52,499	93.98%	2,546,004,378	92.71%

Repayment Type	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Annuity / French	55,522	99.39%	2,734,293,506	99.56%
Linear	0	0.00%	0	0.00%
Increasing instalments	142	0.25%	5,328,094	0.19%
Bullet	0	0.00%	0	0.00%
Interest-only	0	0.00%	0	0.00%

**Mortgage Credit Pool**

Other	196	0.35%	6,677,478	0.24%
Seasoning	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Up to 1 year	2,476	4.43%	241,557,631	8.80%
1 to 2 years	3,176	5.69%	295,507,436	10.76%
2 to 3 years	2,104	3.77%	185,540,556	6.76%
3 to 4 years	2,043	3.66%	164,310,109	5.98%
4 to 5 years	1,704	3.05%	130,879,673	4.77%
5 to 6 years	1,762	3.15%	127,381,974	4.64%
6 to 7 years	1100	1.97%	74,545,117	2.71%
7 to 8 years	1078	1.93%	62,573,721	2.28%
8 to 9 years	791	1.42%	46,764,682	1.70%
9 to 10 years	670	1.20%	39,744,694	1.45%
10 to 11 years	518	0.93%	29,410,725	1.07%
11 to 12 years	978	1.75%	54,593,776	1.99%
More than 12 years	37,460	67.06%	1,293,488,985	47.10%
Remaining Term	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Up to 5 years	5,319	9.52%	50,626,503	1.84%
5 to 8 years	7,960	14.25%	159,422,419	5.80%
8 to 10 years	6,108	10.93%	171,743,290	6.25%
10 to 12 years	3,660	6.55%	124,033,061	4.52%
12 to 14 years	2,480	4.44%	100,040,206	3.64%
14 to 16 years	2,197	3.93%	101,475,087	3.69%
16 to 18 years	2,486	4.45%	125,825,775	4.58%
18 to 20 years	2,570	4.60%	147,364,107	5.37%
20 to 22 years	2,929	5.24%	169,849,740	6.18%
22 to 24 years	4,354	7.79%	268,100,692	9.76%
24 to 26 years	3,022	5.41%	215,501,911	7.85%
26 to 28 years	2,752	4.93%	214,154,683	7.80%
28 to 30 years	2,766	4.95%	220,203,225	8.02%
30 to 40 years	7,252	12.98%	677,609,648	24.67%
More than 40 years	5	0.01%	348,731	0.01%
Current Unindexed LTV	Number of Loans	% Total Loans	Loans Amount	% Total Amount
Up to 40%	28,947	51.82%	818,679,329	29.81%
40 to 50%	7,361	13.18%	413,467,875	15.06%
50 to 60%	6,994	12.52%	461,026,222	16.79%
60 to 70%	6,967	12.47%	531,986,574	19.37%
70 to 80%	5,591	10.01%	521,139,078	18.98%
More than 80%	0	0.00%	0	0.00%
Loan Purpose	Number of Loans	% Total Loans	Loans Amount	% Total Amount

**Mortgage Credit Pool**

Owner-occupied	49,431	88.49%	2,405,848,315	87.60%
Second Home	3,803	6.81%	210,403,273	7.66%
Buy to Let	930	1.66%	48,510,187	1.77%
Other	1,696	3.04%	81,537,304	2.97%
Property Type	Number of Loans	% Total Loans	Loans Amount	% Total Amount
<b>Residential</b>	<b>55,860</b>	<b>100.00%</b>	<b>2,746,299,078</b>	<b>100.00%</b>
Flat	41,523	74.33%	1,784,872,966	64.99%
House	14,337	25.67%	961,426,112	35.01%
Other	0	0.00%	0	0.00%
<b>Commercial</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0.00%</b>
Geographical Distribution	Number of Loans	% Total Loans	Loans Amount	% Total Amount
<b>Portugal</b>	<b>55,860</b>	<b>100.00%</b>	<b>2,746,299,078</b>	<b>100.00%</b>
North	16,917	30.28%	752,063,887	27.38%
Centre	9,492	16.99%	449,978,115	16.38%
Lisbon	18,512	33.14%	984,803,903	35.86%
Alentejo	2,972	5.32%	146,859,552	5.35%
Algarve	3,726	6.67%	197,622,351	7.20%
Madeira	1,462	2.62%	76,897,636	2.80%
Azores	2,779	4.97%	138,073,634	5.03%
Delinquencies	Number of Loans	% Total Loans	Loans Amount	% Total Amount
> 30 to 60 days	59	0.11%	2,788,293	0.10%
> 60 to 90 days	0	0.00%	0	0.00%
> 90 days	0	0.00%	0	0.00%



## ISSUER EVENTS

### INSOLVENCY EVENT

From and including 1 July 2022, the following regime applies, under the Legal Regime of Covered Bonds, pursuant to Decree-Law 31/2022, of 6 May 2022, substituting the previous regime on such matters under the Covered Bonds Law:

Where a resolution action is taken against the Issuer, CMVM shall cooperate with the Bank of Portugal, as the competent resolution authority, to protect the rights and interests of the holders of Covered Bonds, in particular by verifying the continuity and sound management of the covered bonds' programme following the resolution action.

The Covered Bonds Law governs, to a certain extent, the impact on the Covered Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Covered Bonds. In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Covered Bonds Law establishes that the Cover Pool shall be segregated from the insolvency estate of the Issuer and will not form part thereof until full payment of any amounts due to the holders of Covered Bonds. The amounts corresponding to payment of interest and repayment of principal of the Mortgage Credits and Other Assets will not form part of the insolvency estate of the Issuer.

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds and any other preferred creditors benefiting from the creditor privilege and/or the autonomous estate constituted by the Cover Pool. In this situation, pursuant to the Covered Bonds Law, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds. If an Insolvency Event occurs in relation to the Issuer, the Bank of Portugal, as the competent resolution authority, shall notify CMVM, as soon as possible, when it applies a resolution measure to the Issuer, informing it, specifically, of the treatment of the Covered Bonds in the resolution action applied. In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal will immediately inform CMVM of the decision to revoke the authorisation of the Issuer.

In case of revocation of the authorisation to act as a credit institution in Portugal and consequent liquidation of the Issuer, CMVM may appoint a special administrator (the "**Special Administrator**") within 10 business days after the revocation of such authorisation. The roles and responsibilities of the Special Administrator include:

- a) extinction of liabilities associated with the Covered Bonds;
- b) the management and settlement of hedging assets, including their transfer to another credit institution that issues covered bonds, together with the liabilities associated with such covered bonds;
- c) performing all acts and operations necessary for:
  - (i) the adequate administration of the Cover Pool;
  - (ii) the continuous monitoring of the coverage of the liabilities associated with the Covered Bonds; and

- (iii) the initiation of the necessary legal actions to reintegrate the assets in the Cover Pool and the transfer of the remaining assets, after the extinction of all hedging portfolio liabilities to the insolvent estate (*massa insolvente*) of the Issuer;
- d) performing all acts and operations necessary for the sound management of the claims and respective guarantees, to ensure the timely payment of all amounts due to the holders of the Covered Bonds, including, but not limited to:
  - (i) selling the Mortgage Credits comprised in the Cover Pool;
  - (ii) ensuring collection services in respect of the Mortgage Credits comprised in the Cover Pool;
  - (iii) administrative services in connection with such Mortgage Credits and respective borrowers; and
  - (iv) amending, extinguishing and conservative acts relating to the guarantees; and
- e) maintaining and keeping updated a segregated register of the Cover Pool in accordance with the Legal Regime of Covered Bonds.

CMVM may dismiss the Special Administrator, in particular in cases where such Special Administrator fails to fulfil and comply with the duties and responsibilities assigned under the Legal Regime of Covered Bonds. The remuneration of the Special Administrator is set by CMVM and constitutes a charge on the Cover Pool.

Finally, CMVM, the Bank of Portugal, as the competent resolution authority, and (if appointed) the Special Administrator shall coordinate their measures and exchange the necessary information for the performance of their respective functions.

The Special Administrator will prepare, immediately upon being appointed, an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes, as well as an annual report, regarding the Cover Pool. The annual report shall be subject to an audit report, prepared by an independent auditor appointed by the Special Administrator. By the end of the quarter following the end of the relevant financial year, the Special Administrator will share with CMVM the annual report, jointly with the audit report. In the event of insolvency of the Issuer, the assets allocated to one or more issues of Covered Bonds will be segregated from the corresponding insolvent estate and will be managed autonomously by a third party until full payment of the amounts due to the holders of Covered Bonds has been made. In any case, and even if the Issuer is declared insolvent, the Covered Bonds Law determines that timely payments of interest and reimbursements under the Covered Bonds shall continue to be carried out.

#### **DEFAULT OF PAYMENT EVENT**

The Default of Payment Event shall occur if i) a Series of Covered Bonds has not been repaid in full on its Maturity Date or on the following two Business Days, or ii) if interest due under that Series has not been paid on any Interest Payment Date (subject to any applicable grace period or the availability of any Reserve Amount) or on the following five Business Days, and therefore, the affected Covered Bonds shall be treated and will assume the form of pass-through covered bonds. For the sake of clarity, a Default of Payment Event will only occur if the relevant repayment (or interest payment, as applicable) is not done by the end of the following two (or five, as applicable) Business Days mentioned above.

## COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED BONDS

**Citicorp Trustee Company Limited**, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5 LB, United Kingdom, has been appointed by the Issuer as representative of the holders of the Covered Bonds, pursuant to Article 14 of the Covered Bonds Law (which has been supplemented by Article 28 of the Legal Regime of Covered Bonds) and in accordance with the Terms and Conditions of the Covered Bonds and the terms of the Common Representative Appointment Agreement.

According to the Covered Bonds Law (as supplemented by the Legal Regime of Covered Bonds) and to the relevant provisions of the Portuguese Companies Code (*Código das Sociedades Comerciais*), the Common Representative is entitled, at its discretion, to perform all the necessary acts and actions in order to ensure protection of the holders of Covered Bonds, notably: (a) to represent the holders of Covered Bonds in respect of all matters arising from the issuance of the Covered Bonds and to enforce on their behalf their legal or contractual rights; (b) to enforce any decision taken by the general meetings of the holders of Covered Bonds, in particular those where the acceleration of the Covered Bonds may be decided; (c) to represent the holders of Covered Bonds in any judicial proceedings, including judicial proceedings against the Issuer and, in particular, in the context of any winding-up, dissolution or insolvency commenced by or against the Issuer; (d) to collect and examine all the relevant documentation in respect of the Issuer which is provided to its shareholders; and (e) to provide the holders of Covered Bonds with all relevant information regarding the issuance of the Covered Bonds it may become aware of by virtue of its role as Common Representative under the Common Representative Appointment Agreement.

The Common Representative should be independent and may not be associated with a group of specific interests in the company nor in any circumstance which is likely to affect their impartiality when analysing or making decisions, including by virtue of: a) it being the holder or acting on behalf of the holder of holdings equal to or greater than 2 per cent. of the share capital of the Issuer; b) being in a controlling or group relationship with the Issuer; c) providing services of financial or legal nature to the Issuer, for the issue of securities, or to other financial intermediaries or promoters related with the issue; d) benefiting from any advantages from the company; e) serving as directors in the Issuer and in any entity controlling or having a group relation with the Issuer; f) rendering services or having a significant commercial relationship with the Issuer; g) exercising functions in competing entities, or that act on their behalf or represent any interests of such entities; h) being relative to a person prevented from exercising these functions or with a person with a significant commercial relationship with the company.

The holders of the Covered Bonds may at any time, by means of resolutions passed in accordance with the Terms and Conditions of the Covered Bonds and the Common Representative Appointment Agreement, remove the Common Representative and appoint a new common representative.

## COVER POOL MONITOR

### APPOINTMENT OF A COVER POOL MONITOR

The Covered Bonds Law requires that the Board of Directors of the Issuer appoints a qualified person or entity to be the monitor of the Cover Pool (the “**Cover Pool Monitor**”) who shall be responsible, for the benefit of the holders of Covered Bonds, for monitoring the compliance by the Issuer of the requirements contained in the Covered Bonds Law and the Regulatory Notices.

Pursuant to the Covered Bonds Law, the Cover Pool Monitor must be an independent auditor registered with the CMVM. For these purposes, an independent auditor must be an auditor which is not related with or associated to any group of interests within the Issuer and is not in a position that hinders its independent analysis and decision making process. In particular, such independent auditor shall not (i) either directly or on behalf of a third party, hold 2 per cent. or more of the share capital of the Issuer, or (ii) have been re-elected a member of the Issuer’s audit bodies for more than two terms (either consecutive or not). For this purpose, a term corresponds to a period of 4 (four) years.

The Issuer is responsible for paying any remuneration or other money payable to the Cover Pool Monitor in connection with the Cover Pool Monitor’s responsibilities in respect of the Issuer and the holders of Covered Bonds.

### ROLE OF THE COVER POOL MONITOR

Pursuant to the Cover Pool Monitor Agreement, dated 12 December 2018, the Issuer appointed PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, S.A. registered with the CMVM under registration number 20161485 as the Programme Cover Pool Monitor.

The Cover Pool Monitor Agreement reflects the requirements of the Covered Bonds Law in relation to the appointment of a monitor in respect of the requirements (namely, financial requirements and the requirements set forth in Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*)) concerning the Cover Pool and the Covered Bonds. The Cover Pool Monitor Agreement provides for certain matters such as overcollateralisation (see *Characteristics of the Cover Pool*), valuation of assets comprised in the Cover Pool, the payment of fees and expenses by the Issuer to the Cover Pool Monitor, the resignation of the Cover Pool Monitor and the replacement by the Issuer of Cover Pool Monitor.

### DUTIES AND POWERS OF THE COVER POOL MONITOR

In accordance with the Covered Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer of the financial and prudential requirements established in the Covered Bonds Law and in the Regulatory Notices in respect of the Cover Pool. In particular, the Cover Pool Monitor shall be engaged to assess compliance by the Issuer with the requirements set forth in Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenant*), including in respect of the operation of the Reserve Account. The Cover Pool Monitor is also required to monitor the Reserve Account required level, on a monthly basis. If the Cover Pool Monitor identifies that the funds available in the Reserve Account do not meet the Total Target Reserve Amount, it shall report that fact in the next quarterly report to be delivered to the Issuer, in accordance with agreed upon procedures as foreseen in the Cover Pool Monitor Agreement.

Pursuant to the Covered Bonds Law and the Regulatory Notices, the Cover Pool Monitor is entitled to be provided with all information required to monitor compliance by the Issuer with the requirements relating to outstanding Covered Bonds and the Cover Pool.

In the performance of its duties, the Cover Pool Monitor must produce an annual report with an assessment of the Issuer’s compliance with the requirements established in the Covered Bonds Law and

in the Regulatory Notices, in particular those requirements relating to the level of collateralisation, the loan-to-value ratios limitations and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor must also prepare opinions certifying the statements of the management body of the Issuer, relating to information and documentation filed with the supervisory authority.

The Cover Pool Monitor will prepare a quarterly report to be delivered to the Issuer, in accordance with agreed upon procedures as foreseen in the Cover Pool Monitor Agreement.

If, during the carrying out of any work for the preparation of the above quarterly reports, the Cover Pool Monitor becomes aware that the Issuer has not complied with any of the provisions of the Covered Bonds Law and/or of any of the Requirements of the Cover Pool, including in respect of the operation of the Reserve Account, it must notify the Issuer, as soon as reasonably practicable, of such event. If the situation remains unremedied within 10 (ten) business days after such notification, the Cover Pool Monitor will notify the Arranger, the Common Representative and the relevant Dealers of the non-compliance.

The Covered Bonds Law empowered the Bank of Portugal to promulgate, by regulatory notice (*"Aviso"*), after consultation with the CMVM and the Portuguese Association of the Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*), the requirements applicable to the content, format and disclosure of any reports of the Cover Pool Monitor. Until the present date, the Bank of Portugal has not issued any notice on these matters.

#### **REMUNERATION AND TERMINATION OF THE APPOINTMENT OF THE COVER POOL MONITOR**

In accordance with the Cover Pool Monitor Agreement, the Cover Pool Monitor shall be remunerated by the Issuer for its services as Cover Pool Monitor at a rate as may from time to time be agreed between the Issuer and the Cover Pool Monitor.

The Issuer may, with a fifteen days prior notice, at any time terminate the appointment of the Cover Pool Monitor and appoint a new entity to act in such capacity. Any such termination shall not become effective until a new cover pool monitor is appointed in accordance with the terms of the Cover Pool Monitor Agreement. Additionally, the Cover Pool Monitor may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer. Such retirement shall not become effective until the appointment of a new cover pool monitor.

## **RESERVE ACCOUNT BANK**

### **APPOINTMENT OF A RESERVE ACCOUNT BANK**

The Programme requires that the Issuer appoints a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by law (currently, “A-”).

### **ROLE OF THE RESERVE ACCOUNT BANK**

Pursuant to the Reserve Account Agreement, dated 7 July 2016 the Issuer appointed Elavon Financial Services Limited, a limited liability company registered in Ireland with the Companies Registration Office (registered number 418442) (on 14 July 2016, this company was renamed Elavon Financial Services DAC, a Designated Activity Company, under the same registration number), with its registered office at Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D18 W319, acting through its UK Branch (registered number BR020005 from its offices at 125 Old Broad Street, London, EC2N 1AR under the trade name U.S. Bank Global Corporate Trust Services.

The Reserve Account Agreement rules the creation, operation and maintenance of the Reserve Account, on or about 7 July 2016, as amended and/or supplemented and/or restated from time to time.

Pursuant to the Deed of Novation, dated on or about 7 September 2020, from 25 September 2020 the Reserve Account Bank contractual position was novated to Elavon Financial Services DAC (described above), acting through its office in Ireland.

### **DUTIES OF THE RESERVE ACCOUNT BANK AND RESERVE ACCOUNT**

The Reserve Account Bank will at all times have the minimum rating and comply with other requirements as required by the Covered Bonds Law for the Reserve Account to qualify as Other Assets of the Cover Pool. The Reserve Account will form part of the Cover Pool associated with the Programme, provided that the amounts standing to the credit of such Reserve Account (together with the remaining Other Assets) do not at any time exceed 20 per cent. of the value of the mortgage loans and other eligible assets allocated to the Cover Pool.

The amount deposited in the Reserve Account shall be available on any interest payment date towards the payment of interest due on the Pass-Through bonds to the extent that there are insufficient available funds.

### **REMUNERATION AND RESERVE ACCOUNT REPLACEMENT**

In accordance with the Reserve Account Agreement, the Reserve Account Bank shall be remunerated by the Issuer for its services as Reserve Account Bank, in terms of fees and commissions, separately agreed between the Issuer and the Reserve Account Bank.

The Issuer may replace the Reserve Account with a liquidity facility of an equivalent size. This liquidity facility will be subject to confirmation that the credit ratings assigned to the Covered Bonds by the Rating Agencies will not be reduced, removed, suspended or placed on credit watch and in any case the relevant liquidity facility provider’s credit rating shall meet the minimum rating required by law (currently, “A-”).

## REPURCHASE COMMITMENT

If the repurchase commitment is specified as applicable in the Final Terms relating to a particular Series of Covered Bonds, the Issuer will irrevocably and unconditionally undertake to repurchase such Series of Covered Bonds on its Repurchase Date at par plus accrued interest, or at such other repurchase amount as specified in, or determined in the manner specified in, the relevant Final Terms of such particular Series of Covered Bonds (the “**Repurchase Price**”), if so requested by any holders of such Series which are Qualified Investors and subject to such Series of Covered Bonds not being redeemed up to ten Business Days after the Maturity Date (the “**Repurchase Commitment**”).

The Repurchase Commitment shall be provided at the Issue Date in a letter issued to the benefit of the holders of certain Series of Covered Bonds, which will be acknowledged on behalf of all such holders by the Common Representative, in the form attached hereto. For the sake of clarity, this acknowledgment creates only obligations on the Issuer and no liability whatsoever shall attach to the Common Representative as a result of having acknowledged this document.

The Repurchase Commitment does not form part of the Terms and Conditions of the Covered Bonds and, accordingly, non-compliance by the Issuer with the Repurchase Commitment will not constitute an event of default under the Terms and Conditions. The Repurchase Commitment is a senior unsecured obligation of the Issuer and noncompliance by the Issuer with this undertaking will, nonetheless, constitute a default in respect of the Issuer’s senior unsecured obligations *vis-à-vis* the Qualified Investors holding the relevant Series of Covered Bonds who have exercised their right to request the Issuer to buy the relevant Covered Bonds. Such Qualified Investors holding the relevant Series of Covered Bonds will have recourse to the general legal remedies applicable to breach of obligations under Portuguese Law. For the avoidance of doubt, a breach of the Repurchase Commitment will not in itself result in an acceleration of the Covered Bonds or a realisation of the Cover Pool assets.

The right of the Qualified Investors holding the relevant Series of Covered Bonds to request the Issuer to buy the Covered Bonds they hold pursuant to the Repurchase Commitment shall be exercised individually by each Qualified Investor holding the relevant Series of Covered Bonds, by delivering to the Affiliate Member of Interbolsa through which it holds the Covered Bonds a written notice, in the form available from any specified office of any Paying Agent or in another form accepted by such Affiliate Member of Interbolsa for such purpose (a “**Repurchase Notice**”), no less than 10 (ten) and no more than 60 (sixty) days after the Maturity Date. Each such Qualified Investor holding the relevant Series of the Covered Bonds shall so submit irrevocable sale instructions to the relevant Affiliate Member of Interbolsa for the transfer of its Covered Bonds to the Issuer against payment of the applicable Repurchase Price (in the form and according to the procedures of Interbolsa). Such Qualified Investor holding the relevant Series of Covered Bonds shall also represent and warrant (in the Repurchase Notice), as a condition for exercising its repurchase request, its capacity as a Qualified Investor (as defined below). If Qualified Investors hold the Covered Bonds through Euroclear and Clearstream, Luxembourg (or otherwise indirectly), they shall comply with the applicable Clearing System procedures.

For purposes of this commitment, “**Qualified Investor**” (“*investidor qualificado*”) shall mean any qualified investor in accordance with and for the purposes of the Portuguese Securities Code (*Código dos Valores Mobiliários*) and/or in accordance with and for the purposes of other applicable laws (including Regulation (EU) 2017/1129 (the Prospectus Regulation)), to whom an offer of securities can be lawfully made under circumstances which are not deemed to be a public offer in any relevant jurisdiction. For the sake of clarity, holders who are not Qualified Investors will not be eligible for this Repurchase Commitment.

For purposes of this commitment, Repurchase Date will be the date which falls on the 90th (ninetieth) day after the Maturity Date of the relevant Series of Covered Bonds.

The Repurchase Commitment and any non-contractual obligation in connection therewith, shall be governed by and shall be construed in accordance with, Portuguese Law. The courts of Lisbon shall have

exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Repurchase Commitment (including any non-contractual obligations arising out of, or in connection with said document).

From:

**Caixa Económica Montepio Geral,**

caixa económica bancária, S.A.

*[Address]*

(the “**Issuer**”)

To:

**Citicorp Trustee Company Limited**

*[Address]*

(the “**Common Representative**”)

[Lisbon], [Date]<sup>3</sup>

Ref.: **€5,000,000,000 Conditional Pass-Through Covered Bonds Programme – Repurchase Commitment – Series with ISIN no. [●]**

Dear Sirs,

We make reference to our €5,000,000,000 Conditional Pass-Through Covered Bonds Programme and the Covered Bonds issued thereunder with ISIN no. [●] (hereinafter, the “**Series**”) and hereby commit to repurchase the Covered Bonds of the Series in accordance with the terms and conditions set forth in the Base Prospectus dated 17 November 2022 approved in connection with this Programme and the Final Terms of the Series.

Accordingly, we irrevocably and unconditionally undertake to repurchase the Covered Bonds of the Series on its Repurchase Date [at par plus accrued interest, or at such other repurchase amount as specified in, or determined in the manner specified in, the relevant Final Terms] (the “**Repurchase Price**”), if so requested by any holders of the Series which are Qualified Investors and subject to this Series of Covered Bonds not being redeemed up to 10 (ten) Business Days after the Maturity Date (the “**Repurchase Commitment**”).

The right of Qualified Investors holding Covered Bonds of the Series to request the Issuer to buy the Covered Bonds they hold pursuant to this Issuer’s undertaking shall be exercised individually by each Qualified Investor, by delivering to the Affiliate Member of Interbolsa through which it holds the Covered Bonds a written notice, in the form available from any specified office of any Paying Agent or in another form accepted by such Affiliate Member of Interbolsa for such purpose (a “**Repurchase Notice**”), no less than 10 (ten) and no more than 60 (sixty) days after the Maturity Date. Each such Qualified Investor holding Covered Bonds of the Series shall submit irrevocable sale instructions to the relevant Affiliate Member of Interbolsa for the transfer of its Covered Bonds to the Issuer against payment of the applicable Repurchase Price (in the form and according to the procedures of Interbolsa). Such Qualified Investor holding Covered Bond of the Series shall, as a condition for exercising its repurchase request, represent

---

<sup>3</sup> Note: to be dated the same date as the relevant Final Terms.



and warrant (in the Repurchase Notice) its capacity as Qualified Investor (as defined herein). If Qualified Investors hold the Covered Bonds through Euroclear and Clearstream, Luxembourg (or otherwise indirectly), they shall comply with the applicable Clearing System procedures.

For purposes of the Repurchase Commitment, “**Qualified Investor**” (“*investidor qualificado*”) shall mean any qualified investor in accordance with and for the purposes of the Portuguese Securities Code (*Código dos Valores Mobiliários*) and/or in accordance with and for the purposes of other applicable laws (including Regulation (EU) 2017/1129 (the Prospectus Regulation)), to whom an offer of securities can be lawfully made under circumstances which are not deemed to be a public offer in any relevant jurisdiction. For the sake of clarity, holders who are not Qualified Investors will not be eligible for this Repurchase Commitment.

For purposes of this the Repurchase Commitment, Repurchase Date shall be the date which falls on the 90th (ninetieth) day after the Maturity Date of the relevant Series of Covered Bonds.

The Repurchase Commitment does not form part of the Terms and Conditions of the Covered Bonds. It will be an unsecured obligation of the Issuer only and, for the avoidance of doubt, it will not be secured by the Assets comprised in the Cover Pool. Failure by the Issuer to comply with the Repurchase Commitment will not constitute an event of default under the Terms and Conditions and will not in itself result in an acceleration of the Covered Bonds or a realisation of the Cover Pool assets.

This Repurchase Commitment is provided solely for the benefit of Qualified Investors, while non-qualified investors should be aware that they will not benefit from this Repurchase Commitment.

This Repurchase Commitment and any non-contractual obligation in connection therewith, shall be governed by and shall be construed in accordance with, Portuguese Law. The courts of Lisbon shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Repurchase Commitment (including any non-contractual obligations arising out of, or in connection with said document).

Terms and expressions used in this document and not otherwise defined shall have the meaning ascribed to them, directly or by reference, in the Base Prospectus referred to above.

Best Regards,

For and on behalf of Caixa Económica Montepio Geral, caixa económica bancária, S.A.

---

*Name:*  
*Duly Authorised*

---

*Name:*  
*Duly Authorised*

***We hereby acknowledge receipt of this document.***

For and on behalf of Citicorp Trustee Company Limited

---

*Name:*

---

*Name:*

*Duly Authorised*

*Duly Authorised*

For the sake of clarity, this acknowledgment creates only obligations on the Issuer and no liability whatsoever shall attach to the Common Representative as a result of having acknowledged this document.

## DESCRIPTION OF THE ISSUER

### Legal and Commercial name of the Issuer

The legal name of the Issuer is Caixa Económica Montepio Geral, caixa económica bancária, S.A. and its most frequent commercial name is “**Banco Montepio**”.

### Incorporation, registration, legal form, head office and contacts of the Issuer, legislation that governs the Issuer’s activity and website of the Issuer

Caixa Económica Montepio Geral, caixa económica bancária, S.A. is a limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with a registered and fully paid up share capital as at 31 December 2021 of €2,420,000,000, represented by 2,420,000,000 ordinary shares with a nominal value of €1 each, and registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 792 615. Banco Montepio’s registered address is at Rua Castilho, 5, 1250-066, in Lisbon, Portugal, and the telephone number of its registered office is +351 213 248 000.

The Issuer was registered by deed on 24 March 1844 for an indefinite period. The Issuer is a credit institution whose activities are regulated by the RGICSF and is subject to the Portuguese Companies Code (approved by Decree-Law 262/86, of 2 September 1986, as amended).

The Legal Entity Identifier (LEI) code of the Issuer is 2138004FIUXU3B2MR537.

The Issuer’s website is <https://www.bancomontepio.pt>. The information on the website does not form part of this Base Prospectus unless that information is expressly incorporated by reference into this Base Prospectus.

### Introduction to Banco Montepio

As at the date of this Base Prospectus Banco Montepio has a total share capital of €2,420,000,000, the majority of which (99.99 per cent.) is owned by its founder Montepio Geral – Associação Mutualista (“**MGAM**”). MGAM and its subsidiaries are together referred to in this Base Prospectus as “**MGAM Group**”.

On 14 September 2017, the Issuer completed a change in its legal status from a savings bank affiliated (*caixa económica anexa*) to MGAM into a full service savings bank (*caixa económica bancária*) incorporated as a public limited liability company (*sociedade anónima*), under the supervision of the Bank of Portugal.

MGAM is a private institution of social support (i.e. a mutual benefits association) whose principal purposes are to promote and develop initiatives designed to ensure the social protection and welfare of its 601,606 mutual members (as at 31 December 2021), their families and other beneficiaries nominated by them. The welfare schemes 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. It also has co-operation agreements with a variety of organisations in the health and welfare sectors. 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.

Banco Montepio is a credit institution, authorised to operate as a full service savings bank (*caixa económica bancária*), to pursue all the businesses permitted to banks in Portugal. As at 31 December 2021, it ranked seventh in the Portuguese banking system on the basis of total net assets (source: *Associação Portuguesa de Bancos*).

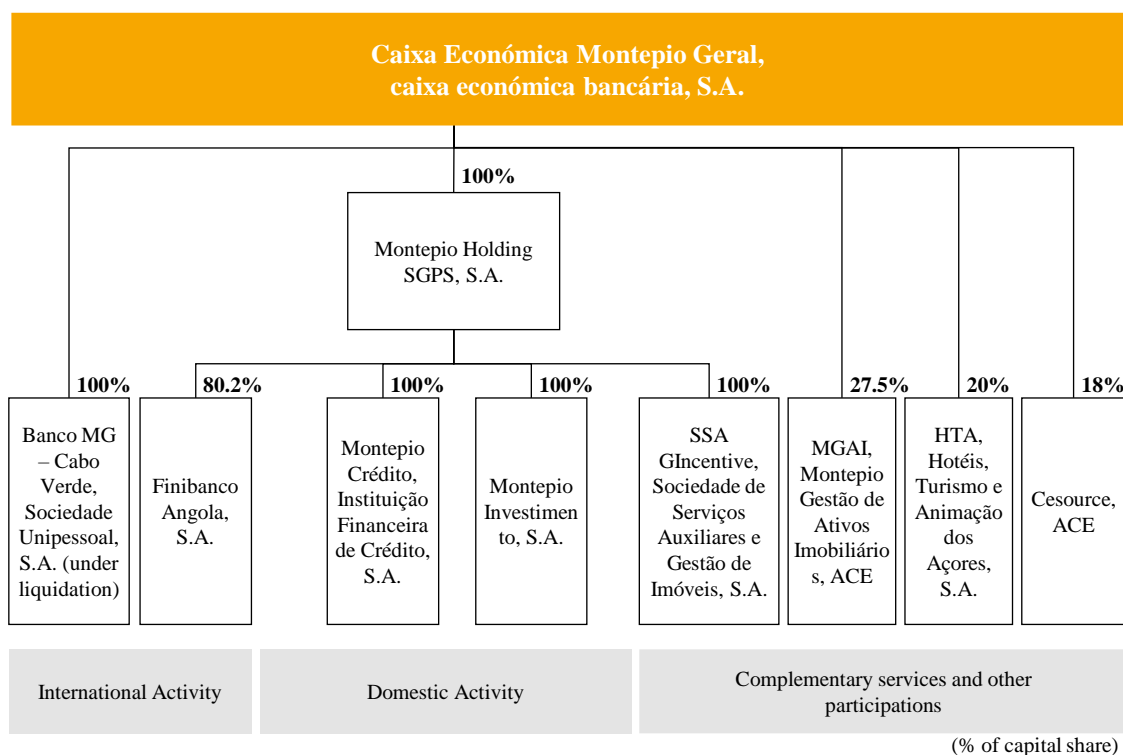
On 20 February 2019, the Issuer changed its brand name to “Banco Montepio” but its legal name remains the same (Caixa Económica Montepio Geral, caixa económica bancária, S.A.). The Banco Montepio brand represents an evolution in the identity of the Issuer and reflects its new vision: that of an independent

Portuguese bank focused on Portuguese families, corporates and social institutions (such as cooperatives, mutual societies, associations and foundations carrying out a set of business and economic activities, within the private sphere, in order to promote general economic and/or social interests). By changing its brand name, the Issuer has sought to clarify to both the general public and its clients the distinction between Banco Montepio and MGAM, its main shareholder. In addition to the change of the brand name, Banco Montepio also changed its commercial logo and brand colours.

The Issuer is managed in accordance with its Articles of Association and with the provisions of the Portuguese Companies Code (*Código das Sociedades Comerciais*). MGAM, as the majority holder of the Issuer's share capital (99.99 per cent.) is the majority holder of voting rights in Banco Montepio and its rights are governed by and subject to Banco Montepio's Articles of Association and Portuguese Law.

Banco Montepio is integrated in the Banco Montepio Group, of which MGAM has a 99.99 per cent. holding. Banco Montepio holds shares in a series of institutions, as shown in the Banco Montepio Group structure chart below. These entities complement Banco Montepio's financial products and services and contribute via their earnings to the creation of value for its shareholders (primarily MGAM) and, as well as promoting high ethical standards and principles of social sustainability. Collectively, these entities not only offer a broad and diversified range of banking and financial products and services, but also contribute with their earnings to the shareholders' social and welfare-related goals.

Banco Montepio Group structure as at the date of this Base Prospectus:



In addition to Banco Montepio, the Banco Montepio Group comprises the following two domestic entities: Montepio Crédito, Instituição Financeira de Crédito, S.A. and Montepio Investimento, S.A. ("**Banco Bem**"). Each of these companies are wholly owned by Montepio Holding, SGPS, S.A. ("**Montepio Holding**") (previously Finibanco Holding, SGPS, S.A.) which itself is fully owned by Banco Montepio. For further information, please refer to the section "*Description of the Issuer - Outline of the performance of the Banco*"

*Montepio Group's domestic companies".*

In addition, within the domestic market, Banco Montepio also has a small qualified holding in HTA-Hotéis, Turismo e Animação dos Açores, S.A. (Tourism sector), in Montepio Gestão de Ativos Imobiliários, ACE (a complementary company group (*Agrupamento Complementar de Empresas*) created to manage MGAM Group's real estate more efficiently), and in Cesource, ACE (a complementary company group (*Agrupamento Complementar de Empresas*) created to provide specialised services in the area of IT technologies to improve the conditions and the management of the resources and the results of the economic activities of the members of this complementary company group), whose accounts are consolidated by the equity method, as well as a 100 per cent. capital participation in SSAGIncentive - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (Real Estate sector) fully owned by Montepio Holding. At an international level, within the scope of the strategic redefinition of international holdings, on 4 October 2022, Banco Montepio announced that its subsidiary Montepio Holding, SGPS, S.A. agreed to the sale of the stake held in the share capital of Finibanco Angola S.A. (in which the Banco Montepio Group had control with an effective participation of 80.2 per cent. as at 31 December 2021) to Access Bank Plc. Furthermore, due to the new legal framework in Cape Verde and taking into consideration all the relevant strategic options, Banco Montepio's Board of Directors chose not to promote the changes required to adapt its subsidiary Banco Montepio Geral Cabo Verde as a bank with generic authorisation, having approved the implementation of the procedural initiatives envisaged in the law with a view to its voluntary winding up and liquidation. For further information, please refer to the section “- *International Activity*”.

Following the aim of the Board of Directors to simplify the corporate structure of the Banco Montepio Group and the provisions of IFRS 5, the operations of Banco Montepio's subsidiaries (Banco MG Cabo Verde, Sociedade Unipessoal, S.A. (under liquidation) and Montepio Valor - SGOIC, S.A.) were considered discontinued operations for the purposes of its financial accounts as at and for the year ended 31 December 2021, and were accounted in the Issuer's consolidated balance sheet as "Non-current assets held for sale - discontinued operations" or "Non-current liabilities held for sale - discontinued operations", as applicable, and in its income statement as "Profit/(loss) from discontinued operations".

The Banco Montepio Group also includes the real estate properties held by the following special purpose entities and investment funds:

- Valor Arrendamento – Fundo de Investimento Imobiliário Fechado (Closed-end Real Estate Investment Fund) 100 per cent. held by Banco Montepio;
- Polaris – Fundo de Investimento Imobiliário Fechado (Closed-end Real Estate Investment Fund) fully owned by Banco Montepio;
- Portugal Estates Fund (PEF) - Fundo de Investimento Imobiliário Fechado (Closed-end Real Estate Investment Fund) 100 per cent. held by Banco Montepio; and
- Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (Open-end Special Real Estate Investment Fund) owned by 82.9 per cent. by Banco Montepio and 17.1 per cent. by Montepio Investimento, S.A.

For more information please see note 59 (*Subsidiary and associated companies*) to the Annual Report 2021.

The Issuer undertakes a major role in the implementation of Banco Montepio Group's business strategy, as it uses its nationwide branch network comprising 261 branches in Portugal as at 31 December 2021 (298 branches in Portugal as at 31 December 2020). Banco Montepio's commercial network is further complemented by a network of electronic channels, together with its presence in various overseas Portuguese communities (including five representative offices outside of Portugal). Banco Montepio is also present in Angola, through Finibanco Angola with a retail network of 20 branches as at 31 December

2021 (24 branches as at 31 December 2020). For further information, please refer to the section “-International Activity”.

Banco Montepio is a full service savings bank (*caixa económica bancária*) incorporated as a public limited liability company (*sociedade anónima*) under the laws of the Portuguese Republic and is registered at the Lisbon Commercial Registry Office (1st Section) under the single registration and tax identification number 500 792 615 and is domiciled in Portugal, having its registered office at Rua Castilho, 5, 1250-066 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. Its name was changed twice, firstly to Montepio Geral, Associação de Socorros Mútuos and, in 1844, to Montepio Geral – Associação Mutualista, the name that MGAM still bears today.

In 1844, MGAM created Caixa Económica de Lisboa, (which was renamed Caixa Económica Montepio Geral on 23 April 1991) with the aim of attracting small-scale savings and providing credit facilities. MGAM and its subsidiaries and affiliates offer a wide variety of banking, insurance and fund management products from Banco Montepio’s branches throughout Portugal. Originally, Banco 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 (as last amended by Decree-Law 391/2007, of 13 December 2007), MGAM is a “collective person of public interest”.

In order to broaden the offer of financial services to its customer base, in 1986, MGAM decided to found Lusitania Companhia de Seguros, S.A. (“**Lusitania**”). Lusitania is a general insurance company whose products are sold through Banco Montepio’s branches and through its own network. Lusitania Vida, Companhia de Seguros, S.A. (“**Lusitania Vida**”), which offers life insurance products, was incorporated in 1987.

Pursuing its strategy of broadening its commercial offer and the diversification of its income sources, in 1988, MGAM established Futuro – Sociedade Gestora de Fundos de Pensões, S.A. (“**Futuro**”), enabling the MGAM Group to expand into the pension fund management business.

As part of its investment management business, the MGAM Group holds Montepio Gestão de Activos, S.A., a company specialised in the management of mutual funds and wealth management, and Montepio Gestão de Activos Imobiliários, ACE, specialised in the management of real estate.

In 1995, Banco Montepio acquired certain limited assets and liabilities from a small savings bank in the Azores, Caixa Económica Açoreana. S.A. This acquisition allowed Banco Montepio to establish its presence in the Autonomous Region of Azores.

Additionally, in January 1997, Banco Montepio acquired certain assets and liabilities of another small savings bank, Caixa Económica Comercial e Industrial (“**CECI**”). In 2009, Lusitania Companhia de Seguros, S.A. acquired the insurance companies Real and Mutuamar, doubling its market share in the real insurance business, thereby achieving a market share in line with the MGAM Group’s objectives.

In 2010, MGAM acquired the whole of Finibanco-Holding, SGPS, S.A. through a friendly public takeover bid. The main goals of the transaction were the expansion of the MGAM Group’s mutualism activities and the diversification of its business activities.

In order to take the necessary steps to achieve consolidation, on 31 March 2011, Banco Montepio acquired from MGAM, through a share purchase agreement, 100 per cent. of the share capital and of the voting rights of Finibanco-Holding, SGPS, S.A. (now Montepio Holding, SGPS, S.A.) and, indirectly, all of the share capital and the voting rights of Finibanco, S.A. (“**Finibanco**”, now Montepio Investimento, S.A.), as

well as those of Finicrédito – Instituição Financeira de Crédito, S.A. (now Montepio Crédito, Instituição Financeira de Crédito, S.A.) and those of Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A. (now Montepio Valor – SGOIC, S.A.).

Finibanco Holding. SGPS, S.A., the holding company of the Portuguese financial group “Finibanco” (the “**Finibanco Group**”), comprised a number of subsidiaries which included, among others, a bank (Finibanco), an Angolan bank (Finibanco Angola), a credit financial institution (Finicrédito, Instituição Financeira de Crédito, S.A.) and an asset management company (Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A.).

Under the share purchase agreement, Banco Montepio indirectly acquired 81.6 per cent. of the share capital and the voting rights of Finibanco Angola. As a result of these acquisitions, Banco Montepio’s consolidated supervision perimeter now encompasses all the aforementioned companies.

As at December 2013, in the context of its restructuring, the MGAM Group undertook a reorganisation of its financial investments associated with the insurance and pension sectors. In this context, on 27 December 2013 Montepio Seguros, S.G.P.S., S.A. (“**Montepio Seguros**”) was created in order to manage the equity of such sectors. Banco Montepio sold the shares directly held in Futuro, Lusitania Vida and Lusitania to Montepio Seguros. Additionally, Banco Montepio acquired 33.65 per cent. of the capital of Montepio Seguros. On 30 December 2015, Banco Montepio sold its shareholding in Montepio Seguros.

In 2013, some of Banco Montepio’s capital became open to public investment for the first time. On 25 November 2013, Banco Montepio launched an initial public offer (“**IPO**”) of €200 million participation units (*Unidades de Participação*) representative of its participation fund (*Fundo de Participação*) (“**Participation Fund**”). On 17 December 2013, the securities were admitted to listing on Euronext Lisbon after the Regulated Market Special Session.

On 2 December 2014, Montepio Holding SGPS, S.A. acquired a stake of 44.6 per cent. in BTM’s share capital, acquiring management control following an agreement with the remaining shareholders of the bank (Rabobank, based in the Netherlands, holding identical equity participation as the Banco Montepio Group; Norfund, also known as the Norwegian Investment Fund for Developing Countries, with an equity participation of 8.4 per cent.; and GAPI-SI, S.A., a financial institution that has the aim of contributing to economic and social development of Mozambique, with an equity participation of 2.5 per cent.).

On 10 October 2015, the Savings Banks Act, entered into force, which classified savings banks (*caixas económicas*) with assets equal to or greater than €50 million as full service savings banks (*caixas económicas bancárias*) (as opposed to affiliated savings banks (*caixas económicas anexas*)) and required such banks to adopt the form of public limited liability companies (*sociedades anónimas*).

The Savings Banks Act further determines that only mutual associations (*associações mutualistas*), charities (*misericórdias*) or other charitable institutions can hold the majority of the capital or the voting rights in a savings bank (*caixa económica bancária*).

In 2016, the Issuer was characterised as a full service savings bank (*caixa económica bancária*) following the enforcement of the Savings Bank Act and the resolution of the Bank of Portugal pursuant to paragraph 2 of the Savings Bank Act (which provides that, unless otherwise determined at any time by the Bank of Portugal, full service savings banks already in existence upon the entry into force of the new legislation shall not be automatically required to arrange for their conversion into public limited liability companies). An Extraordinary General Meeting of Banco Montepio was convened for 22 November 2016, to deliberate on the transformation of Banco Montepio into a public limited liability company and the consequent amendment of its Articles of Association.

The participants in the Extraordinary General Meeting approved by majority to transform Banco Montepio into a public limited liability company (*sociedade anónima*) and to amend the Articles of Association. The project for the amended Articles of Association was approved in its entirety, without prejudice to the

reconsideration of some matters depending on the recommendations or decisions conveyed by the supervising authorities. As knowledge of any such recommendations or decisions was key to the conclusion of the matters being discussed the session was suspended until 13 December 2016.

The Extraordinary General Meeting was resumed on 13 December 2016 and on 4 April 2017 in order to approve all the required procedures regarding the transformation into a public limited liability company. The effectiveness of such resolutions was conditional on (i) ratification by the General Meeting of MGAM, to be held no later than 9 May 2017; and (ii) their respective registration. Upon these conditions being met, Banco Montepio's capital should be represented in full by ordinary shares. These two conditions were met respectively on 9 May 2017 and 14 September 2017. Consequently, as at 31 December 2021, Banco Montepio's total share capital, in the amount of €2,420,000,000 was fully represented by ordinary shares.

In December 2018, the Banco Montepio Group sold its 45.8 per cent. holding in BTM, reducing its international branches by 10. For further information, please refer to section "*- International Activity*".

In May 2019, Montepio Investimento S.A. was relaunched with a new brand, called Banco Empresas Montepio. This new project aims to bring together Banco Empresas Montepio's corporate banking and investment banking in one entity, presenting an integrated offering in the areas of corporate finance, debt and equity capital markets, advisory, structured finance, equity and debt distribution along with lending services.

On 30 November 2021, Banco Montepio, as sole shareholder, approved the procedural initiatives established by law relating to the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde Sociedade Unipessoal, S.A. For further information, please refer to the section "*International Activity*".

In December 2021, Banco Montepio sold 100 per cent. of its capital and voting rights in Montepio Valor - SGOIC, S.A. to Montepio Geral Associação Mutualista, which simplified the corporate structure of Banco Montepio Group in line with its strategy.

On 4 October 2022, Banco Montepio announced that its subsidiary Montepio Holding, SGPS, S.A. agreed to the sale of the stake held in the share capital of Finibanco Angola S.A. to Access Bank Plc, a commercial bank based in Lagos, Nigeria, with a significant presence on the African continent. For further information, please refer to the section "*International Activity*".

## **Strategy**

The Issuer's strategic plan aims to ensure profitability, the strengthening of capital and the maintenance of liquidity levels above minimum regulatory requirements. The Strategy prioritises the increase of core net operating income, capital management, risk management reinforcement, business efficiency, liquidity management, human resources management and corporate governance.

The Board of Directors are committed to enhancing the efficiency, profitability and adequacy of Banco Montepio's business model so that it meets current demanding customer requirements.

The Board of Directors launched a transformation plan to analyse Banco Montepio's existing position and establish a vision for Banco Montepio with clear options and specific business goals for the medium and long term ("**Transformation Plan**").

The Transformation Plan implementation commenced in 2019 and is expected to be fully implemented by 2024. The Transformation Plan has a 5 year timeline with an intention to establish new ways of working that would create positive results, making the Issuer more competitive, efficient and digital, with a focus on the quality of service provided to the customer.



The Transformation Plan defines the vision and business goals of the Issuer for the medium and long-term, aimed at:

- evolving Banco Montepio's business model so that it is economically viable in the long term and creates additional value for the shareholder. The business model should maintain the appropriate safety margins on internal and regulatory prudential limits, a solid short-term liquidity position and a suitable balance sheet structure in the medium and long term;
- strengthening Banco Montepio's position as a reference financial institution, by supporting the social economy, working among segments of the population that are least benefited by banking services;
- developing new value propositions and service models, affirming itself as a reference bank for small and medium-sized enterprises ("**SMEs**") and for the different segments of individual Customers;
- increasing the efficiency and efficacy of the commercial, service and group support structures, using new technologies and new ways of working;
- strengthening Banco Montepio's strategic pillar as a "banking system of relations and proximity" both for individuals and corporations, enabling it to affirm itself as a modern institution based on traditional values, adjusting its product and service offer and the channels used to the different Customer segments; and
- reinforcing the quality of the assets provided, focusing on the sustained improvement of credit quality ratios and the continuous reduction of concentration of risk in the construction and real estate development sectors.

Its development is based on 4 pillars – Business, Strengthening of the Balance Sheet, Organisation and Support – which are reflected in the 12 macro initiatives, with a detailed implementation schedule for 411 measures involving a multidisciplinary team of more than 100 people who are responsible for their implementation and control.

The business model of the banking industry has been undergoing significant changes as a result of the impact of technology on customer behaviour and the emergence of new participants in the industry. The effects of the COVID-19 pandemic have accelerated these structural developments, resulting in a reassessment and adjustment of the Transformation Plan.

Taking into account the current circumstances and future uncertainties, and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the adjustment process at Banco Montepio became more urgent and the Board reassessed the objectives and measures set out in the Transformation Plan and adopted a multi-dimensional and multi-annual adjustment programme.

Pursuant to this adjustment plan, Banco Montepio's strategy and business targets for the medium and long term have been revised in order to make Banco Montepio an efficient and profitable bank at the service of Portuguese households and companies, and social economy institutions, shareholders and other stakeholders through the implementation of four main strategic pillars: business model review; operational adjustment; capital maintenance; and group simplification.

The business model review pillar focuses on strengthening customer oriented banking services and proximity relationship enhancement; reinforcement of funding to the economy, supporting households and the SMEs financial needs, the latter through the Portuguese State's available guaranteed credit lines; and developing distribution capacity and complementary margin in order to recovering profitability of Banco Montepio's domestic operations.

Operational adjustment is focused on accelerating Banco Montepio's digital transition by adopting market standard best practices, both in terms of customer experience and operational efficiency. In order to

optimise the range of distribution channels, Banco Montepio closed 37 branches in 2021 and 39 branches in 2020 on the basis of geographic need, profitability and market size, without jeopardising the adequate coverage of the customer base, and is planning to close an additional four branches in 2022.

In addition, the COVID-19 pandemic has brought about various changes in the operation and organisation of teams as a result of remote-working. As a result of the evolution of the banking sector, the impact of the COVID-19 pandemic and the need for a sustainable business model, Banco Montepio implemented a voluntary programme for early retirement and voluntary redundancies (the "**2020/2021 Programme**"). The 2020/2021 Programme's measures included a set of benefits such as health and unemployment protection for employees who voluntarily joined the 2020/2021 Programme. In addition, in order to provide the best conditions and support to employees who wish to join the 2020/2021 Programme, the Ministry of Labour, Solidarity and Social Security authorised the extension of the quota for eligibility for social protection in unemployment to 400 employees.

Banco Montepio is consulting with its social partners and employee representatives as part of an informed and transparent process. Subject to those consultations and various other factors, Banco Montepio is targeting a reduction in the number of employees of around 800 in a multi-year programme. By the end of 2021, 402 employees (190 retirements and 212 voluntary redundancies) had adhered to the 2020/2021 Programme, leading already to a significant reduction of the workforce in 2020 and 2021.

For the avoidance of doubt, the above targets regarding Banco Montepio's branches and employees adjustment may not be achieved.

In terms of Capital Maintenance, Banco Montepio will seek to improve its capital ratios by adopting various measures, including the following: reducing its RWA by having a more focused loan and securities portfolio; and deleveraging its balance sheet through the divestment of non-core assets.

In terms of simplifying Banco Montepio Group's structure, the adjustment plan is targeted at disposing of shareholdings in the national and international markets, as well as modernising and streamlining the Group's internal procedures. In this context, reference should be made to the sale of the shareholdings in Monteiro Aranha S.A., in March 2021, and in Almina Holding S.A., in June 2021, and in Montepio Valor - SGOIC, S.A., in 30 December 2021. At the same time, the Board of Directors of Banco Montepio concluded that it would not promote the necessary changes to the adaptation of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A., as a bank with generic authorisation, which is also a subsidiary that has been in the process of voluntary winding up and liquidation since 30 November 2021. On 4 October 2022, Banco Montepio announced that its subsidiary Montepio Holding, SGPS, S.A. agreed to the sale of the stake held in the share capital of Finibanco Angola S.A., to Access Bank Plc. (for further information, please refer to the section "*International Activity*").

In line with the simplification of Banco Montepio Group's activity and operations, its operating and customer service model is being adjusted, namely to (i) strengthen the business model, reinforcing the focus on products with greater added value for the Customer; (ii) accelerate its digital transition, both in internal processes and in Customer relationship platforms; (iii) increase efficiency, namely through reviewing internal processes and regulations; (iv) adjust the distribution model by merging geographically redundant branches; and (v) implement new concepts and new ways of working, enhancing collaboration and flexibility and promoting a better balance between personal and professional life.

The operations and customer service model are being adjusted with an aim to improve Banco Montepio's efficiency ratios to align it with the Portuguese banking sector. In 2021, Banco Montepio maintained its automation and re-engineering processes, made progress in advanced analytics with the launch of a new data platform to support data driven processes, implemented more advanced cybersecurity models and accelerated the implementation of native cloud architecture models. Throughout 2021 Banco Montepio developed a set of initiatives aimed at improving the customer experience, namely to increase their efficiency and effectiveness in their interaction with Banco Montepio, while contributing to a more

sustainable environment. Among these initiatives, Banco Montepio highlights the migration of Customers who had physical mail as their preferred communication method to digital mail, which reduced the volume of paper communications by 81 per cent., in addition to the discontinuation of the physical matrix card with the codes to access to Net24 and the development of the App "APPré-pago" to check the balances and movements of the Bank's pre-paid cards, enabling their holders to access information without having to go to an ATM.

## **Banco Montepio accelerates Digital Transformation with Artificial Intelligence solutions**

In order to accelerate Banco Montepio's innovation and automation strategy, in the first quarter of 2019 Banco Montepio established a partnership with IBM to introduce artificial intelligence and cognitive technology tools (known as "**Cognitive Process Automation**") as part of its programme to introduce digital transformation and to optimise customer experience and business processes. Banco Montepio has introduced to its customers M.A.R.I.A. (Montepio's Automated Real-time Interaction Assistant), a voice-answering virtual agent which operates using artificial intelligence. M.A.R.I.A. is able to carry out virtual conversations with customers to resolve calls without the need to resort to a human operator.

In 2021, M.A.R.I.A. continued to progressively expand its customer service capacity and its ability to understand Customers' intentions, improving contact execution and providing Customers with a more empathetic and personalised experience, contributing to a gradual increase in trust in Banco Montepio.

M.A.R.I.A. began by activating debit and credit cards, rapidly moving on to receiving orders for balance and movement enquiries (accounts and cards), transfers between Banco Montepio's accounts, interbank transfers and immediate transfers. At the end of 2021, M.A.R.I.A. recorded a customer service satisfaction score of 82 per cent., which was slightly higher than at the end of 2020.

### **Current Activities**

The Banco Montepio Group is one of the main Portuguese financial groups in retail banking, with its core business focused on the domestic market, while also developing activities abroad.

The Issuer operates as a universal bank offering a wide range of banking and financial products and services, such as mutual, real estate and pension funds, insurance (life and non-life), investment management services and the provision of credit cards, aimed at catering to all its customers' financial needs. As a comprehensive and diversified group, it provides its retail and corporate customers (the latter of which mainly consists of SMEs and middle market companies) with a universal offer of complementary products and services through its domestic distribution network.

The Issuer has also been offering international transactions to its Portuguese customers, particularly by way of the provision of foreign currency, documentary credits and payment orders, focusing mainly on attracting deposits from non-resident Portuguese nationals. To this end, Banco Montepio Group currently has five representative offices in Paris, Toronto, Geneva, Frankfurt and Newark.

### **Analysis of Issuer's financial performance**

#### **2021 consolidated activity and results (audited)**

Banco Montepio has been carrying out several initiatives aimed at the development and implementation of an economically sustainable business model, in order to provide stable profitability, reduce NPEs and enable the organic growth of capital levels and liquidity buffers. Accordingly, the Issuer continues to deleverage its balance sheet, which resulted in reductions in its non-performing loan portfolio and real estate exposures. In addition, the Issuer's liquidity position was strengthened by attracting and retaining customer deposits and actively managing its securities portfolio to meet regulatory capital and liquidity requirements.

The table below sets out the Issuer's consolidated balance sheet as at 31 December 2020 and 31 December 2021.

## CONSOLIDATED BALANCE SHEET

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
Cash and deposits at central banks, Loans and deposits to credit institutions payable on demand and Other loans and advances to credit institutions .....	1,793	3,264	1,472	82.1
Loans and advances to customers .....	11,578	11,668	90	0.8
Securities portfolio and other financial assets* ..	3,013	3,339	325	10.8
Non current assets held for sale and Investment Properties .....	131	142	10	7.9
Non current assets held for sale - Discontinued operations .....	1	0	(1)	(67.2)
Current tax assets and Deferred tax assets .....	500	467	(33)	(6.6)
Other .....	925	834	(91)	(9.8)
<b>Total assets .....</b>	<b>17,941</b>	<b>19,713</b>	<b>1,772</b>	<b>9.9</b>
Deposits from central banks and Deposits from other credit institutions .....	2,203	3,457	1,254	56.9
Deposits from customers .....	12,502	12,787	285	2.3
Debt securities issued and Other subordinated debt .....	1,516	1,834	318	21.0
Non current liabilities held for sale - Discontinued operations .....	110	0	(109)	(99.7)
Other .....	283	271	(12)	(4.2)
<b>Total liabilities .....</b>	<b>16,614</b>	<b>18,350</b>	<b>1,736</b>	<b>10.5</b>
Share capital .....	2,420	2,420	0	0.0
Legal reserve, Fair value reserves, Other reserves and Retained earnings and Non-controlling Interests	(1,012)	(1,063)	(51)	(5.1)
Consolidated net income for the period attributable to the Shareholders .....	(81)	7	87	(108.1)
<b>Total Shareholder's equity .....</b>	<b>1,327</b>	<b>1,363</b>	<b>36</b>	<b>2.7</b>
<b>Total liabilities and Shareholder's equity .....</b>	<b>17,941</b>	<b>19,713</b>	<b>1,772</b>	<b>9.9</b>

\* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

### Capital

In 2021, Banco Montepio implemented a set of measures aimed at improving capital ratios, namely through the reduction of RWA, focusing on the deleveraging of its balance sheet through divestment in non-performing or non-strategic assets, and on the growth of its core business of lending in segments with lower risk, with the logic of maximising return on capital.

In this regard, the reduction of non-strategic assets achieved in 2021 through the sale of the shareholdings held in the companies Monteiro Aranha, S.A. (10.3 per cent. of the share capital), in March 2021, and in Almina Holding, S.A. (19.0 per cent. of the share capital), in June 2021, contributed to the favourable reduction in RWA in relation to the previous year. Additionally, at the end of the year, Banco Montepio sold a portfolio of non-performing loans (known as the "Gerês operation"), with a positive impact of 3 b.p. on capital ratios in 2021, and concluded a consumer STS securitisation (Pelican Finance No.2), jointly originated by Banco Montepio and Montepio Crédito, a measure included in its capital plan and which proved important in reducing RWA, with an overall impact on capital ratios of approximately 40 b.p.

As at 31 December 2021, RWA decreased by €777 million in comparison to 31 December 2020, as a result of the reduction of non-strategic assets, particularly its stock of NPL and real estate assets despite the adverse effect of the COVID-19 pandemic. This reduction was also due to the efficient risk allocation in the loans and debt securities portfolios.

Total own funds amounted to €1,328 million as at 31 December 2021, compared to €1,321 million as at 31 December 2020, reflecting the adverse impact of the COVID-19 pandemic and the regulatory deductions as a result of the IFRS 9 phasing-in, which were fully offset by the 2021 positive net income, with an impact on the reduction of deferred tax assets, and by the actuarial deviations determined at the pension fund liabilities.

As at 31 December 2021, the Common Equity Tier 1 (CET1) and Total Capital ratios of Banco Montepio, pursuant to the phasing-in rules, reached 12.7 per cent. and 15.1 per cent., respectively, compared to 11.6 per cent. and 13.8 per cent. as at 31 December 2020.

On a fully implemented basis, as at 31 December 2021, the CET1 ratio was 11.8 per cent. and the Total Capital ratio was 14.2 per cent.. The difference between the fully implemented capital ratios and the phasing-in capital ratios was due to IFRS 9 phasing-in. As at 31 December 2019, the Issuer had completed the implementation of the deferred tax regime, and is only subject to completing the transition to IFRS 9. Furthermore, Banco Montepio has endorsed the prudential filter relating to the fair-value reserves of public debt, the impact of which is negligible.

The leverage ratio, pursuant to the phasing-in rules, amounted to 5.6 per cent. as at 31 December 2021, compared to 6.0 per cent. as at 31 December 2020, which is above the minimum benchmark defined by the Basel Committee on Banking Supervision (3 per cent.).

In accordance with the provisions in force on 31 December 2021, the Overall Capital Requirements (OCR), which include the combined buffer requirements, were 9.02 per cent, 11.13 per cent. and 13.94 per cent for Common Equity tier 1, Tier 1 and Total Capital, respectively. As of 31 December 2021, the capital ratios reported by Banco Montepio were above the required prudential levels, with significant buffers in relation to the OCR, including the combined buffer requirements, not only under the phasing in criteria, but also on a fully implemented basis. Notwithstanding, the Board of Directors remains committed to the reinforcement of capital ratios and will maintain a set of initiatives to this end (such as the continuous reduction of the NPE and real estate assets exposure).

The table below sets out the Issuer's own funds and capital ratios as at 31 December 2020 and 31 December 2021.

## OWN FUNDS AND CAPITAL RATIOS

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
<b>Total own funds (€ millions)</b>				
Common Equity Tier 1.....	1,114	1,122	8	0.7
Tier 1 .....	1,114	1,122	8	0.7
Total Capital .....	1,321	1,328	7	0.6
<b>Risk-weighted assets .....</b>	<b>9,577</b>	<b>8,800</b>	<b>(777)</b>	<b>(8.1)</b>
<b>Phasing-in ratios .....</b>				
Common Equity Tier 1.....	11.6%	12.7%	110	bp
Tier 1 .....	11.6%	12.7%	110	bp
<b>Total Capital.....</b>	<b>13.8%</b>	<b>15.1%</b>	<b>130</b>	<b>bp</b>
<b>Fully implemented ratios .....</b>				
Common Equity Tier 1.....	10.1%	11.8%	170	bp
Tier 1 .....	10.1%	11.8%	170	bp
Total Capital .....	12.3%	14.2%	190	bp
<b>Leverage ratios .....</b>				
Phasing-In.....	6.0%	5.6%	(40)	bp
Fully implemented .....	5.2%	5.1%	(10)	bp

The table below sets out a summary of the Issuer's capital requirements as at 31 December 2020 and 31 December 2021, under phasing-in:

	31 December 2020	31 December 2021
	(€ thousand)	
<b>Common Equity Tier 1 Capital</b>		
Share capital	2,420,000	2,420,000
Consolidated net income for the period attributable to the Shareholders, legal reserve, fair value reserves and other reserves and retained earnings	(1,102,140)	(1,069,770)
Non-controlling interests eligible for CET1	3,064	4,007
Other regulatory adjustments	(206,736)	(232,716)
	<b>1,114,188</b>	<b>1,121,521</b>
<b>Tier 1 Capital</b>		
Non-controlling interests eligible for Tier 1	225	199
	<b>1,114,413</b>	<b>1,121,720</b>
<b>Tier 2 Capital</b>		
Subordinated debt	206,323	206,323
Non-controlling interests eligible for Tier 2	225	199
	<b>206,548</b>	<b>206,522</b>
<b>Total own funds</b>	<b>1,320,961</b>	<b>1,328,242</b>
<b>Own funds' requirements</b>		
Credit risk	667,306	606,992
Market risk	4,402	0
Operational risk	55,046	50,841
Other requirements	39,401	46,165
	<b>766,155</b>	<b>703,998</b>
<b>Prudential ratios</b>		
Common Equity Tier 1 ratio	11.6%	12.7%
Tier 1 ratio	11.6%	12.7%
Total Capital ratio	13.8%	15.1%

### *Customers' resources*

Since 2019, Banco Montepio has developed a series of initiatives aimed at targeting new and retaining current, customer resources, under its liquidity risk management strategy.

Total customers' resources amounted to €14,041 million as at 31 December 2021, of which €12,996 million correspond to total on-balance customers' resources, with 98.4 per cent. referring to deposits from customers.

As at 31 December 2021, Deposits from customers amounted to €12,787 million, predominantly made up of individual customers deposits representing 76.4 per cent. of total deposits.

In 2021 and notwithstanding the combination of historically low levels of interest rates and reduction in economic activity as a result of the COVID-19 pandemic, deposits from customers increased €285 million in comparison with 2020, with term deposits falling by €662 million and sight deposits increasing by € 946 million. The deposits from customers maintained the increase in sight deposits/term deposits mix, which was 50 per cent./50 per cent. as at 31 December 2021 (compared to 41 per cent./59 per cent. as at 31 December 2020).

As at 31 December 2021, Securities placed with customers amounted to €209 million, compared to €210 million as at 31 December 2020.

Off-balance sheet resources reached €1,045 million as at 31 December 2021, compared to €844 million recorded as at 31 December 2020 (an increase of 23.8 per cent.). The increase was due to the increases

recorded in the Real Estate Investment Funds (+€127 million), in the Capitalisation insurance (+€30 million), in the pension funds (+€27 million) and in the securities investment funds (+€17 million).

The table below sets out the Issuer's customers' resources as at 31 December 2020 and 31 December 2021.

### CUSTOMERS' RESOURCES

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
<b>Deposits from customers</b> .....	<b>12,502</b>	<b>12,787</b>	<b>285</b>	<b>2.3</b>
Sight Deposits <sup>(1)</sup> .....	5,482	6,428	946	17.3
Term Deposits <sup>(2)</sup> .....	7,020	6,359	(662)	(9.4)
Securities placed with Customers .....	210	209	(1)	(0.7)
<b>Total On-Balance sheet resources</b> .....	<b>12,712</b>	<b>12,996</b>	<b>284</b>	<b>2.2</b>
Off-Balance sheet resources .....	844	1,045	201	23.8
<b>Total Customers' resources</b> .....	<b>13,556</b>	<b>14,041</b>	<b>485</b>	<b>3.6</b>

(1) corresponds to Deposits repayable on demand and Other deposits  
(2) corresponds to corresponds to Term deposits and Saving accounts

### Issued Debt

As at 31 December 2021, the value of Debt securities issued and Other subordinated debt increased by €318 million (+21.0 per cent.) to stand at €1,834 million, compared to €1,516 million recorded as at 31 December 2020, as a result of the increase recorded in Debt securities issued (+€ 317.9 million). The evolution observed in Debt securities issued is due to the increase of €324.3 million in securitisations related to performing consumer loans securitisation (Pelican Finance No. 2) jointly originated by Banco Montepio and Montepio Crédito, in an amount of €362 million, as partially off-set by the €6 million reduction in cash bonds (domestic) (-€3 million) and covered bonds (-€3 million). Other subordinated debt stood at €217 million in line with the amount recorded at 31 December 2020.

### Liquidity

In 2021, Banco Montepio continued to promote management measures aimed at upholding the robust liquidity position, with levels greatly above the regulatory limits in force. The management of Banco Montepio's balance sheet led to the Liquidity Coverage Ratio ("LCR") reaching 264.1 per cent. as at 31 December 2021, having evolved favourably in relation to the ratio of 200.7 per cent. recorded as at 31 December 2020, thus standing 164.1 p.p. above the minimum regulatory requirement of 100 per cent.

Additionally, the Issuer maintained a comfortable stable funding base, determined by the outlined funding structure, namely through recourse to medium and long-term instruments, which enabled the Net Stable Funding Ratio ("NSFR") to stand at 125.3 per cent., a significant reinforcement compared to the value of 109.8 per cent. recorded on 31 December 2020.

The performance of Deposits from customers and the growth of Loans and advances to customers led to a loan-to-deposit ratio (Loans and advances to customers / Deposits from customers), calculated in accordance with the Bank of Portugal Instruction no. 16/2004, of 91.2 per cent. as at 31 December 2021, compared to 92.6 per cent. as at 31 December 2020. The table below sets out the Issuer's liquidity ratios as at 31 December 2020 and 31 December 2021.



## LOAN TO DEPOSITS RATIOS

	31 December 2020	31 December 2021	Change 2021/2020
Loans and advances to customers / Deposits from customers <sup>(a)</sup> .....	92.6	91.2	(1.4) p.p.
Loans and advances to customers / Total on-balance sheet customers' resources <sup>(b)</sup> .....	83.9	81.0	(2.9) p.p.

<sup>(a)</sup> In compliance with Instruction of the Bank of Portugal 16/2004, as amended.

<sup>(b)</sup> Total on-balance sheet customers' resources = Deposits from customers and Debt securities issued, as published in the Financial Statements.

The total value of the pool of eligible assets as at 31 December 2021 increased by €695 million as compared to 31 December 2020. As at 31 December 2021, the value of the pool of collateral for Eurosystem operations amounted to €3,808 million, compared to €3,113 million as at 31 December 2020. This increase in value of the pool of collateral was driven by the increase of eligible debt instruments due to market conditions given the short-term European sovereign debt bearing more negative interest rates than the negative 0.5 per cent. interest rate level of the remuneration of deposits with the Bank of Portugal, and to the inclusion of non-marketable assets. At the end of 2021, this pool included marketable assets, namely eligible debt instruments, amounting to €3,359 million, and non-marketable assets, such as eligible credit rights granted to Non-Financial Corporations and Public Sector Entities, namely bank loans and drawn credit lines, amounting to €449 million. Additionally, there was an increase of €1,506 million in the deposits with the Bank of Portugal for the year ended 31 December 2021, amounting to €2,788 million, compared with the year ended 31 December 2020.

The use of ECB resources as at 31 December 2021 increased by €1,550 million to €2,958 million compared to the amount as at 31 December 2020, within an efficient funding management, with a view to reinforcing stable funding, with a positive impact on the NSFR ratio. The use of Eurosystem monetary policy operations falls under the support given to the economy, with a view to optimising the long-term funding, namely through participation in Targeted Longer-term Refinancing Operations, in the context of the non-conventional expansionary monetary policy measures implemented by the ECB. In terms of available collateral for obtaining liquidity, the value of the eligible assets decreased by 50.1 per cent. to an amount of €850 million as at 31 December 2021, due to additional funding from the ECB raised under the TLTRO III operations for an amount of €1,555 million, in compliance with the approved funding strategy. Notwithstanding the reduction in the pool of eligible assets for the Eurosystem monetary policy, the liquidity buffer, derived from the sum of the Cash and deposits in central banks and the available liquidity resulting from the pool of ECB eligible assets, exceeded the €3 billion threshold at the end of 2021, therefore, contributing to the strengthening of the liquidity ratios and to the liquidity of the Issuer.

The table below sets out the Issuer's pool of eligible assets for refinancing operations with the ECB as at 31 December 2020 and 31 December 2021.

## POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
Pool of eligible assets <sup>(a)</sup> .....	3,113	3,808	695	22.33
Use of the pool <sup>(b)</sup> .....	1,408	2,958	1,550	>100
<b>Pool of available assets</b> .....	<b>1,705</b>	<b>850</b>	<b>(855)</b>	<b>(50.1)</b>

<sup>(a)</sup> Includes eligible assets, free of onus, for operations in the Collateralised Interbank Market.

<sup>(b)</sup> Includes monetary policy operations and SICOI. These figures include also off-balance sheet items.

As at 31 December 2021, Banco Montepio had not borrowed or lent funds in the euro interbank money market, however in the foreign currency interbank money market, Banco Montepio had a lending position

of US\$70 million.

### **Asset Quality**

As at 31 December 2021, Gross loans and advances to customers amounted to €12,189 million, representing a decrease of 1.4 per cent. compared to €12,357 million as at 31 December 2020. The decrease in Gross loans and advances compared to 31 December 2020 was due to the €281 million of write-offs and, additionally, to the NPL sales, notwithstanding Banco Montepio's commitment to supporting families, companies and social economy entities.

In December 2021 a sale and purchase agreement was entered into in respect of a portfolio of non-performing loans amounting to €253 million, which comprised on-balance sheet and off-balance sheet loans (Gerês Operation). The on balance sheet amount of NPLs sold was €133.6 million, of which €49 million from an unsecured portfolio, derecognised in December 2021. The secured portion of the referred operation is disclosed in Non-current assets held for sale at the end of last year, with the respective financial settlement having already occurred at the end of March 2022.

As at 31 December 2021, the individual lending segment, grew by €74 million, evidencing the effectiveness of the commercial strategy adopted at the end of 2020, with origination in mortgage lending reaching historic levels at Banco Montepio. Gross performing loans recorded a growth of €146 million in comparison to the end of 2020 (+1.3 per cent.), while non-performing loans recorded a decrease of €315 million (-24.4 per cent.), fulfilling the deleveraging strategy in NPLs.

The growth in the loan portfolio was achieved at the same time as the improvement in credit quality indicators, which benefited from a rigorous credit risk taking discipline, as well as from the measures that were approved and adopted in the credit monitoring and recovery areas. As a result of the measures implemented in 2021, the number of new loans that entered into default decreased by 43 per cent. and the related defaulted amount decreased by 73 per cent. in comparison to 2020.

The growth in Gross loans and advances to customers was driven by an increase in loans to individuals which rose €74 million (+1.2 per cent.), which consisted of €49 million in mortgage loans (+0.9 per cent.) and €26 million in other loans (+3.5 per cent.). Banco Montepio's growth trajectory was also strongly impacted by the €241 million decrease in the corporate segment (- 4.0 per cent.) at the end of 2020, exacerbated by the impacts of the COVID-19 pandemic. It should be noted, however, that the reduction in Banco Montepio's volume of corporate loans was largely attributable to the reduction in the amounts lent to the construction and real estate activities sector, thus reducing the heavy weight of this sector (from 25.5 per cent. in 2019 to 18.6 per cent. in 2021), and conferring greater balance to the sectoral distribution of credit (the weight of loans to manufacturing industries changed from approximately 16 per cent. in 2019 to a value practically equal to that of the construction and real estate activities sector in 2021).

Within the scope of Banco Montepio's adjustment programme, the improvement of credit quality is also based on a more effective and integrated management of non-performing exposures, by maximising recoveries and by corporate finance solutions, benefiting from the strategic focus on the segments of individuals, companies (especially small and medium-sized enterprises (SMEs)) and Social Economy entities.

The table below sets out the Issuer's loan portfolio as at 31 December 2020 and 31 December 2021.

## LOANS AND ADVANCES TO CUSTOMERS

(By sector of activity)

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
<b>Individuals</b> .....	<b>6,377</b>	<b>6,451</b>	<b>74</b>	<b>1.2</b>
Housing loans .....	5,636	5,685	49	0.9
Others .....	740	766	26	3.5
<b>Corporate</b> .....	<b>5,980</b>	<b>5,739</b>	<b>(241)</b>	<b>(4.0)</b>
Manufacturing industries .....	981	1,031	50	5.1
Wholesale and retail trade .....	915	860	(55)	(6.0)
Construction and Real estate activities .....	1,363	1,065	(298)	(21.9)
Accommodation and catering activities .....	533	596	63	11.8
Financial and insurance activities .....	627	493	(134)	(21.5)
Transportation and storage .....	404	393	(11)	(2.8)
Business Services .....	374	367	(7)	(1.7)
Other collective service activities .....	303	340	37	12.2
Others .....	481	594	113	23.7
<b>Gross loans and advances to customers</b> .....	<b>12,357</b>	<b>12,189</b>	<b>(168)</b>	<b>(1.4)</b>
<b>Impairment for credit risks</b> .....	<b>780</b>	<b>522</b>	<b>(258)</b>	<b>(33.1)</b>
<b>Loans and advances to customers</b> .....	<b>11,578</b>	<b>11,668</b>	<b>90</b>	<b>0.8</b>

On 18 December 2020, Banco Montepio executed an operation that consisted in a synthetic securitisation structure, which is based on a portfolio of Small and Medium-sized Enterprises (SME) credits. The legal maturity date of the operation is 25 March 2036 and the respective amount was €358,661 thousand at 31 December 2021 (31 December 2020: €415,315 thousand). Banco Montepio took two guarantees from EIB and EIF to protect the senior and mezzanine tranches of this synthetic securitisation, bearing a commission of 0.3 per cent. and 4.0 per cent., respectively with quarterly payments.

As at 31 December 2021, the Loans and advances to customers included receivables assigned to the cover pool relating to Banco Montepio's covered bond programme, which totalled €2,747 million. This represented an increase from the €2,740 million registered as at 31 December 2020. Loans that were subject to securitisation and not derecognised on the balance sheet totalled €994 million, compared to €1,844 million as at 31 December 2020.

At 31 December 2021, the credit granted by the Group to its shareholders and related parties amounted to €12,214 thousand (31 December 2020: €16,346 thousand). The execution of transactions between the Group and its shareholders or related natural or legal persons is always subject to deliberation and appreciation by the Board of Directors and the Audit Committee, under the terms of Article 20 of the Portuguese Securities Code (*Código dos Valores Mobiliários*), at the proposal of the commercial network and supported by an analysis and opinion, issued by the Risk Division, on compliance with the limit established in Article 109 of the General Regime of Credit Institutions and Financial Companies. The amount of impairment for credit risk for these contracts amounts to €362 thousand at 31 December 2021 (31 December 2020: €638 thousand).

The COVID-19 pandemic made it more difficult to reduce non-performing loans by tightening market conditions for selling NPLs and reducing the ability of the non-financial private sector to service debt, making it more difficult to clear NPLs through cures. Despite these challenges, Banco Montepio reduced the weight of NPE to Total gross loans and advances to customers to 8.0 per cent. as at 31 December 2021 (compared to 10.4 per cent. as at 31 December 2020). This was due to the decrease in NPEs to €975 million as at 31 December 2021 compared to 31 December 2020. The NPE ratio net of loan impairment stood at

3.7 per cent. at 31 December 2021, evolving favourably compared to the 4.1 per cent. recorded at the end of 2020.

The Gerês operation had a favourable impact on Banco Montepio's NPE ratio, contributing to the 2.4 p.p. reduction, consolidating the strategy implemented by the Board of Directors of continuously reducing non-performing assets.

In 2021, Banco Montepio reinforced the coverage of NPEs by impairment for credit risk and associated collateral and financial guarantees to 96.0 per cent. as at 31 December 2021, compared to 93.0 per cent. as at 31 December 2020, while the coverage by impairments for credit risks amounted to 53.5 per cent., compared to 60.4 per cent. as at 31 December 2020.

The table below sets out the Issuer's loan quality indicators as at 31 December 2020 and 31 December 2021.

### LOAN QUALITY INDICATORS

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
Gross loans and advances to customers .....	12,357	12,189	(168)	(1.4)
Past due loans and advances and interest - more than 90 days <sup>(1)</sup> .....	627	361	(265)	(42.3)
Impairment for credit risks .....	780	522	(258)	(33.1)
<b>Ratios (%)</b>				
Cost of credit risk .....	1.5	0.4	(1.1)	p.p.
Loans and interest overdue by more than 90 days ...	5.1	3.0	(2.1)	p.p.
Non-performing exposures (NPE) <sup>(a)</sup> / Gross loans and advances to customers .....	10.4	8.0	(2.4)	p.p.
Forborne exposures <sup>(a)</sup> / Gross loans and advances to customers .....	6.6	5.1	(1.5)	p.p.
<b>Coverage by Impairments for credit risks (%)</b>				
Loans and interest overdue by more than 90 days ...	124.4	144.4	20.0	p.p.
Non-performing exposures (NPE) <sup>(a)</sup> .....	60.4	53.5	(6.9)	p.p.
Non-performing exposures (NPE), also including associated collaterals and financial guarantees <sup>(a)</sup> .....	93.0	96.0	3.0	p.p.

<sup>(a)</sup> EBA definition.

As at 31 December 2021, the Issuer's past due loans and advances and interest amount stood at €402.9 million or 3.3 per cent. of the Issuer's gross loans and advances to customers, compared with €672.3 million or 5.4 per cent. as at 31 December 2020.

The analysis of past due loans and advances and interest as at 31 December 2020 and 31 December 2021, by type of customer and purpose, is as follows:

	31 December 2020	31 December 2021
	(€ thousand)	
<b>Corporate</b>		
Construction/Production .....	136,990	55,818
Investment .....	285,173	190,187
Working capital <sup>(1)</sup> .....	144,853	88,822
Other .....	22,743	17,667
<b>Retail</b>		
Mortgage loans .....	45,058	27,587
Consumer credit .....	22,322	16,366
Other .....	15,183	6,475
	<b>672,322</b>	<b>402,922</b>

<sup>(1)</sup> corresponds to "Treasury"

The following table sets forth the default period of time for past due loans and advances and interest as at 31 December 2020 and the year ended 31 December 2021:

	31 December 2020	31 December 2021
	(€ thousand)	
<b>Past due loans and advances and interest</b>		
Less than 90 days .....	45,538	41,504
More than 90 days .....	626,784	361,418
	<b>672,322</b>	<b>402,922</b>

In the context of Banco Montepio's strategy of rebalancing its asset structure, Banco Montepio proceeded with the identification and implementation of measures aimed at improving the liquidity levels and active management of the Portfolio of securities and other instruments.

As at 31 December 2021, the securities portfolio and other financial assets amounted to €3,339 million, compared to €3,013 million as at 31 December 2020. The evolution of the portfolio of securities and other instruments was due to the increase in the portfolio Other financial assets at amortised cost by €642 million, influenced by the investment in public debt instruments, reflecting the execution of the funding strategy and application of liquidity. This increase was partially offset following the execution of the measures foreseen in the funding and capital plan related with the deleveraging of non-core assets, through the reduction of the financial assets at fair value through other comprehensive income portfolio by €163 million, as a result of the lower exposure in national and foreign equities (as a consequence of the sale of the positions held in Almina and Monteiro Aranha), as well as the decrease of the financial assets at fair value through profit or loss portfolio by €143 million, derived from the reduction of participation units in investment funds and variable income securities, and, to a lesser extent, the reduction of the financial assets held for trading portfolio by €9 million, derived from the reduction of securities held for trading.

In analysing the securities portfolio by type of instrument, there was a year-on-year increase of €574 million in bonds and other debt instruments, which includes Portuguese, Spanish, Italian and Greek public debt, that led to an increase of 10.8 per cent. in the portfolio of securities and other instruments as compared to 31 December 2020.

As was the case at year-end 2020, the portfolio of securities and other instruments as at 31 December 2021 was mostly comprised of bonds and other debt instruments, whose weight in the total portfolio increased to 93.0 per cent. In turn, the proportion of participation units and equities decreased to 5.7 per cent. and 0.8 per cent. of the portfolio, respectively.

The following table sets out the Banco Montepio Group's credit risk exposure as at 31 December 2020 and 31 December 2021:

	31 December 2020	31 December 2021
	(€ thousand)	
Loans and payables at credit institutions payable on demand.....	33,660	67,360
Other loans and advances to credit institutions.....	293,004	229,065
Loans and advances to customers.....	11,577,702	11,667,688
Financial assets held for trading.....	10,452	7,582
Financial assets at fair value through profit or loss.....	9,666	9,768
Financial assets at fair value through other comprehensive income .....	168,058	101,128
Hedging derivatives.....	10,693	5,411
Other financial assets at amortised cost .....	2,362,616	3,004,196
Other assets .....	48,103	76,406
Guarantees.....	507,617	479,831
Irrevocable credit lines.....	721,300	694,072
Revocable credit lines .....	808,885	845,581
	<b>16,551,756</b>	<b>17,188,088</b>

## Earnings

In 2021, a challenging year due to COVID-19, which led to a second lockdown in Portugal during the first quarter, Banco Montepio recorded a positive Consolidated net income for the period attributable to the shareholders of €6.6 million compared to a negative €80.7 million in the year ended 31 December 2020. The improvement in profitability reflects the reduction in operating costs, essentially costs with staff, compared to the previous year, reflecting not only lower restructuring costs but also a reduction in the cost of wages and other recurring costs, benefiting from the outcome of the operational adjustment programme, and the improvement in the cost of risk, highlighting the quality of credit origination in recent years, notwithstanding the moratoria expiry during 2021.

The table below sets out certain the Issuer's income statement for the year ended 31 December 2020 and 31 December 2021.

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
<b>Net interest income (1)</b> .....	<b>242.8</b>	<b>243.5</b>	<b>0.7</b>	<b>0.3</b>
Net fee and commission income (2) .....	115.3	116.3	1.0	0.9
<b>Core total operating income ((1)+(2))</b> .....	<b>358.1</b>	<b>359.8</b>	<b>1.7</b>	<b>0.5</b>
Dividends from equity instruments .....	3.1	1.8	(1.3)	(41.0)
Results from financial operations .....	17.9	10.8	(7.1)	(39.7)
Other results <sup>(a)</sup> .....	14.7	6.6	(8.1)	(54.9)
<b>Total operating income (3)</b> .....	<b>393.7</b>	<b>379.0</b>	<b>(14.7)</b>	<b>(3.7)</b>
Staff Costs .....	189.3	164.2	(25.1)	(13.3)
General and administrative expenses .....	67.0	64.7	(2.3)	(3.4)
Depreciation and amortization .....	35.1	35.3	0.2	0.5
<b>Operating costs (4)</b> .....	<b>291.4</b>	<b>264.1</b>	<b>(27.2)</b>	<b>(9.3)</b>
<b>Operating costs, excluding specific impacts<sup>(b)</sup></b> .....	<b>261.9</b>	<b>249.4</b>	<b>(12.5)</b>	<b>(4.8)</b>
<b>Net operating income before provisions and impairments ((3)-(4))</b> .....	<b>102.4</b>	<b>114.9</b>	<b>12.5</b>	<b>12.2</b>
Impairment of loans and advances to customers and to credit institutions (5) .....	185.1	54.3	(130.8)	(70.7)
Impairment of other financial assets (6) .....	12.2	(0.2)	(12.4)	(101.8)
Impairment of other assets (7) .....	19.5	31.0	11.6	59.4
Other provisions (8) .....	4.1	(4.6)	(8.7)	(213.4)
<b>Net provisions and impairments ((5)+(6)+(7)+(8))</b> .....	<b>220.8</b>	<b>80.5</b>	<b>(140.3)</b>	<b>(63.5)</b>
Share of profits/(losses) booked under the equity method .....	(0.7)	0.0	0.7	(100.4)
<b>Profit/(loss) before income tax</b> .....	<b>(119.1)</b>	<b>34.4</b>	<b>153.5</b>	<b>(128.9)</b>
Income tax .....	(42.2)	25.3	67.5	(159.8)
<b>Profit / (loss) after income tax from continuing operations</b> .....	<b>(76.9)</b>	<b>9.2</b>	<b>86.0</b>	<b>(111.9)</b>
Profit/(loss) from discontinued operations .....	(1.9)	(1.5)	0.5	(24.6)
Non-controlling interests .....	1.9	1.1	(0.8)	(40.2)
<b>Consolidated net income for the period attributable for the shareholder</b> .....	<b>(80.7)</b>	<b>6.6</b>	<b>87.3</b>	<b>(108.1)</b>

<sup>(a)</sup> Other results is comprised by "Net gains/ (losses) arising from sale of other financial assets" and "Other operating income / (expense)"

<sup>(b)</sup> Excluding the amount related to the increase in staff costs and general administrative expenses arising from the operational adjustment measures (€29.5Mn in 2020 and €14.7Mn in 2021).

Total operating income amounted to €379.0 million in 2021, compared to the value of €393.7 million recorded in 2020. This represented a decrease of 3.7 per cent. as a result of the decrease in Income from equity instruments and Income from financial operations given that it were accounted gains with the sale of public debt securities in 2020, which were not repeated to the same extent in 2021, notwithstanding the favourable evolution of Net interest income and Net commissions.

Net interest income amounted to €243.5 million in the year ended 31 December 2021, compared to the value of €242.8 million recorded in the year ended 31 December 2020. The change in Net interest income incorporates the positive effects of the lower interest paid on customer deposits and the favourable evolution of performing loans, despite the slowdown in the economic activity of Households and Companies. Net interest income in 2021 was adversely affected by the market interest rates, which remained at very low levels, affecting the profitability of operations and the repricing of the loan portfolio and the interest on the securities portfolio, as well as the increase in interest paid on subordinated debt issues and the synthetic securitisation operation on a performing SME loan portfolio settled in December 2020.

Low interest rates combined with excess liquidity resulted in a decline in Net Interest Income. In 2021 there was a decrease of €12.7 million in the interest and similar income associated with the Loans and advances to customers, a notable consequence of the low interest rate environment. Net interest income in 2021 was also negatively impacted by the decrease of €4.0 million observed in interest in the securities portfolio, which reflected the reduction of the average interest rate from 0.55 per cent. in 2020 to 0.35 per cent. in 2021.

As a consequence of the plan to reinforce capital ratios, net interest income was negatively impacted by the intrinsic cost of the increase in subordinated debt and the synthetic securitisation operation, both with partial effect in 2020, completing only 12 months of interest accounting in 2021.

The funding strategy and the investment of liquidity was decisive in compensating for the unfavourable effects on net interest income, benefiting from the minimum interest rate on the TLTRO on compliance with the net lending benchmark. In addition, there was an active management of the pricing of new deposits, as well as the renewal of existing deposits, and an increase in the proportion of demand deposits. Additionally, there was an active management of liabilities obtained from counterparties, with a reduction of €1.8 million in interest paid compared to the previous year, and at the end of 2021 there was an amortisation of EIB funding lines with reduced residual maturities and higher interest rates, in the total amount of €350 million, which will have a favourable impact on net interest income in 2022.

The table below sets out the Issuer's net interest income for the year ended 31 December 2020 and 31 December 2021.

	31 December 2020	31 December 2021
	(€ thousand)	
<b>Interest and similar income</b> .....		
Loans and advances to customers.....	267,459	254,724
Deposits from central banks and other loans and advances to credit institutions .....	6,750	26,332
Other financial assets at amortised cost .....	12,864	9,933
Financial assets held for trading.....	7,962	8,112
Hedging derivatives.....	6,566	6,580
Financial assets at fair value through other comprehensive income .....	1,920	896
Financial assets at fair value through profit or loss.....	154	96
Other interest and similar income.....	5	12
	<u>303,680</u>	<u>306,685</u>
<b>Interest and similar expense</b> .....		
Other subordinated debt .....	17,468	19,939
Deposits from customers .....	19,454	10,286
Debt securities issued .....	9,287	8,761
Financial liabilities held for trading .....	7,239	7,764
Deposits from central banks and other credit institutions .....	3,001	7,753
Hedging derivatives.....	3,187	2,050
Lease liabilities .....	1,152	707
Other interest and similar expense .....	98	5,922
	<u>60,886</u>	<u>63,182</u>
<b>Net interest income</b> .....	<u><b>242,794</b></u>	<u><b>243,503</b></u>

In the year ended 31 December 2021, the Net interest margin stood at 1.34 per cent., compared to 1.47 per cent. in 2020, due to the low interest rates and highly competitive environment, which continues to constrain the performance of net interest income.

The table below sets out a breakdown of the Issuer's net interest margin for the year ended 31 December 2020 and 31 December 2021.

### BREAKDOWN OF NET INTEREST MARGIN

	31 December 2020			31 December 2021		
	Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
	(€ million)		(€ million)	(€ million)		(€ million)
<b>Interest – generating assets</b>						
Deposits at central banks and other credit institutions .....	889	(0.1)	(0.6)	2,203	(0.3)	(7.3)
Other loans and advances to other credit institutions .....	303	0.3	0.8	363	0.7	2.6
Loans and advances to customers.....	12,416	2.1	267.5	12,294	2.0	254.7
Securities portfolio <sup>(1)</sup> .....	2,680	0.6	15.1	3,105	0.3	11.0
Other assets at fair value <sup>(2)</sup> .....	10	1.5	0.2	9	1.1	0.1
Other (includes derivatives) <sup>(3)</sup> .....			14.2			14.6
Interest and similar income.....	16,299	1.8	297.2	17,974	1.5	275.6
<b>Interest – generating liabilities</b>						
Deposits from ECB.....	1,452	(0.4)	(5.6)	2,532	(0.9)	(23.6)
Deposits from other credit institutions .....	587	0.4	2.1	827	0.0	0.3
Deposits from customers .....	12,344	0.2	19.5	12,534	0.1	10.3
Senior debt.....	1,338	0.7	9.3	1,421	0.6	8.8
Subordinated debt .....	189	9.1	17.5	216	9.1	19.9
Other (includes derivatives) <sup>(4)</sup> .....			11.7			16.4
Interest and similar expense .....	15,909	0.3	54.4	17,530	0.2	32.1
<b>Net interest income.....</b>		<b>1.47</b>	<b>242.8</b>		<b>1.34</b>	<b>243.5</b>

<sup>(1)</sup> Securities portfolio corresponds to the sum of Financial assets held for trading and Financial assets at fair value through other comprehensive income.

<sup>(2)</sup> Other assets at fair value corresponds to the sum of Financial assets at fair value through profit or loss and Other interest and similar income.

<sup>(3)</sup> Other (includes derivatives) corresponds to the sum of Hedging derivatives and Other financial assets at amortised cost.

<sup>(4)</sup> Other (includes derivatives) corresponds to the sum of Financial liabilities held for trading, Hedging derivatives, Lease liabilities and other interest and similar expense.

Within the scope of the adjustment programme, the strategy outlined to increase commissions is supported by an adequate pricing policy adjusted to the service provided, as well as a broad offer of financial solutions to meet the needs of clients taking into account their age and financial profile, making Banco Montepio the client's first or main bank, thereby increasing the client base and the level of client loyalty to Banco Montepio. The aim of this strategy is to increase the number of transactions and in turn the ability to charge commissions. The Net fee and commission income increased from €115.3 million in 2020 to €116.3 million in 2021, representing an increase of 0.9 per cent., notwithstanding the reduction in economic activity and transactions as a result of the COVID-19 pandemic, the effect of moratoria and applicable legislation regarding the charging of credit commissions, and the customer support measures implemented by Banco Montepio such as the suspension of commissions associated with some payment services. This evolution was due to the increase in market fees and commissions by €0.6 million and other fees and commissions by €3.6 million, which fully off-set the reduction in credit fees by €0.4 million and payment service commissions by €2.7 million.



### Results from financial operations

The Results from financial operations amounted to €10.8 million in the year ended 31 December 2021, compared to €17.9 million in the year ended 31 December 2020, driven by the decrease in net gains / (losses) arising from financial assets at fair value through other comprehensive income (-€21.7 million), reflecting the higher gains on the sale of public debt and corporate debt securities in 2020 and, to a lesser extent, the reduction in results from foreign exchange revaluation (€3.9 million), related to exposure to Finibanco Angola.

The results from financial operations in 2021 also reflect the increase in net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss which stood at -€0.3 million, compared to -€18.7 million in 2020, due to the impact of a loss making and derivative-linked loan sale operation recorded in 2020 in an amount of €12.8 million. This benefited from the increase in participation investment units income and was determined by the anticipated impact of the liquidation of the real estate investment funds managed by Norfin.

### RESULTS FROM FINANCIAL OPERATIONS

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	%
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss.....	(18.7)	(0.3)	18.4	(98.6)
Net gains / (losses) arising from financial assets at fair value through other comprehensive income.....	23.7	2.0	(21.7)	(91.4)
Net gains / (losses) arising from exchange differences ...	12.9	9.0	(3.9)	(30.1)
<b>Results from financial operations .....</b>	<b>17.9</b>	<b>10.8</b>	<b>(7.1)</b>	<b>(39.7)</b>
<i>of which: net capital gains obtained on the results from sales of Portuguese sovereign bonds .....</i>	<i>13.1</i>	<i>1.5</i>	<i>(11.6)</i>	<i>(88.5)</i>

In the year ended 31 December 2021, Operating costs amounted to €264.1 million, representing a 9.3 per cent. decrease compared to the year ended 31 December 2020, due to the costs related to the staff adjustment plan (€13.8 million) and the sale of non-strategic assets (€0.9 million). If Banco Montepio excluded these one-off costs, Operating costs would have decreased by €12.5 million (a decrease of 4.8 per cent.) compared to 2020.

In the year ended 31 December 2021, Staff costs amounted to €164.2 million, compared to €189.3 million in the year ended 31 December 2020, as a result of costs related to the staff adjustment plan amounting to €13.8 million. These costs include costs incurred in connection with early retirement and voluntary redundancy options, as well as pension fund contributions, indemnities and health care expenses. If these costs were excluded, Staff costs would have decreased by €9.5 million (a decrease of 5.9 per cent.) compared to 2020.

In the staff costs aggregate, it should be noted that the item Remuneration fell by €7.0 million compared to 2020, and that the item Charges with Pension Fund fell by €12.4 million, showing the impact of the reduction of both respective liabilities.

General and administrative expenses amounted to €64.7 million in the year ended 31 December 2021, reflecting a €2.3 million reduction in comparison to the €67.0 million recorded in the year ended 31 December 2020. This decrease was due to the reductions registered in maintenance and repairs (-€1.2 million), in water, energy and fuel (-€0.5 million), in transportation (-€0.4 million), and in current consumption material (-€0.4 million), despite the increase registered in the specialised services aggregate, which includes other specialised services, IT, and independent work (+€0.4 million) and in training (+€0.4 million). If the one-off costs relating to the sale of non-strategic assets had not been incurred, General

administrative expenses would have decreased by €3.2 million (a decrease of 4.8 per cent.) compared to 2020.

Depreciation and amortisation totalled €35.3 million (+0.5 per cent.) in 2021, compared to €35.1 million in 2020, evidencing the investment related to the digital and technological transformation plan.

In 2021, the cost-to-income ratio, excluding the non-recurring costs related with the measures to adjust the workforce and the non-strategic assets sale, and the more volatile components of income, such as Income from financial operations and Other income (Income from the sale of other assets and Other operating income), stood at 69.0 per cent. compared to 72.5 per cent. in 2020, reflecting the reduction in Operating costs.

The table below sets out the Issuer's operating costs for the year ended 31 December 2020 and 31 December 2021.

### OPERATING COSTS

	31 December 2020	31 December 2021	Change 2021 / 2020	
			Amount (€ million)	%
Staff Costs .....	189.3	164.2	(25.1)	(13.3)
General and administrative expenses .....	67.0	64.7	(2.3)	(3.4)
Depreciation and amortisation .....	35.1	35.3	0.2	0.5
<b>Operating costs.....</b>	<b>291.4</b>	<b>264.1</b>	<b>(27.2)</b>	<b>(9.3)</b>
<b>Operating costs (comparable)<sup>(a)</sup> .....</b>	<b>261.9</b>	<b>249.4</b>	<b>(12.5)</b>	<b>(4.8)</b>
Efficiency ratios .....				
Cost-to-income (Operating costs (comparable) / Total operating income) <sup>(a)</sup> .....	66.5%	65.8%	(0.7)	p.p.
Cost-to-income (Operating costs / Total operating income) <sup>(b)</sup> .....	74.0%	69.7%	(4.3)	p.p.
Cost-to-income, excluding specific impacts <sup>(c)</sup> .....	80.7%	73.0%	(7.6)	p.p.
Cost-to-income, excluding specific impacts and adjustment costs <sup>(d)</sup> .....	72.5%	69.0%	(3.5)	p.p.

(a) Excludes the increase in staff costs and general administrative expenses of €29.5Mn in 2020 and of €14.7Mn in 2021, driven by the adjustment programme.

(b) Pursuant to the Bank of Portugal Instruction 16/2004, in its current version.

(c) Excludes Results from financial operations and Other income (proceeds from the sale of other assets and other operating income).

(d) Excludes Results from financial operations and Other income (proceeds from the sale of other assets and other operating income) and the increase in staff costs and general administrative expenses of €29.5Mn in 2020 and of €14.7Mn in 2021, driven by the adjustment programme.

### Impairments and provisions

The total of net provisions and impairments amounted to €80.5 million in the year ended 31 December 2021, reflecting a decrease of €140.3 million (-63.5 per cent.) compared to the year ended 31 December 2020 when the main impact of the COVID-19 pandemic was recorded. This was due to a decrease of €130.8 million in Impairment of loans and advances to customers and to credit institutions, €12.4 million in Impairment of other financial assets and €8.7 million in Other provisions, notwithstanding the increase of €11.6 million in Impairment of other assets.

In the year ended 31 December 2021, Impairment of loans and advances to customers and to credit institutions amounted to €54.3 million, compared to €185.1 million in the year ended 31 December 2020 (a decrease of €130.8 million), mainly due to the lower impairment charge for the year net of reversals for loans and advances to customers, of €55.6 million in 2021, compared to €187.8 million in 2020, a year that was extraordinarily impacted by the effects of the COVID-19 pandemic, both in the forward looking component and as a result of moratoria and stage transitions. The evolution of Loan impairment in 2021 also benefited from the higher level of recovery of loans and interest on loans already written off, which reached the value of €4.8 million compared to €2.6 million in 2020. In 2021, the Gross loans and advances

to customers decreased by €168 million to €12,189 million when compared to 31 December 2020. The two combined effects led to a reduction of the cost of credit risk to 0.4 per cent. in the year ended 31 December 2021, compared to 1.5 per cent. in the year ended 31 December 2020.

The aggregate of other impairments and provisions, related to other financial assets, to other assets and to provisions, amounted to €26.2 million in 2021 which compares with €35.7 million in 2020, reflecting the lower allocations to other financial assets and to other provisions, which in this case include provisioning for off-balance sheet exposures, and the reinforcement of impairment for other assets arising from impairments recorded for investment properties.

The Impairment of other financial assets amounted to -€0.2 million (a decrease of €12.4 million) compared to €12.2 million in the year ended 31 December 2020. This is due to the reversal of impairment for Angolan public debt securities held by Finibanco Angola, following the upward revision of the rating assigned by Moody's, as well as the amortisation of Angolan debt securities. Additionally, in 2020, there was an initial allocation of impairment relating to the reinforcement of investment in the public debt portfolio.

In the year ended 31 December 2021, the Impairment of other assets amounted to €31.0 million, representing an increase of €11.6 million compared to the year ended 31 December 2020, being mainly comprised of impairments relating to real estate, essentially referring to the process of updating valuations of investment properties and following the assessments carried out by independent appraisers on a number of branches closed down as part of the resizing process of Banco Montepio's retail network.

Other provisions amounted to -€4.6 million in the year ended 31 December 2021, representing a reduction of €8.7 million compared to €4.1 million in the year ended 31 December 2020. This reduction was mainly due to the reversal of provisions within the scope of the repurchases carried out in relation to the Atlas I operation of €2.4 million and the reversal of €2.3 million regarding legal proceedings filed by the Bank of Portugal.

## IMPAIRMENT AND PROVISIONS

	31 December 2020	31 December 2021	Change 2021 / 2020	
			Amount (€ million)	%
Impairment of loans and advances to customers and to credit institutions	185.1	54.3	(130.8)	(70.7)
Impairment of other financial assets .....	12.2	(0.2)	(12.4)	(101.8)
Impairment of other assets.....	19.5	31.0	11.6	59.4
Other provisions.....	4.1	(4.6)	(8.7)	(213.4)
<b>Net provisions and impairment .....</b>	<b>220.8</b>	<b>80.5</b>	<b>(140.3)</b>	<b>(63.5)</b>

### *International activity*

The international activity of the Banco Montepio Group has been conducted by the subsidiaries Finibanco Angola, S.A., Banco MG Cabo Verde, which is in the process of voluntary dissolution and liquidation since 30 November 2021. As at 31 December 2021, foreign operations represented 0.9 per cent. of total assets, 0.4 per cent. of total gross loans and advances to customers and 0.6 per cent. of total customer resources. Additionally, as at 31 December 2021 Banco Montepio maintained its five representative offices (Frankfurt, Geneva, Paris, Newark and Toronto) which seek to ensure the Issuer's continued presence in Portuguese communities living abroad.

In 2015, following a strategic review of its international business and its determination to increase its focus on domestic operations, Banco Montepio entered into an agreement to sell shares representing 30.6 per cent. of the share capital of Finibanco Angola. The agreement was executed and the respective payments

will be settled over the time. Under this agreement, Banco Montepio sold shareholdings of 0.20 per cent. and 1.15 per cent. of the share capital of this subsidiary in 2017 and 2018 respectively. Thus, as at 31 December 2020, the Banco Montepio Group still had control of Finibanco Angola and an effective stake of 80.2 per cent., with a series of steps now being underway for the deconsolidation of this subsidiary.

In a public announcement on 4 October 2022, Banco Montepio stated that its subsidiary Montepio Holding, SGPS, S.A. agreed to the sale of the stake held in the share capital of Finibanco Angola S.A. to Access Bank Plc, a commercial bank based in Lagos, Nigeria, with a significant presence on the African continent. The sale value will be fully determined following the conclusion of an audit scheduled for completion in the second quarter of 2023. Considering the agreement for the sale of this holding, which is subject to obtaining the approval from the supervisory and regulatory authorities, Banco Montepio estimates that the accounting derecognition of the financial holding held by Banco Montepio Group at Finibanco Angola will occur in the second quarter of 2023. Meanwhile, in accordance with the provisions of IFRS 5, the activities pursued by this subsidiary will be considered as discontinued operations.

With the completion of this agreement, Banco Montepio will cease to have any direct or indirect participation in Finibanco Angola, S.A., achieving another important milestone in the accomplishment of the commitments foreseen in the adjustment program, namely regarding to strengthening the focus on the domestic market and the simplification of the Group's corporate structure.

Finibanco Angola, in which, as at 31 December 2021, Banco Montepio held 80.2 per cent., is a universal bank supporting small and medium-sized enterprises, individuals and Angolan foreign trade with special focus on transactions between Portugal and Angola, which seeks to leverage its competitive advantage on the quality of its service. Under its strategy, Finibanco Angola seeks to advise and finance individual customers and micro-enterprises, promoting viable business initiatives.

Finibanco Angola completed 13 years of activity in September 2021, having been incorporated on 4 September 2007 and having started its activity in the city of Luanda on 9 June 2008. The expansion of the distribution network, levered on experience and the favourable evolution of its activity, has been accomplished through own funding, in the perspective of proximity to its Customers, which include a total of 20 branches and corporate centres as at 31 December 2021, having closed four branches at the beginning of 2021 with a view to optimising its distribution channels.

Banco MG Cabo Verde, Sociedade Unipessoal, S.A., 100 per cent. held by Banco Montepio, provides a broad offer of specialised financial products and services for the segments of individuals, institutional and companies with international vocation. Considering the new legal framework of Cape Verde and having considered all relevant strategic options, Banco Montepio's Board of Directors concluded that it would not promote the necessary changes to adapt its subsidiary Banco Montepio Geral Cabo Verde Sociedade Unipessoal, S.A., as a bank with generic authorisation.

Therefore, through an unanimous written resolution dated 30 November 2021, Banco Montepio, as sole shareholder, approved the procedural initiatives established by law relating to the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde Sociedade Unipessoal, S.A., having also approved the respective Dissolution Plan and appointed the liquidators. Under the terms of the Dissolution Plan, the liquidators must have prepared the final accounts accompanied by the complete liquidation report and the project for the distribution of the remaining assets until 30 June 2022.

The table below presents key indicators on the activity and results of the Banco Montepio Group's international business.

## ACTIVITY AND RESULTS

	31 December 2020	31 December 2021	2021 / 2020 Change	
			Amount (€ million)	%
Total assets .....	354.7	228.2	(126.5)	(35.7)
Loans and advances to customers (net) .....	32.3	41.8	9.6	29.6
Deposits from customers .....	271.6	140.7	(130.9)	(48.2)
Total operating income .....	28.4	12.3	(16.1)	(56.8)
Operating costs .....	11.5	11.8	0.3	2.6
Cost-to-Income .....	40.4%	96.1%	55.7	p.p.
Net income .....	8.8	7.7	(1.2)	(13.2)

Note: For comparative purposes: the financial statements of December 2019 and December 2020 of Finibanco Angola were converted using the same exchange rate: AOA/EUR 629.015.

The total Assets of the international activity of the Banco Montepio Group reached €228.2 million as at 31 December 2021, compared to €354.7 million as at 31 December 2020, representing a reduction of 35.7 per cent.. This decrease was due to the reduction in total assets of Banco Montepio Geral Cabo Verde as a result of the voluntary winding up and liquidation process that began on 30 November 2021, and to a lesser extent by the 8.1 per cent. decrease in the Total assets of Finibanco Angola, driven by the decrease in the securities portfolio, namely Angolan public debt securities in the balance sheet, in comparison with the end of 2020.

Loans and advances to customers (net) of the international activity as at 31 December 2021 showed an increase of 29.6 per cent. compared to 31 December 2020, rising from €32.3 million as at 31 December 2020 to €41.8 million as at 31 December 2021.

Deposits from customers captured by the subsidiaries forming the international activity of the Banco Montepio Group amounted to €140.7 million as at 31 December 2021, a decrease of 48.2 per cent. compared to €271.6 million as at 31 December 2020. This reflects the reduction in customer deposits of Banco MG Cabo Verde, Sociedade Unipessoal, S.A., following the voluntary winding up and liquidation process that began on 30 November 2021.

The Total operating income of the international activity in the year ended 31 December 2021 amounted to €12.3 million, compared to €28.4 million in 2020. This represents a decrease of 56.8 per cent.

Operating costs of the international activity amounted to €11.8 million in the year ended 31 December 2021, a 2.6 per cent. increase compared to the €11.5 million in the year ended 31 December 2020.

As a result of the operating performance, the cost-to-income ratio of the international activity was 96.1 per cent. in the year ended 31 December 2021, compared to 40.4 per cent. in the year ended 31 December 2020.

### Finibanco Angola, S.A.

The total Assets of Finibanco Angola as at 31 December 2021, totalled €218.7 million, compared to €238.1 million recorded at the end of 2020 (-8.1 per cent.). This was driven by the decrease in the securities portfolio, namely Angolan Public Debt securities in the balance sheet compared to the values as at the end of 2020 (-51.4 per cent.), partially offset by the increase in the portfolio of Loans and advances to customers (+29.6 per cent.).

Loans and advances to customers (net) increased to €41.8 million as at 31 December 2021, representing an increase of 29.6 per cent., from €32.3 million as at 31 December 2020. Customer deposits, as at 31 December 2021, stood at €140.7 million, compared to €163.2 million as at 31 December 2020, representing a reduction of 13.8 per cent.

The aggregate of the captions Cash and deposits at central banks and Other credit institutions (OCI) includes the balances recorded under Cash and deposits at central banks and Cash and deposits at credit institutions. At 31 December 2021, this aggregate totalled €55.0 million, in line with the previously mentioned decrease in Customer deposits.

As at 31 December 2021, Operating income reached €11.8 million, representing a decrease of €15.9 million from €27.7 million recorded in 2020, mainly due to the unfavourable impact of Foreign exchange revaluation results (-€15.3 million) and, to a lesser extent, the impact of Other operating income (-€1.7 million), despite the increase in Net interest income (+€0.9 million) and Net commissions (+€0.2 million).

Operating costs stood at €11.3 million in 2021, showing an increase of €0.4 million compared to 2020 (€10.9 million). The increase in operating costs in 2021 was motivated by the increases in Staff costs (+3.7 per cent.) and in the General administrative costs (+13.9 per cent.), despite the decrease in Depreciation and amortisation (-17.2 per cent.) compared to 2020.

As a result of operating performance, marked by the unfavourable evolution of exchange rate revaluation results, Finibanco Angola's cost-to-income ratio stood at 96.1 per cent. in 2021, compared to 39.4 per cent. in 2020. In 2021, despite the unfavourable currency revaluation, the net income of Finibanco Angola reached €6.4 million (€9.5 million in 2020), without considering non-controlling interests and exchange rate effects.

#### **Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – under liquidation**

As Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. was undergoing voluntary dissolution and liquidation at the time, its financial statements for the year 2021 were prepared as a bank in liquidation and in accordance with **IFRS** as approved by the European Union noting that the activity of Banco Montepio Geral Cabo Verde is part of the consolidation perimeter of Banco Montepio, its sole shareholder. The financial statements were prepared on an assumption of non-continuity of operations.

On 31 December 2021, the assets of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A., totalled €9.5 million, and all its deposits in credit institutions abroad were with Banco Montepio.

In 2021, Operating income stood at €0.5 million, representing a reduction of €0.2 million compared to the value recorded in the same period of 2020, as a result of the decrease in Net interest income, Results from foreign exchange revaluation and Other operating results, notwithstanding the favourable evolution of Net commissions.

Operating costs stood at €0.5 million on 31 December 2021, representing a reduction of 16.8 per cent. compared to the value recorded in the same period in 2020, facilitated by the decrease recorded in Staff costs (-25.2 per cent.), in general administrative expenses (-12.2 per cent.) and in amortisations (-34.2 per cent.).

In 2021, Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A.'s, net income reached €1.2 million, which compares with the value of -€0.6 million reached in the same period of 2020, benefiting from the reversal of impairment for credit risks related to investments in Other Credit Institutions, following the withdrawal of deposits in credit institutions.

#### *Key indicators*

The table below sets out the Issuer's key indicators for 2020 and 2021.

	31 December 2020	31 December 2021	Change 2021 / 2020
		(€ million)	
<b>ACTIVITY AND RESULTS</b>			

	31 December 2020	31 December 2021	Change 2021 / 2020
		(€ million)	
Total assets .....	17,941	19,713	9.9%
Gross loans and advances to customers <sup>(a)</sup> .....	12,357	12,189	(1.4%)
Deposits from customers .....	12,502	12,787	2.3%
Consolidated net income for the period attributable to the shareholders .....	-81	7	(108.1)
<b>SOLVENCY<sup>(b)</sup></b>			
Common Equity Tier 1 ratio .....	11.6%	12.7%	1.1 p.p.
Tier 1 ratio .....	11.6%	12.7%	1.1 p.p.
Total Capital ratio .....	13.8%	15.1%	1.3 p.p.
Leverage ratio .....	6.0%	5.6%	(0.4) p.p.
Risk weighted assets (€ million) .....	9,577	8,800	(8.1%)
<b>LOAN TO DEPOSIT RATIOS</b>			
Loans and advances to customers / Deposits from customers <sup>(c)</sup> .....	92.6%	91.2%	(1.4) p.p.
Loans and advances to customers / On-balance sheet customer resources <sup>(d)</sup> .....	83.9%	81.0%	(2.9) p.p.
<b>CREDIT QUALITY</b>			
Cost of credit risk .....	1.5%	0.4%	(1.1) p.p.
Ratio of loans and interest overdue by more than 90 days .....	5.1%	3.0%	(2.1) p.p.
Coverage of loans and interest - overdue by more than 90 days by Impairment for Credit Risks .....	124.4%	144.4%	20.0 p.p.
Non-performing exposures (NPE) <sup>(e)</sup> / Gross loans and advances to customers .....	10.4%	8.0%	(2.4) p.p.
Coverage of Non-performing exposures (NPE) <sup>(e)</sup> by Impairment for credit risks .....	60.4%	53.5%	(6.9) p.p.
Coverage of Non-performing exposures (NPE) <sup>(e)</sup> by Impairment for credit risks and associated collaterals and financial guarantees .....	93.0%	96.0%	3.0 p.p.
Forborne exposures <sup>(e)</sup> / Gross loans and advances to customers .....	6.6%	5.1%	(1.5) p.p.
<b>PROFITABILITY AND EFFICIENCY</b>			
Total operating income / Average total assets <sup>(c)</sup> .....	2.2%	2.0%	(0.2) p.p.
Profit before income tax / Average total assets <sup>(c)</sup> .....	-0.7%	0.2%	0.9 p.p.
Profit before income tax / Average total equity <sup>(c)</sup> .....	-8.8%	2.4%	11.2 p.p.
Cost-to-income (Operating costs / Total operating income) <sup>(c)</sup> .....	74.0%	69.7%	(4.3) p.p.
Cost-to-Income, excluding specific impacts and adjustment costs <sup>(f) (g)</sup> .....	72.5%	69.0%	(3.5) p.p.
Staff costs / Total operating income <sup>(c)</sup> .....	48.1%	43.3%	(4.8) p.p.
<b>EMPLOYEES AND DISTRIBUTION NETWORK (Number)</b>			
Employees			
Group Banco Montepio .....	3,721	3,478	(243)
Banco Montepio .....	3,326	3,121	(205)
Branches			
Domestic network - Banco Montepio .....	298	261	(37)
Of which: Proximity Branches .....	7	7	0
Of which: BEM Corporate Centres .....	7	7	0
International Network .....	24	20	(4)
Finibanco Angola <sup>(h)</sup> .....	24	20	(4)
Representation Offices - Banco Montepio .....	5	5	0

(a) Gross loans and advances to customers corresponds to Loans and advances to customers excluding Impairment for credit risks.

(b) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period.

(c) Pursuant to the Bank of Portugal Instruction 16/2004, in its current version.

(d) Total on-balance sheet customer resources = Deposits from customers and debt securities issued. Computed in accordance with the Financial Statements annexed to this report.

(e) EBA definition.

(f) Excludes results from financial operations and other operating results (net gains arising from the sale of other financial assets and other operating income).

(g) The value related to the increase in staff costs and general administrative expenses generated by the adjustment programme (€29.5Mn in 2020 and €14.7Mn) was not considered in the calculation of this ratio.

(h) Includes corporate centres.

## *Employees*

As 2021 was the second year of the COVID-19 pandemic, Banco Montepio Group's initiatives were driven by the need to ensure the protection and safety of its employees. In 2020, Banco Montepio Group continued resizing its staff with the aim of aligning its efficiency indicators with the broader sector (the 2020/2021 Programme; see – "Strategy" above) and made a series of employee benefits available in relation to Health Protection, Maintenance of Credit Conditions, Outplacement Service and Social Protection in the event of unemployment.

As at 31 December 2021, the Banco Montepio Group had a total of 3,478 employees (compared to 3,721 as at December 2020), 89.7 per cent. of which were employees of Banco Montepio (amounting to 3,121). As at 31 December 2021, the decrease of 6.5 per cent. compared to the same period in 2020, largely resulted from the implementation of the 2020/2021 Programme, and to a lesser extent from the sale of Montepio Valor - SGOIC, S.A. in December 2021, which resulted in a reduction of 22 employees. As at 31 December 2021, only 5.9 per cent. of Banco Montepio Group employees were based internationally (in Finibanco Angola), whereas the remaining 94.1 per cent. were allocated to the domestic activity (of which 95.4 per cent. were Banco Montepio's employees).

### *9M2022 consolidated activity and results (unaudited and not reviewed)*

Banco Montepio recorded a consolidated net income for the period attributable to the shareholders of €23.9 million in the first nine months of 2022, a favourable performance when compared with the -€14.2 million accounted in the same period of 2021, benefiting from the increase in operating income by €11.8 million, driven by the rise in net interest income and commissions, the reduction in operating costs by €16.1 million and the lower impairment and provisions' charges by €45.1 million, despite the global increase of €3.2 million from the mandatory contributions to the banking sector, the Resolution Fund and the Deposit Guarantee Fund (€25.9 million in the first nine months of 2022 compared to €22.7 million in the same period of 2021).

The consolidated net income in the first nine months of 2022 includes, in the third quarter, an estimated impact of -€22.7 million (after considering non-controlling interests) of the agreement signed for the sale of the shareholding held by Banco Montepio Group at Finibanco Angola S.A.. Nevertheless, the consolidated net income for the quarter was positive, confirming the favourable trend seen in the last five quarters.

Core operating income, corresponding to the aggregate of net interest income and commissions, increased by €7.5 million when compared to the first nine months of 2021, with net interest income rising 1.0 per cent. and commissions 7.0 per cent.

Loans and advances to customers (net of impairment) increased to €11.8 billion, 1.5 per cent. above the amount recorded in December 2021.

Deposits from customers amounted to €12.9 billion, a positive change of 1.8 per cent. compared to the end of 2021.

The aggregate of the balance sheet item Cash and Deposits at Central Banks, of applications in central banks and the market value of assets eligible to obtain liquidity from the ECB, resulting in the liquidity buffer, stood at €3.7 billion, evidencing a comfortable liquidity position.

The quality of the loan portfolio, assessed by the ratio of non-performing exposures (NPE) to total gross loans and advances to customers, evolved favourably, with the NPE ratio standing at 6.9 per cent. at the end of the first nine months of 2022, compared to 9.3 per cent. in the same period of 2021. The implementation of the policy defined for taking credit risk and the measures that have been adopted in the areas of monitoring and credit recovery have contributed to this progress. The coverage of NPE by impairments evolved favourably from 53.8 per cent. as at 31 December 2021 to 54.9 per cent. as at the



end of September 2022 and if in addition to impairments, collateral and associated financial guarantees are also considered, the coverage of NPE rises to 98.2 per cent. as at 30 September 2022 (95.9 per cent. recorded at the end of 2021).

As at 30 September 2022, the capital ratios evolved favourably once again and consolidated the upward trend recorded in recent quarters as a result of the continued reduction in risk-weighted assets (RWA) and the contribution of the net income for the first nine months of 2022.

At the end of September 2022, the Common Equity Tier 1 ratio (CET1) calculated based on the phasing-in rules stood at 13.0 per cent., recording a positive variation of 1.4 p.p. in relation to the same period of 2021. Taking into account the fully implemented rules, CET1 stood at 12.6 per cent. (10.6 per cent. at the end of September 2021), revealing a comfortable position above the regulatory minimum requirement of 9.08 per cent..

The Total Capital ratio (phasing-in) reached 15.4 per cent. (compared to 13.9 per cent. at the end of September 2021) and the fully implemented ratio increased to 15.0 per cent. (12.9 per cent. at the end of September 2021), also above the minimum requirement of 14.01 per cent..

#### *Lending Policies and Procedures*

Credit risk is associated with the uncertainty of expected returns due to the inability of both the borrower (and his guarantor, if any), or the issuer of a security or counterparty to comply with its obligations.

The credit risk management process is based on the existence of a robust process of credit analysis and decision-making, prepared on a set of tools supporting the credit decision process. The quantification of credit risk is also supported in the model for calculating impairment losses.

The fundamental principle of credit risk analysis is independence towards business decisions. In this analysis instruments are used and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g. the modeling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. The credit decision process depends on a group of policies based on scoring models developed for individual and business customers and the rating for the corporate sector.

Regarding the analysis methodologies, within the credit risk, the credit risk techniques and models are based on econometric modeling, based on the institution's experience in granting various types of credit facilities and, where possible, recovery.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behavior.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans and credit cards.

Individual Entrepreneurs (Empresários em nome individual - ENI) and Micro businesses are considered part of the retail segment, and therefore scoring models specific to the retail segment are applied.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio and to evaluate new credit proposals, and these are coupled with application scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by business sectors, such as the third sector, or by the life-span of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of probability of default, composed of 18 classes, of which the first 15 classes correspond to performing risk classes, classes 16 to 17 to credit delinquencies (30 days to 60 days, and 60 days to 90 days, respectively) and class 18 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to exceed the response of scoring systems, internal ratings and internal price lists, only by higher decision levels, in accordance with the principles of delegation of responsibilities set out. Rejection situations are defined in order to minimise the risk of adverse selection, however there is always a risk class for rejection.

Intervention limits are also defined for the different decisions, by amount of operation and global customer exposure, type of operation / collateral and assigned risk class. In this context, the principle that higher hierarchical positions must approve operations with higher exposures is highlighted. These limits are approved by the Board of Directors, and the highest decision scale corresponds to the Board of Directors. At intermediate stages, it is compulsory to intervene in a collegial system of at least two players, one belonging to the commercial network and the other to the Specialised Credit Analysis Division (independent body of the commercial structure).

Risk analysis involves regular internal reporting on key types of risk. Within credit risk, monthly internal reports are prepared, with the main risk indicators of credit portfolios and metrics on the use of rating / scoring models. In terms of preventive monitoring, an alert system for early warning signs is in place for the main indicators of credit risk tightening.

With respect to credit impairment, IFRS 9 establishes the need to recognise Expected Credit Losses ("ECL") as impairment for all financial assets that meet the Solely Payment of Principal and Interest ("SPPI") criteria, considering the expected loss of credit at one year, or the expected loss of credit until the maturity of the financial instrument (ECL lifetime).

#### *Criteria for the determination of impairment of individually significant loans*

All customers or economic groups that meet the following conditions are subject to individual analysis:

1. Economic Groups with a global exposure amount  $\geq$  €0.5 million in which at least one of the participants is the holder of operations classified as stage 3, with customers with an exposure amount  $\geq$  €0.1 million being selected;
2. Customers holding stage 2 operations with an exposure amount  $\geq$  €1.0 million and customers with an exposure amount  $\geq$  €1.0 million that are part of the same Economic Group;
3. Customers holding stage 1 operations with an exposure amount  $\geq$  €2.5 million;
4. Customers corresponding to Shareholding Management Companies ("SGPS") and/or Customers holding loans under Project Finance with an exposure amount  $\geq$  €1.0 million;
5. Other customers when duly justified.

For the exposure of customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations subject to write-off.

The individual analysis is the responsibility of the Specialised Credit Analysis Division and in the evaluation of impairment losses the following factors are essentially considered:

- total exposure of each customer and/or economic group, internal rating of the customer and/or economic group, the stage associated with each operation and the existence of signs of impairment;
- economic and financial viability of the customer or economic group and the respective ability to generate future cash flows to pay the debt;

- existence of collaterals associated with each credit and their respective valuation;
- customers' or guarantors' net assets;
- situation of bankruptcy or insolvency of the customers and/or guarantors; and
- expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment is made when the expected cash flows are lower than the contractual cash flows due by the customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and the gone concern method:

- In case of the continuity of operations (going concern) a critical analysis is carried out on the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;
- In the case of the cessation of the activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of mortgage/pledge, valuation amount, valuation date and need for the application of haircuts, according to the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance and selling costs. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustments, are discounted at the original effective interest rate.

For each recovery strategy, the respective expected loss of credit is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence. For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

#### *Credit Recovery Policy*

In 2020, Banco Montepio implemented a reorganisation project relating to non-performing credit recovery whereby processes were established with the main focus on enhancing efficiency of operations from the early stages of default. This involved implementing a lean process redesign and standard predefined cure approaches.

Standard pre-defined approaches are differentiated by segment and credit features, depending on length of time for cash shortages (short term, medium or long term recoveries), willingness of customers to cooperate, collateral valuation, litigious treatment, and not providing the ability to reduce guarantees.

Standard pre-defined treatments are part of the new practices implemented to reduce the recovery process cycle, and therefore enabling more cost effective cure strategies with less impact on the Issuer's net income. Law firms pre-appointed by the Issuer deal with all the judicial recovery processes, regardless of the complexity of the process or the exposure amount to be recovered.

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the default regimes (Decree-Law 227/2012, of 25 October) and for companies (SIREVE, PER, PEAP, PEVE, RERE) were adopted, with these being widely

disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

In 2021, Banco Montepio implemented new settlement plans and related decision levels for loans in arrears with less than 1 month through standardised recovery solutions available to the branches' teams to enhance the recovery procedures and modus operandum from the early stages of default.

The implementation of external Servicing by specialised law firms for insolvency portfolios is in progress in 2022. The hiring of Servicers is also underway (with an end-to-end strategy) for Retail portfolios without guarantees.

Within the scope of the ongoing reorganisation, several measures were implemented to adjust the structure and the recovery operating model, in order to better implement and guarantee compliance with the strategy outlined for Banco Montepio regarding the reduction of the stock of NPLs. As a result of this reorganisation, two separate departments were created, one for handling Corporate and Mid-Corporate portfolios and the other for Small Business portfolios.

The monitoring of non-judicial customers was also reviewed, as well as the Organic Statute and the regulations governing credit recovery.

As at 31 December 2021, the loan and advances to customers' portfolio included loans amounting to €622.3 million (compared to €817.2 million as at 31 December 2020) which, given customers' financial difficulties, were subject to amendments of the initial conditions. These loans had an impairment of €255.2 million as at 31 December 2021 (compared to €368.1 million as at 31 December 2020).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans as at 31 December 2020 and 31 December 2021, by credit type, is as follows:

	<b>31 December 2020</b>	<b>31 December 2021</b>
	<i>(€ thousand)</i>	
<b>Corporate</b>		
Loans.....	175,732	104,069
Current account loans .....	9,669	3,241
Finance leases.....	1,276	3,503
Other loans.....	949	5,137
<b>Retail</b>		
Mortgage loans.....	2,778	11,602
Consumer credit and other loans.....	6,993	17,598
	<u>197,397</u>	<u>145,150</u>

Restructured loans are also subject to an impairment analysis that results from the revaluation of the expectations given the new cash flows inherent to the new contractual conditions, discounted at the original effective interest rate, and considering the new collaterals presented.

As at 31 December 2021, the impairment charges on the restructured loans not yet due amounted to €54.8 million, which corresponds to an impairment rate of 37.7 per cent. (compared to €79.0 million and impairment rate of 40.0 per cent. as at 31 December 2020).

The total amount of principal and interest recovered in written-off loans as at 31 December 2021 amounted to €4,820 thousand compared to €2,634 thousand as at 31 December 2020.

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these properties, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and its geographical area. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

The following tables show total NPEs (as per EBA definition) and total impairment charges as at 31 December 2020 and 31 December 2021:

	<b>31 December 2020</b>	<b>31 December 2021</b>
	<i>(€ thousand)</i>	
(a) Stock of Non-performing exposures .....	1,289,555	975,302
(b) Gross loans and advances to customers.....	12,357,216	12,189,465
<b>Non-performing exposures / Gross loans and advances to customers</b>		
<b>(a / b).....</b>	<b>10.4%</b>	<b>8.0%</b>

	<b>31 December 2020</b>	<b>31 December 2021</b>
	<i>(€ thousand)</i>	
(a) Impairment for credit risks.....	779,514	521,777
(b) Stock of Non-performing exposures .....	1,289,555	975,302
<b>Coverage of Non-performing exposures by Impairment for credit risks</b>		
<b>(a / b).....</b>	<b>60.4%</b>	<b>53.5%</b>

### *Risk Management*

The Banco Montepio Group is exposed to several risks the most relevant of which are, in the financial component, credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Banco Montepio Group is subject to other non-financial risks, namely operating, reputation, and strategy and business risks. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process

for the identification and review, being subject to regular monitoring and mitigation actions in order to reduce potential losses for the Banco Montepio Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimisation of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralised in the Risk Division, the unit responsible for the risk management function of the Banco Montepio Group, which regularly informs the Board of Directors of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Banco Montepio Group's risk management policy is the responsibility of the Board of Directors, who set out the tolerance levels and maximum risk limit, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure an adequate risk control at group level, namely through the respective supervisory boards. The Risk Committee is the non-executive body with the role of risk management supervision. Its mission is to monitor the design and implementation of the risk strategy and risk appetite of the Banco Montepio Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Commission in these areas.

The Board of Directors seek to ensure that Banco Montepio has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimised balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Banco Montepio Group's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks (such as credit, market, liquidity, real estate and operating) which the Banco Montepio Group's business is subject to.

In order to ensure an effective management of the risks associated with the Banco Montepio Group's activities, the Risk Division is responsible for ensuring that all Group companies, including those located abroad, implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group's Global Risk Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Division is responsible for monitoring the risk management activity of Group companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Division is more effective and efficient.

In common with many similar credit institutions which finance housing loans, the Issuer's loan assets are relatively illiquid whilst its funding is 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 the Issuer for extended periods).

Liquidity risk is assessed using regulatory indicators defined by the supervisory authorities and other internal measurements for which exposure limits are also defined. This control is reinforced by the execution of stress tests, aimed at characterising Banco Montepio's risk profile and ensuring that the Banco Montepio Group meets its obligations in the event of a liquidity crisis.

The objective of controlling the liquidity levels is to maintain a satisfactory level of liquid assets so as to meet financial needs in the short, medium and long term. Liquidity risk is monitored daily, with various reports being prepared for control and monitoring purposes and to support decision-taking within the Assets and Liabilities Committee ("**ALCO**"). Under the control of risk levels, limits are defined for various liquidity risk indicators, which are monitored through weekly and monthly reports.

The evolution of the liquidity position is monitored, in particular, based on estimated future cash flow projections for various time horizons, considering Banco Montepio's balance sheet. The liquidity position of the day under review and the amount of assets that are considered highly liquid in the uncompromised securities portfolio are added to these projections so as to determine the accumulated liquidity gap for various time horizons. Moreover, the level of compliance of the liquidity prudential indicators, LCR, NSFR and Additional Liquidity Monitoring Metrics ("**ALMM**"), and of internal ratios such as, for example, loan-to-deposits ratios, concentration of funding sources, short term funding and eligible assets are monitored as well.

The table below sets out the liquidity gaps in December 2021:

#### LIQUIDITY POSITION GAPS

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
			(€ million)		
Accumulated mismatches .....	3,940	3,931	4,118	4,071	3,227

As at 31 December 2021, the LCR reached 264.1 per cent., having increased from the 200.7 per cent. recorded as at 31 December 2020, amounting to 164.1 p.p. above the minimum regulatory requirement of 100 per cent. As at 31 December 2021 the commercial gap stood at a comfortable level with the loan-to-deposit ratio, consisting of loans and advances to customers divided by deposits from customers, at 91.2 per cent.

The NSFR stood at 125.3 per cent. in December 2021, above the minimum requirement of 100 per cent.

Concerning the exchange rate risk of the banking book, in general, the funds raised in foreign currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the assets and liabilities. The current foreign exchange exposure of the Banco Montepio Group in consolidated terms is essentially the result of structural positions derived from the conversion of the balances of its subsidiaries (such as Finibanco Angola) in their main currencies, namely the Angolan Kwanza and American Dollar.

Limits of exposure have been defined for the exchange rate risk of the banking book, which are monitored by the management bodies and by the ALCO, where any overrunning of the established limits follows an

established circuit, including approval by the management body or the implementation of measures to hedge this risk.

The limits defined for exchange rate risk include limits of position by currency, in consolidated and individual terms, as well as in terms of VaR, and are also disaggregated in terms of the trading book and banking book.

The total assets and liabilities, by currency, as at 31 December 2021 is as follows:

	Euro	U.S. Dollar	Angolan Kwanza	Swiss Franc (€ thousand)	Pound Sterling	Other foreign currencies	Total amount
Total Assets .....	19,286,312	218,495	175,033	4,864	3,111	25,345	19,713,160
Total liabilities .....	18,020,299	197,816	78,326	2,874	13,881	36,831	18,350,027
Exchange forward transactions .....		(22,343)	0	(2,033)	10,711	11,753	
Exchange Gap .....		(1,664)	96,707	(43)	(59)	267	
<b>Stress Test .....</b>		<b>333</b>	<b>(19,341)</b>	<b>8</b>	<b>12</b>	<b>(53)</b>	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including minority interests, due to a devaluation of 20.0 per cent. in the exchange rate of each currency against the Euro.

The interest rate risk caused by operations of the banking portfolio is assessed through risk sensitivity analysis, on an individual and consolidated basis for the subsidiaries included in the Banco Montepio Group's consolidated balance sheet.

Interest rate risk is appraised in accordance with the impacts on net interest income, net worth and own funds caused by variations in market interest rates. The main risk factors arise from the mismatch between the interest rate revision periods and/or residual maturity between assets and liabilities (repricing risk), from non-parallel variations in interest rate curves (yield curve risk), from the nonexistence of perfect correlation between different indexers with the same repricing period (basis risk), and from the options associated to instruments which enable the divergent action of agents depending on the level of rates that are contracted and applied at any given time (option risk).

Following the recommendations of Basel and the Bank of Portugal Instruction 34/2018, of 15 June 2018, the Banco Montepio Group calculates its exposure to balance sheet interest rate risk, at least quarterly, based on the methodology of the Bank of International Settlements ("BIS"), classifying all the headings of the assets, liabilities and off-balance sheet items which do not belong to the trading book, by repricing brackets.

In this context, limits are defined for exposure to interest rate risk factors which are monitored by ALCO, where any overrunning of the established limits, even if temporary, requires the approval of the management body or the implementation of measures to cover the exposure.

At the same time, a stress test is conducted with six shock scenarios in the interest rate curve. This test measures impacts on net interest income at one year and on net worth of the shocks in the interest rate curve prescribed in the BIS document of April 2016, Standards – Interest rate risk in the banking book.

Based on the financial features of each contract, the respective expected cash flow projection is made, according to the rate repricing dates and any pertinent performance assumptions that are considered.

The table below presents a summary of the exposure to interest rate risk, given by the repricing gaps in the balance sheet's assets and liabilities, and off-balance sheet items, on a consolidated basis, as at 31 December 2020 and 31 December 2021, which are not accounted in the trading book:



## INTEREST RATE REPRICING GAPS

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years
	(€ thousand)				
<b>31 December 2021</b>					
<b>Assets</b>					
Debt securities.....	26,612	43,212	23,528	1,186,064	1,875,387
Loans and advances.....	6,449,591	3,049,157	1,328,189	919,705	390,425
Others.....	89,599	0	0	0	50,375
Off-balance sheet .....	1,041	0	756,654	25,018	0
<b>Total .....</b>	<b>6,566,843</b>	<b>3,092,369</b>	<b>2,108,371</b>	<b>2,130,787</b>	<b>2,316,187</b>
<b>Liabilities</b>					
Debt securities issued.....	349,223	0	811,226	651,267	36,545
Term deposits.....	1,718,686	1,107,354	1,471,616	2,041,259	0
Others.....	195,311	0	0	2,961,326	274,358
Off-balance sheet .....	758,996	0	15	119	1,145
<b>Total .....</b>	<b>3,022,216</b>	<b>1,107,354</b>	<b>2,282,857</b>	<b>5,653,971</b>	<b>312,048</b>
<b>GAP (Assets - Liabilities) .....</b>	<b>3,544,627</b>	<b>1,985,015</b>	<b>(174,486)</b>	<b>(3,523,184)</b>	<b>2,004,139</b>

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years
	(€ thousand)				
<b>31 December 2020</b>					
<b>Assets</b>					
Debt securities.....	89,347	287,945	59,950	920,554	1,168,720
Loans and advances.....	6,740,103	3,010,619	1,171,148	775,080	305,812
Others.....	89,290	0	0	0	38,945
Off-balance sheet .....	1,148	0	6,654	756,654	0
<b>Total .....</b>	<b>6,919,888</b>	<b>3,298,564</b>	<b>1,237,752</b>	<b>2,452,288</b>	<b>1,513,477</b>
<b>Liabilities</b>					
Debt securities issued.....	8,584	812	57,283	1,408,516	19,398
Term deposits.....	2,803,388	1,491,623	2,133,847	720,428	0
Others.....	460,548	54,245	392	1,609,929	301,096
Off-balance sheet .....	750,008	0	16	131	1,295
<b>Total .....</b>	<b>4,022,528</b>	<b>1,546,680</b>	<b>2,191,538</b>	<b>3,739,004</b>	<b>321,789</b>
<b>GAP (Assets - Liabilities) .....</b>	<b>2,897,360</b>	<b>1,751,884</b>	<b>(953,786)</b>	<b>(1,286,716)</b>	<b>1,191,688</b>

	December 2021				December 2020			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
	(€ thousand)							
Interest Rate Gap .....	3,836,113	3,665,365	3,836,113	3,494,618	3,600,429	3,834,051	4,067,673	3,600,429

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2021, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 basis points would cause a decrease in the economic value expected from the banking portfolio of approximately €88.2 million (31 December 2020: decrease of €55.5 million).

The concept of market risk reflects the potential loss that could be recorded by a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments comprising the portfolio, considering both the correlations that exist between them and their volatility.

Value-at-Risk (“**VaR**”) is one of the key metrics used to measure and monitor market risk. The Banco Montepio Group calculates the VaR on a daily basis, both for its trading book and for the portfolio of financial assets at fair value through other comprehensive income. VaR is also calculated on a time horizon of 10 business days and at a 99 per cent. significance level, by the historical simulation method. The types of risk considered in this methodology are interest rate risk, exchange rate risk, price risk, spread risk and commodities risk.

With respect to market risk information and analysis, there is regular reporting on Banco Montepio's own portfolios and those of other entities of the Banco Montepio Group, with various risk limits being defined, including overall limits of VaR, by Issuer, by type/class of asset and stop loss and loss trigger limits for positions held for trading and in other comprehensive income.

In the reports produced, the various exposure limits are controlled, analysed the risks of concentration, credit, interest rate and asset price variation, among others. These analyses consider the analysis of scenarios, namely the sensitivities of the securities portfolio to variations of interest rates, spreads, adverse exchange rate evolution and variation of the market prices of shares and real estate properties.

In addition to the risk report of Banco Montepio's overall portfolio, specific risk reports are also produced for the trading book and the proprietary portfolios of financial assets at fair value through other comprehensive income.

In order to ensure more effective risk management, the positions in portfolio are disaggregated into a portfolio of financial assets at fair value through other comprehensive income, portfolio of other financial assets at amortised cost, portfolio of financial assets not necessarily held for trading at fair value through profit or loss, and portfolios of assets held for trading (which exclude hedge coverages and fair value option), with risk limits being defined according to the type of portfolio. The thresholds applicable to the portfolios are defined in internal regulations, updated on an annual basis or other, whenever justified by alterations to market risk levels. Stop loss and loss trigger thresholds are also defined, applicable to the portfolios. Whenever any of these thresholds are reached, the re-examination of the strategy intrinsic to this position is compulsory.

As at 31 December 2021 the Banco Montepio Group's investment portfolio was mainly concentrated on bonds, representing 93.3 per cent. (31 December 2020: 84.3 per cent.) of the total portfolio, being the majority of the portfolio comprised of sovereign bonds, essentially from Italy, Portugal and Spain.

Banco Montepio held no position in credit derivatives as at 31 December 2020 and 2021.

Regarding the credit quality of the debt securities portfolio, approximately 97.8 per cent. is rated as investment grade (31 December 2020: 96.8 per cent.). Of note are the Spanish, Portuguese and Italian sovereign bonds with a rating assigned by Fitch of A-, BBB+ and BBB, respectively, that represent 94.0 per cent. (31 December 2020: 84.1 per cent.) of the portfolio. Concerning the portfolio breakdown, there was a reduction in the Portuguese sovereign debt (55.8 per cent. to 22.6 per cent. of the securities portfolio in 2020 and 2021, respectively), partially offset by an increase in the Italian and Spanish sovereign debt.

A summary of the banking book's VaR indicators in December 2020 and December 2021 is presented below, bearing in mind that the trading portfolio had no positions in shares or bonds as at 31 December 2021:

	December 20		December 21	
	Banking book	Trading book	Banking book	Trading book
Market VaR <sup>(1)</sup> (2) (3) .....	3.78%	20.52%	1.28%	n.app.
Interest Rate Risk .....	2.31%	0.40%	0.87%	n.app.
Exchange Rate Risk.....	0.00%	2.06%	0.00%	n.app.
Price Risk .....	0.00%	20.55%	0.03%	n.app.
Credit risk (spread).....	3.19%	0.73%	0.69%	n.app.
Commodity Risk .....	0.00%	0.00%	0.00%	n.app.
(1)	Time horizon of 10 days and significance level of 99%; Percentage over total portfolio assets; Includes Banco Montepio and BEM.			
(2)	Includes the diversification effect.			
(3)	Excludes positions of Finibanco Angola.			

Moreover, analyses are also conducted of scenarios and stress (based on past extreme events) for the trading book to complement the analysis of all the other risk indicators.

### Competition

As at 31 December 2021 the Issuer was the seventh largest bank in Portugal on the basis of total net assets (source: *Associação Portuguesa de Bancos*). Despite competition in the market, Banco Montepio has been able to sustain its position in the market and to preserve its market share in banking activity. Banco Montepio's overall market share (deposits and loans) was 5.2 per cent. as at 31 December 2021 (source: Bank of Portugal Financial and Monetary Statistics (individual basis)).

Furthermore, as at 31 December 2021, the Issuer had a market share of 5.8 per cent. in mortgage loans and 5.5 per cent. in loans to non-financial corporations (source: Bank of Portugal, Financial and Monetary Statistics (individual basis)). As at 31 December 2021, Banco Montepio's market share in total deposits was 5.2 per cent., reaching 5.5 per cent. in the household deposits segment (source: Bank of Portugal, Financial and Monetary Statistics (individual basis)).

The Issuer considers that its primary competitive advantage is its superior customer service, as a result of being majority owned by a mutual benefits association, its product offering including private pension schemes provided by MGAM and its reputation as a stable financial institution.

### Technology

Banco 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.

The latest developments in the Issuer's Legacy System include a 24x7 Project. With this implementation, current accounts processing, domestic transfers and payments, internal ATM cash transactions, debit and credit cards, saving accounts and inter-bank transfers become available in real-time, 24 hours every day of the week and no failure or breakage in the service occurs solely due to any matter related to batch processing.

Banco Montepio classifies its systems into two categories: "Core System" and "Distributed Systems". The Core System corresponds to the mainframe while Distributed Systems represent the Windows and Linux platforms where most departmental applications are hosted. Banco Montepio deployed a private cloud solution based in VMWARE and HYPER-V, following the IaaS model, allowing powerful consolidation and virtualisation of the Distributed Systems, which in turn increased operational efficiency, reduced production time and infrastructure-related efforts and costs.

Banco Montepio also implemented a CITRIX virtualisation farm to provide more flexible and agile access to new applications to branch users. The implemented solution takes advantage of "Load Balancers NetScaler" and application virtualisation using XENAPP. The use of Load Balancers improves the delivery

speed and quality of applications for an end user. The product helps business customers perform tasks such as traffic optimisation, load balancing, and web application acceleration while maintaining data security. It also performs several kinds of caching and compression. The benefits of application virtualisation include ease of maintenance and greater portability, making programs easier to deploy across several versions of Windows. Another one of the benefits of application virtualisation is that applications that depend on custom drivers or libraries can be easily installed, which makes deploying upgrades and patches easier.

On a growing cloud integration strategy, new services were adopted on the Office 365 platform, such as, Microsoft Teams, Yammer, One Drive, Exchange Online, Sharepoint Online and Intune.

Following a digital transformation vision, a new business platform, CRM Online, was adopted. This SaaS solution empowers the digital marketing strategy, bringing new capabilities to the organisation, aligning marketing and sales activities for its customers.

These service integrations were achieved through the implementation of ADFS creating a common layer in what regards to user and application accessibility management.

A sophisticated information network has been implemented, integrating voice and data, and is updated on a continuous basis. It provides high bandwidth connections up to 10 GB, incorporating 4G technology.

The security infrastructure ensures, in a high availability system, the protection of all systems through Geo-cluster Checkpoint firewalls integrating the protection of threats with Radware intrusion detection mechanisms, geographic balancing and Radware local balancing. All components of the solution are present in its own infrastructure with multi-user interconnections to assure that all national and international communications and their contents are served in Lisbon or Porto, providing protection against failures in the event of interruptions in local or regional networks, power outages or natural disasters.

One key component of the security infrastructure is the Security Operations Center (“**SOC**”) service. The SOC is the 24x7 single point of contact for monitoring and responding to security incidents by an organised team with specialised skills (“**CERT**”). Its mission is to ensure continuous monitoring and improve the security level of the organisation while preventing, detecting, analysing and responding to cybersecurity incidents, backed by processes and technologies. Procedures are defined for major incidents to be appropriately escalated and to activate the DR/BC plan if needed and lessons learned activities are taken and documented from previous events and incidents.

Remote access to Microsoft Cloud Services requires multifactor authentication. Some sensitive systems do not allow remote access.

Access to Banco Montepio's network is segmented on the basis of employee access, customer access and access to certain third parties. Since the beginning of 2020, access to the internal network is granted through the Zscaler Private Access solution that uses the technology Zero trust network access (“**ZTNA**”). ZTNA gives users seamless and secure connectivity to private applications without ever placing them on the network or exposing apps to the internet. The implementation of this solution in the Banco Montepio Group has replaced the previous VPN-based solution.

In 2020 Banco Montepio implemented a new ITSM solution and one of the components of the project was to create a CMDB with the inclusion of a vast set of IT assets. This information is complemented by a database that contains the Application Portfolio, including documentation on the interconnection between applications. Incident management and escalation roles, responsibilities, and procedures are formally defined. Most incidents and service requests are registered in the ticketing system.

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

- Internet Banking (Net24) and Mobile Banking (Netmóvel24) integrated with a new CX Omnichannel platform, including several native Apps for iOS and Android, providing customers with a wide range of transactions, including enquiries, deposits, transfer orders and bill payments and online brokerage services. To increase security, new features were added to the omnichannel platform, implementing Strong Customer Authentication.
- A contact centre (Phone24) has been established, which provides phone, fax, e-mail and chat capabilities for its customers.
- An internal Self-Service ATM network (Chave24). Banco Montepio was the first bank to provide ATM services in Portugal in 1984. At present their last generation ATM with a Web based Application and cash-Recycling technology, provides a broad range of products and services which are all touch screen only and voice enabled, such as: bill payment, cash and check deposits and passbook automatic page turn.
- A new Branch Automation Solution is in place using Accenture Multichannel Platform, providing the migration from a Client-Server architecture to a Web Based Application running in Virtual machines. The new solution allows the integration of information from a diversity of sources like: CRM, Enterprise Analytics, Workflows, Intranet and others.
- Integrated with the new Branch Automation Solution, a new IT architecture for supporting financial processes dematerialisation was implemented, replacing traditional processes based and supported in paper, in line with best technical and security standards, with the objective of enhancing Banco Montepio's image of innovation and digital transformation, improve customer experience and reduce operating costs and operational risk. This new solution started to be adopted for supporting processes that originated in branch networks and will be gradually spread to other areas / processes.
- An Enterprise Data Warehouse ("**EDW**") which supports all needs related to Business Intelligence trends considering financial services. This infrastructure keeps increasing, on a regular basis, in order to cater to the needs arising from the development of new business lines and to meet business subject areas like risk, profitability, pricing, Regulatory Reporting, Auditing and Marketing.
- The former CRM evolved to a Marketing Automation level comprising a new Analytic platform, based on Microsoft CRM Online, interacting with an upgraded Operational CRM application among full integration with a revised 360º Customer Vision (value added with new commercial relevant information) and integration with Product Catalog and other distribution channels for a total Customer relation awareness.
- A credit scoring application is in operation providing a useful tool for assessing risks related to housing loans, consumer credit and credit cards.
- Finastra Kondor+ has been implemented in order to improve trade management, support of complex derivatives, options and structured trades support, improve straight through processing. With Finastra Kondor+ Banco Montepio was able to implement a complete front-to-back solution with strong support for risk management and centralised administration and control. Recent developments are improving the global front-to-back solution with the integration of two new tools provided by Bloomberg: TOMS (Trade Order Management Solutions) and MARS (Multi-Asset Risk System).
- A "Time Deposit Workflow" is in operation allowing the integrated management of spread authorisation in time deposits.
- A "Workflow" system allowing for the integrated management of credit process has been implemented.

- An “Enterprise Document Management System” has been implemented supporting different business processes such as: inter-bank circulation of cheque images, members’ and customers’ signatures and daily branch movement.

- In terms of AML compliance, an Operational Monitoring System (“**Northland**”) has been implemented as well as a Filtering System (“**Fircosoft**”) for “funds transfer” operations and for clients.

- A New Credit Risk Reporting Platform

This project aimed to respond to new Bank of Portugal credit risk reporting requirements (“**CRC 5 G**”), aligned with new EU Central Bank reporting legislation (“**AnaCredit**”). The solution implemented in the development of the project included the construction of a new centralised credit risk information database in the business intelligence architecture, which can be used later on to answer to different information requirements in this domain. The project also included the development of a new Portal to support the exchange of information with the Bank of Portugal, which included the implementation of the appropriate functionalities and controls to support the management of the cases/hits that may require manual intervention.

- Credit Recovery IT Architecture Review and Optimisation

This project included an extended review of the IT applications and tools that support credit recovery, addressing the following key-objectives and enhancements: To adjust credit IT applications and tools to the new organisational and operational credit recovery model in place; To improve credit IT applications and tools suitability to the requirements of the credit recovery department; To develop a new credit recovery Portal to support credit recovery department relationship with external law offices that provide services, which provides a broad range of functionalities to enable a proper management and control of the processes.

- A Digital Onboarding solution, integrated in Banco Montepio's APP M24, which incorporates videoconferencing and digital signatures;

- A new Credit online platform, supported in an automated integrated workflow;

- A Fraud Detection solution for online digital channels;

- The integration of payment transactions and services with SIBS Open APIs platform, that ensures compliance with the Payment Services Directive 2 (PSD2);

- Opening of account and credit online for individuals;

- System of continuous assessment of customer relations, through the implementation of the Net Promoter Score (NPS) system in every customer interaction with the Banco Montepio;

- Development of new IT platforms to support Anti-Money Laundering and Market Abuse processes, based upon SAS technology and specialised modules for those areas;

- A Virtual Assistance Agent, based on Artificial Intelligence technology, which is the first point of contact with customers who use the Contact Center service, with the objective of increasing the efficiency and reduce costs in customer service. In 2020 the project focused on a set of processes that showed more potential and less complexity for adopting this technology. This technology will be extended gradually to other processes and cases of use, assuming the greatest relevance in the bank's IT strategy modernisation roadmap;

- Robot Process Automation.

This project implemented a new technological architecture for enabling the end-to-end automation of low-value-added processes/activities, resulting in more satisfied customers and money-saving

efficiencies for the Issuer. In 2020 the project focused on a set of processes that showed more potential and less complexity for adopting this technology. This technology will be extended gradually to other processes and cases of use, assuming the greatest relevance in the bank's IT strategy modernisation roadmap;

- Implementation of the new 3-D SECURE TECHNOLOGY, provided by SIBS, that ensures the highest level of security in preventing fraud in cards payments, by incorporating the use of SCA (strong customer authentication) in e-commerce operations carried out with payments cards;
- Implementation of new fraud prevention and detection service for transactions carried out on the Issuer's multichannel platform, offered by Paywatch. The service is available in an as-a-service (FPaaS) model, based on the experience and knowledge of the SIBS FPS teams on fraud in electronic payment and cybersecurity and supported on a state-of-the-art technological platform (SaferPayments);
- New digital customer journeys using the Digital Onboarding solution technology incorporating videoconferencing and digital signatures; and
- APP Aprova – a new security solution for Strong Customer Authentication. A multi-factor mobile-first transactional authentication system that allows customers to authenticate sensitive online banking operations on a Mobile Phone.

#### *Legal and arbitration proceedings*

In November 2016, Banco Montepio was notified by the Bank of Portugal of administrative proceedings relating to alleged violations of certain AML procedures (administrative proceeding (*processo de contraordenação*) no. 84/14/CO). These proceedings relate to events that occurred prior to 12 August 2016 and concern alleged non-compliance by Banco Montepio with certain duties pertaining to the implementation of required mechanisms allowing for: (a) the identification and the knowledge of the ownership and control of corporate entities; (b) information on the origin of funds; (c) information updates relating to banking entities; (d) extension to affiliates of measures equivalent to those foreseen in Law 25/2008, of 5 June; (e) system parameters for high risk operations; and (f) the provision of information reports to the Prosecutor General's Office (*Procuradoria Geral da República*) of operations potentially related to AML. Banco Montepio presented its defence in January 2017. In January 2020, a decision was issued by the Bank of Portugal that determined that Banco Montepio had committed 16 administrative offenses, instead of the 142 administrative offenses that were originally alleged. The Bank of Portugal issued a single fine of €400,000. Banco Montepio challenged Bank of Portugal's decision with the Competition, Regulation and Supervision Court (*Tribunal da Concorrência, Regulação e Supervisão*) of Santarém.

On 21 February 2019, Banco Montepio was notified of an unfavourable ruling under an administrative proceeding (*processo de contraordenação*) no. 102/14/CO) whereby Bank of Portugal imposed on Banco Montepio an administrative fine (*coima*) of €2.5 million and an ancillary sanction consisting of the publication of the final ruling. No further sanctions have been imposed upon Banco Montepio. This administrative proceeding relates to events that occurred between 1 January 2009 and 2 September 2014 and concerns alleged non-compliance by Banco Montepio with certain duties regarding, in general terms: (a) its internal control system procedures, (b) the assessment and approval of intragroup credit operations, (c) the calculation of specific credit provisions, and (d) the implementation at Banco Montepio's subsidiaries of suitable procedures to assess the origin of funds of the subscribers of the participation units representative of the Participation Fund of Banco Montepio. The origin of these non-compliant events has been addressed and Banco Montepio is now compliant with these duties. Banco Montepio judicially challenged this ruling on 22 April 2019. On 9 September 2019, Banco Montepio was notified of a favourable ruling whereby the Competition, Regulation and Supervision Court (*Tribunal da Concorrência, Regulação e Supervisão*) of Santarém held that the first notice of indictment issued by the Bank of Portugal

on 7 March 2017, is null and void, and annulled the initial ruling whereby the Bank of Portugal imposed the administrative fine (*coima*) of € 2.5 million. The Court also ordered the annulment of all notifications issued and referred the case back to the Bank of Portugal so that a new valid decision could be issued. Bank of Portugal and the State Prosecutor (*Ministério Público*) both challenged this ruling of annulment.

The discussion and judgment hearing with regards to the above-mentioned administrative proceedings no. 102/14/CO and no. 84/14/CO ended in early 2021. The relevant Court ruled that these two administrative proceedings would merge into a single administrative proceeding, in which Banco Montepio was acquitted of 29 administrative offences and convicted of 14 offences imposing a single fine of €1 million, which was suspended at €500,000. Banco Montepio appealed and a decision is awaited from the relevant Court. As at the date of this Base Prospectus, Banco Montepio cannot predict the outcome of these proceedings.

On 9 September 2019, Banco Montepio was notified of the decision by the Competition Authority on the administrative process PRC-2012/9 ("**Decision**"), in which it was held that Banco Montepio (and other Portuguese banks) were engaged in anti-competitive practices and the exchange of sensitive commercial information, in breach of Article 9 of Law 19/2012, of 8 May 2012 and Article 101 of the Treaty on the Functioning of the European Union, and imposed on Banco Montepio a fine of €13 million. The Decision was appealed by Banco Montepio (and the other Portuguese banks) to the Competition, Regulation and Supervision Court (*Tribunal da Concorrência, Regulação e Supervisão*) of Santarém. By appealing this Decision, the obligation to pay the fine will be suspended until a final decision is made. On 28 April 2022 the Competition, Regulation and Supervision Court (*Tribunal da Concorrência, Regulação e Supervisão*) of Santarém proved that the financial institutions exchanged sensitive information on the commercial conditions of credit but had doubts whether such institutions infringed competition rules because it was not proven that this practice had an impact on customers. Therefore, the case was transferred to the Court of Justice of the European Union to apply an objective test on whether such exchange of information had an impact on competition. Ultimately the proceedings were suspended on the basis of the statute of limitations (*com suspensão do prazo prescricional*) and remitted to the Luxembourg court because of the risks of the case being time-barred. Based on all the relevant circumstances, management of the Issuer considers it unlikely that the administrative fine (*coima*) will eventuate. As at the date of this Base Prospectus, Banco Montepio is not aware of any claim for damages related to the Decision or to the related facts.

In December 2019, Banco Montepio was notified by the Bank of Portugal of administrative proceedings (*processo de contraordenação*) no. 45/17/CO) relating to seven alleged violations of duties concerning accounting standards and internal control systems occurring between 2013 and 2015. The fines in relation to those alleged violations range from €3,000 (lowest minimum limit) to €5,000,000 (highest maximum limit), which can be issued as a single fine not exceeding twice the highest maximum limit. Banco Montepio challenged these proceedings and submitted the relevant evidence to support its position. On 26 January 2022, the Bank of Portugal published the decision condemning Banco Montepio and ordering it to pay a single fine of €475,000. Banco Montepio has challenged the decision with the Competition, Regulation and Supervision Court (*Tribunal da Concorrência, Regulação e Supervisão*) of Santarém, so the decision is not yet final and conclusive. As at the date of this Base Prospectus, Banco Montepio cannot predict the outcome of these proceedings.

Save as disclosed above, there have been no new governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Banco Montepio is aware) during the period covering at least the 12 months preceding the date of this Base Prospectus which may have or have had a significant effect on Banco Montepio's financial position or profitability.



### *Outlook under COVID-19*

Banco Montepio has operational risk management instruments, including a Business Continuity Plan. The plan was activated to ensure the best safety conditions for all employees, customers and suppliers in order to ensure the continuity of financial services and the maintenance of banking operations with as much normality and fluidity as possible. A set of risk mitigating measures have been implemented in order to ensure normal business operation.

As foreseen in the business continuity plan, Banco Montepio's crisis management office was also activated, which is responsible for crisis management, implementation and monitoring of an operational continuity plan and coordination of the business recovery and return to normality teams.

Although the COVID-19 pandemic has brought several challenges, Banco Montepio has managed to provide timely solutions to the emerging needs guided by the principle of protecting the safety and health of its employees and customers.

As a result of the necessary adjustment to the COVID-19 pandemic and the uncertainty about the development of the recovery of economic activity, Banco Montepio is in the process of implementing several measures in order to accelerate the digital transition, adjust its service model and increase efficiency, while preserving the convergence to the main goals defined in its strategy.

## **BOARD OF DIRECTORS AND OTHER CORPORATE AND GOVERNING BODIES OF THE ISSUER**

Following the implementation of the 2013 Articles of Association, the Issuer's governing structure comprises management and supervisory bodies separate from those of MGAM. Nonetheless, as the Issuer is an entity 99.99 per cent. owned by MGAM, there is a core of shared strategic principles.

In the General Meeting held on 30 April 2015, which continued on 27 May 2015, a partial amendment of the Issuer's by-laws was approved. The amended by-laws were ratified by the General Meeting of MGAM held on 25 June 2015.

One of the key amendments to the Issuer's by-laws was to how members of the different governing bodies were elected. In accordance with the amended by-laws, as approved in the said General Meeting of MGAM held on 25 June 2015, all governing bodies are elected in the General Meeting of the Issuer (i.e. members of the Board of Directors of MGAM are no longer statutorily members of the General and Supervisory Board of the Issuer).

One other relevant amendment was the inclusion of new governing bodies, as foreseen in RGICSF: (i) a Remuneration Committee; (ii) an Evaluation Committee; and (iii) a Risk Committee. The members of these new governing bodies were also elected in the General Meeting of the Issuer.

On 22 July 2015 an Issuer's Extraordinary General Meeting was convened to elect, inter alia, the members of its Executive Board of Directors and General and Supervisory Board for the term 2015/2018. This Extraordinary General Meeting took place on 5 August 2015.

Following the approval of the Savings Banks Act, which entered into force on 10 October 2015, and the resolution of the Bank of Portugal pursuant to paragraph 2 of the Savings Bank Act, an Extraordinary General Meeting of Banco Montepio was convened on 22 November 2016, to discuss Banco Montepio's transformation into a public limited liability company and consequently amend its Articles of Association.

The transformation into a public limited liability company was further discussed in an Extraordinary General Meeting of the Issuer held on 4 April 2017, in accordance with number 2 of Article 6 of the Savings Banks Act. This adopted resolutions that needed to be ratified by resolution of the General Meeting of MGAM, which held an extraordinary session on 9 May 2017, in accordance with Article 6 (4) (g) of the Decree-Law 190/2015, of 10 September, Articles 32 and 33 of Banco Montepio's by-laws and Article 25 (g) of the MGAM's by-laws.

It should also be noted that the effectiveness of the resolutions taken at the Extraordinary General Meeting held on 4 April 2017, regarding Banco Montepio's transformation into a public limited liability company, only occurred after Banco Montepio's commercial registration, which took place on 14 September 2017.

On 14 September 2017, the deed was executed, converting Banco Montepio into a public limited liability company, and changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

Banco Montepio's corporate governance, after its transformation into a public limited liability company and as provided in Article 6 of the new by-laws, maintained the General Meeting, the General and Supervisory Board, the Executive Board of Directors and the Statutory Auditor as the governing bodies of Banco Montepio, but the Remuneration Committee, the Evaluation Committee and the Risks Committee became Corporate Bodies of Banco Montepio. Two new corporate bodies, the Financial Matters Commission and the Company Secretary of Banco Montepio, were also added.

Pursuant to the resolutions taken in the General Meeting of Banco Montepio, the members of the Executive Board of Directors and the General and Supervisory Board maintained their terms in the

statutory bodies after the transformation of the Issuer into a public limited liability company (*sociedade anónima*).

Banco Montepio's corporate governance was a two-tier model, which included an Executive Board of Directors, a General and Supervisory Board and a Statutory Auditor. Pursuant to the Issuer's corporate governance, the General and Supervisory Board was the body responsible for the supervision, monitoring and counselling of the Issuer's activity.

Meanwhile, the Issuer implemented an important change in its corporate governance and, since 16 March 2018, it has operated a one-tier corporate structure with a Board of Directors, including an Audit Committee and an external independent auditor.

Pursuant to the corporate governance model adopted by the Issuer – the one-tier Anglo-Saxon model – and following the approval in the General Meeting held on 16 March 2018, the corporate bodies for the 2018-2021 term were elected and the new Articles of Association were approved.

The Articles of Association were further amended on 30 October 2018, according to which the Board of Directors shall be comprised of a minimum of twelve and maximum of nineteen members, including a non-executive Chair and an executive Vice-Chair, all of whom shall be elected at a General Meeting of Shareholders, and, in addition to its legal duties, shall undertake the Issuer's management pursuant to Article 13 of the Articles of Association. The Board of Directors shall delegate the current management of the Issuer on an Executive Committee, appointing its members and defining their respective competencies, operating rules and the limits of its powers, and shall appoint a Chief Executive Officer, who cannot be the Chairperson of the Board of Directors.

The non-executive members of the Board that form the Audit Committee have supervisory powers (i.e. they are prevented from exercising executive tasks) and are responsible for overseeing the management of the Issuer.

The auditor is responsible for obtaining reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes its opinion. An audit performed by the auditor is conducted in accordance with the International Standards on Auditing and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors.

In accordance with Article 5 of the Articles of Association in force, approved at the universal shareholders' meeting (*assembleia geral universal*) of Banco Montepio held on 29 April 2022, Banco Montepio's Governing Bodies are the:

- a) General Meeting of Shareholders;
- b) Board of Directors, which includes an Audit Committee; and
- c) Statutory Auditor.

The General Meeting Board, the Board of Directors, the Audit Committee and the Statutory Auditor, shall be elected pursuant to the terms of the Articles of Association. The term of office shall be four years and members may be re-elected.

Considering in particular the period legally established for the exercise of the Statutory Auditor's functions and without prejudice of the imperatively established limits that may be applicable, the General Meeting may, by the same majority necessary for the amendment of the Articles of Association, establish the mandate of the Statutory Auditor for a minimum period of one year and a maximum of four years.

The members of the governing bodies are elected at the General Meeting, in accordance with Articles 9 and 11 of the Articles of Association.

The governing bodies for the 2022-2025 term, elected at the General Meeting held on 29 April 2022, were authorised by the Bank of Portugal on 19 July 2022 and took office on 25 July 2022.

The Corporate and Governing Bodies of the Issuer and the relevant members for the mandate 2022-2025 are set out below.

### ***Board of Directors***

The current members of the Board of Directors were elected at the General Meeting held on 29 April 2022 and started their role on 25 July 2022, following the approval of Bank of Portugal on 19 July 2022. The following are the current members of the Board of Directors of the Issuer:

<b>Name</b>		<b>Other positions</b>
Manuel Ferreira Teixeira	President of the Board of Directors (Chairman)	No other positions
Clementina Maria Dâmaso de Jesus Silva Barroso	Non-executive member	No other positions
Eugénio Luís Correia Martins Baptista	Non-executive member	No other positions
Florbelá dos Anjos Frescata Lima	Non-executive member	No other positions
Maria Cândida de Carvalho Peixoto	Non-executive member	No other positions
Maria Lúcia Ramos Bica	Non-executive member	No other positions
Pedro Manuel Moreira Leitão	President of the Executive Committee (CEO)	Vice-President of the Board of Directors of Montepio Holding, SGPS, S.A.  Co-opted Member of the Board of Directors of Montepio Investimento, S.A. (authorization by the Bank of Portugal pending)
Ângela Isabel Sancho Barros	Executive Member	Co-opted Member of the Board of Directors of Montepio Investimento, S.A. (authorization by the Bank of Portugal pending)
Helena Catarina Gomes Soares de Moura Costa Pina	Executive member	Representative of Banco Montepio in Montepio Gestão de Activos Imobiliários, ACE

Isabel Cristina dos Santos Pereira da Silva	Executive member	Co-opted Member of the Board of Directors of Montepio Investimento, S.A. (authorization by the Bank of Portugal pending)
Jorge Paulo Almeida e Silva Baião	Executive member	No other positions
José Carlos Sequeira Mateus	Executive member	Member of the Board of Directors of Montepio Investimento, S.A.  Member of the Board of Directors of Montepio Holding, SGPS, S.A.  Non-Executive Member of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal. S.A. – in dissolution

Areas of responsibility of the Board of Directors' Chairman and each executive member of the Board of Directors:

Area of Responsibility	
<b>Manuel Ferreira Teixeira</b> President of the Board of Directors (Chairman)	Audit and Inspection Division (hierarchical reporting, functional reporting to the Audit Committee)
<b>Pedro Leitão</b> President of The Executive Board (CEO)	Staff Management Division <sup>(1)</sup>
	Communication and Brand Division
	Marketing Division
	Commercial Dynamics Division
<b>Isabel Silva</b> Executive Member	North and Centre Commercial Division
	South and Autonomous Regions Commercial Division
	Social Economy and Public Sector Commercial Division
	Business Banking Division
<b>José Carlos Mateus</b> Executive Member	Financial and International Division
	Strategic Planning and Control Division
	Credit Analysis Division

Area of Responsibility	
	Accounting and Financial Reporting Division
	Financial Assets Monitoring Office
	Economic and Financial Studies Office
	Investor Relations Office
<b>Ângela Barros</b> Executive Member	Risk Division
	Compliance Division
	Data Protection Office
	Model Validation Office
	Specialized Credit Analysis Division
<b>Helena Soares de Moura</b> Executive Member	Staff Management Division <sup>(1)</sup>
	Legal Division
	Transformation and Innovation Division
	Corporate Governance Division
	Customer's and Quality Office
	Internal Control Office
	Real Estate Area <sup>(2)</sup>
<b>Jorge Baião</b> Executive Member	Information Systems Division
	Services and Operations Division
	Credit Recovery Division
	Information Management Office
	Cybersecurity Office
	Shared Services Unit <sup>(2)</sup>
	Procurement <sup>(2)</sup>

<sup>(1)</sup> With accompanying delegation by Helena Soares de Moura

<sup>(2)</sup> Shared service areas that are not part of the Banco Montepio organisation chart

### ***General Meeting Board***

The current members of the General Meeting Board were elected at the General Meeting held on 29 April 2022 and each member started their role on the same date, with the appointment lasting until 2025.

The following were the members of the General Meeting Board of the Issuer:

<b>Name</b>		<b>Other positions</b>
António Manuel Lopes Tavares	Chairperson	Not applicable
Cassiano da Cunha Calvão	Secretary	Not applicable

### ***Audit Committee***

The current members of the Audit Committee were elected at the General Meeting held on 29 April 2022 and each member started their role on 25 July 2022, following the approval of the Bank of Portugal on 19 July 2022, with the appointment lasting until 2025. The following are the members of the Audit Committee of the Issuer:

<b>Name</b>		<b>Other positions</b>
Clementina Maria Dâmaso de Jesus Silva Barroso	Chairperson	No other position
Florbela dos Anjos Frescata Lima	Member	No other positions
Maria Cândida de Carvalho Peixoto	Member	No other positions
Maria Lúcia Ramos Bica	Member	No other positions

### ***Evaluation, Appointments, Ethics, Sustainability and Governance Committee***

<b>Name</b>	
Maria Cândida de Carvalho Peixoto	Chairperson
Clementina Maria Dâmaso de Jesus Silva Barroso	Member
Eugénio Luís Correia Martins Baptista	Member

### ***Risk Committee***

<b>Name</b>	
Florbela dos Anjos Frescata Lima	Chairperson
Maria Lúcia Ramos Bica	Member
Eugénio Luís Correia Martins Baptista	Member

### **Remuneration Committee**

Additionally, at the General Meeting held on 29 April 2022, the Shareholders also approved the election of the Remuneration Committee of the General Meeting provided for in Article 11 c) of Banco Montepio's Articles of Association, as detailed below:

<b>Name</b>	
Paulo Câmara Pires dos Santos	Chairperson
António Miguel Lino Pereira Gaio	Member

### **Statutory Auditor**

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, registered at CMVM under number 20161485, with Head Office at Palácio Sottomayor, Rua Sousa Martins, number 1 – 3rd floor, 1069-316 Lisbon, represented by Aurélio Adriano Rangel Amado (ROC no. 1074) and Carlos José Figueiredo Rodrigues (ROC no. 1737), was elected as Statutory Auditor for the year 2022 in the General Meeting held on 29 April 2022.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) under no. 183. PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda has no material interest in the Issuer.

### **Governing and Corporate bodies – areas of focus**

According to the Articles of Association, the areas of focus of each governing body and corporate body are as follows:

#### **General Meeting**

The General Meeting of Banco Montepio consists of shareholders who have voting rights. Each share represents one vote. Only shareholders with voting rights and who, at registration date (zero hours (GMT) of the fifth working day prior to the Meeting's date), own at least one share, may attend, speak and vote at the General Meeting, personally or through a representative.

The General Meeting Board comprises a Chair and a Secretary, both elected at the General Meeting. The Chair is required to:

- 1) Call the General Meeting and chair its proceedings;
- 2) Inform the appropriate authorities, within the legal deadlines, of the outcomes of General Meeting decisions and the names of those elected to the Company's Governing Bodies;
- 3) Vest the members of the Governing Bodies, of Corporate Offices and members of Committees elected at a General Meeting with their respective powers;
- 4) Consider any justifications of absence submitted; and
- 5) Accept and deal with appeals lodged with the General Meeting of Shareholders pursuant to the law and within the official deadlines.

The ordinary General Meeting discusses the matters submitted to the Annual General Meeting, under Article 376 (1) of the Portuguese Companies Code (*Código das Sociedades Comerciais*), and any other matters included on the agenda. The General Meeting may also be held extraordinarily whenever one is convened in accordance with the law and the Articles of Association.



General Meeting decisions are taken by a simple majority of votes cast, unless otherwise prescribed under the law or the Articles of Association. General Meeting decisions regarding changes to the Articles of Association, merger, splits, transformation or winding-up of the Company shall only be valid if approved by 2/3 (two-thirds) of the votes cast.

General Meetings of Banco Montepio take decisions on the matters assigned to them by the law and the Articles of Association, and it is charged with:

- 1) Electing members of the General Meeting Board the Governing Bodies;
- 2) Electing the Statutory Auditor, following a proposal from the Audit Committee;
- 3) Electing, every four years, a Remuneration Committee comprised of three independent members empowered to set the remuneration of Governing Bodies members, pursuant to Article 399 (1) of the Portuguese Companies Code (*Código das Sociedades Comerciais*);
- 4) Discussing the management report, the individual and consolidated accounts for the year and the proposed profit distribution;
- 5) Conducting a general appraisal of Banco Montepio's management and supervision, with the scope established in the law;
- 6) Assessing the guidelines set out in the multiannual plans and updates, following a proposal from the Board of Directors;
- 7) Discussing the Company's geographical presence policy;
- 8) Discussing the Board of Directors' report on subsidiaries;
- 9) Being informed, pursuant to the law, of appeals lodged.

#### *Board of Directors*

The Board of Directors shall be comprised of a minimum of 12 and maximum of 19 members, including a non-executive Chair, all of whom elected at a General Meeting.

The Board of Directors acts as a body and may take decisions as long as a majority of its members is present. It shall meet as often as it deems necessary and at least once a month. Decisions shall be taken by the majority of votes cast by the members present, and the Chair has a casting vote.

Notwithstanding the other duties assigned by law, the Board of Directors is charged with managing the Issuer, in particular:

- 1) Requesting the convening of General Meetings;
- 2) The preparation of the annual management report, the individual and consolidated accounts for the year and the proposed profit distribution, accompanied by the Audit Committee's opinion, to be submitted to the Annual General Meeting for approval;
- 3) Approving, annually, the action program and the budget for the following year, after receiving the Audit Committee's opinion;
- 4) Discussing the purchase, sale and encumbrance of assets;
- 5) Discussing the opening and closure of offices and any other form of representation;
- 6) Discussing the expansion and curtailing of Banco Montepio's business and changes to its functional structure;
- 7) Setting, in general terms, the interest rates, commissions, and prices to apply to banking transactions and services rendered;

- 8) Discussing the signing and termination of cooperation agreements with other institutions and Banco Montepio's membership of associations;
- 9) Discussing the issuing of bond loans and non-convertible debt instruments;
- 10) Discussing the purchase, sale or encumbrance of any financial holdings in companies or groups of companies;
- 11) Requesting admission to trading on a regulated market of securities issued by Banco Montepio;
- 12) Preparing mergers, split and transformation proposals;
- 13) Setting up the committees and commissions it deems necessary to fulfil its duties and appointing their members and chairs;
- 14) Representing Banco Montepio in or out of court, and undertake to abide by arbitration;
- 15) Co-opting Directors;
- 16) Appointing the Company Secretary and his/her alternate;
- 17) Appointing Banco Montepio's representatives to the governing bodies of institutions in which it has holdings or is a member.

The Board of Directors is charged with delegating the current management of Banco Montepio to an Executive Committee, as well as charging one or more directors with the handling of certain management matters, within the legally defined limits.

The Board of Directors shall define the composition, operating rules and the powers of the Executive Committee, and shall appoint its chair and, eventually, a vice-chair.

In addition to the committees referred to in the Articles of Association, the Board of Directors may also approve the appointment of committees to monitor, on a permanent basis, specific matters, and such committees shall be chaired by a member of the Board of Directors.

#### *Audit Committee*

The Audit Committee has a minimum of 3 and a maximum of 5 members, elected at a General Meeting from among the non-executive members of the Board of Directors. If one is not appointed by the General Meeting, the Audit Committee shall nominate a Chair from among its members.

Notwithstanding any legal requirements, the Audit Committee shall undertake a permanent assessment of Banco Montepio, in particular as regards its financial performance, the devising of the institution's strategy and general policies, the group's business structure and the decisions deemed strategic due to the sums or risks involved and, in particular:

- 1) Monitor Banco Montepio's management;
- 2) Monitor compliance with the law and the Articles of Association;
- 3) Check the correctness of the company's ledgers, accounting records and supporting documents;
- 4) Check the accuracy of the accounting documents;
- 5) Check whether the accounting policies and valuation criteria employed by Banco Montepio ensure the proper valuation of its assets and profits;
- 6) Prepare an annual report on its audit work and give its opinion on the report, accounts and proposals submitted by the Board, as well as on the action plan and budget;
- 7) Convene a General Meeting whenever the Chair of the General Meeting Board fails to do so;

- 8) Monitor the effectiveness of the risk management system, the internal control system and the internal audit system;
- 9) Receive notices of irregularities sent by Banco Montepio shareholders, employees or others;
- 10) Monitor the preparation and disclosure of financial information;
- 11) Propose to the General Meeting the appointment of the Statutory Auditor;
- 12) Monitor the auditing of Banco Montepio's financial statements;
- 13) Monitor the independence of the Statutory Auditor, particularly in regard to the provision of additional services.

The Audit Committee Chair shall convene and preside over meetings of the Audit Committee and has a casting vote.

The Audit Committee shall meet as often as it deems necessary and at least once a month, and whenever convened by its Chair, on his/her own initiative or at the request of any of its members or of the Chair of the Board of Directors.

Whenever it deems it necessary, the Audit Committee shall summon to its working sessions any person belonging to the Banco Montepio's structure, as well as the external auditors.

Members of the Audit Committee shall take part in meetings of the Executive Committee whenever the accounts for the year are appraised.

The Audit Committee keeps a written record of all checks, audits and complaints received and actions taken, and the respective outcomes.

#### *Risk Committee*

The Risk Committee consists of three members, including a Chair, appointed by the Board of Directors from among its non-executive members, and must have the knowledge, skills and experience required by law. The majority of Risk Committee members, including the Chair, must have the status of independent.

The Risk Committee is in charge of performing the duties set out in the law and, in particular:

- 1) Advising the Board of Directors as to Banco Montepio's risk appetite and its general, current and future risk strategy;
- 2) Assisting the Board of Directors in supervising the implementation of Banco Montepio's risk strategy;
- 3) Analysing the terms and conditions of Banco Montepio's products and services and providing the Board of Directors with a correction plan whenever its analysis shows that the terms and conditions do not adequately reflect the risk;
- 4) Examining whether the incentives defined in Banco Montepio's remuneration policy take into consideration risk, capital, liquidity and expectations as to results;
- 5) Supervise the execution of strategies regarding all Banco Montepio's significant risks, in order to assess their suitability in relation to the approved risk policy and strategy, the risk appetite statement and the capital and liquidity policy;
- 6) Analyze a set of possible scenarios, including stress scenarios, to assess how Banco Montepio's risk profile would react to external and internal events;
- 7) Make recommendations to the Board of Directors on necessary adjustments to the risk strategy.

The Committee shall draw up minutes of its meetings.

### *Evaluation, Appointment, Ethics, Sustainability and Governance Committee*

Following the general principle of optimizing the structure, the Board of Directors, on its meeting held on 25 July 2022, under the provisions of Article 14 (3) of the Articles of Association, considered it adequate to appoint a committee to support the Board in matters of ethics, sustainability and corporate governance and also in matters relating to evaluations and appointments.

The Evaluation, Appointments, Ethics, Sustainability and Governance Committee is comprised of three members, including its Chair, all appointed by the Board of Directors from amongst its non-executive members. In accordance with the criteria provided for in the applicable legal and regulatory provisions and in the internal policy for the selection and assessment of the suitability of the members of the management and supervisory bodies, the majority of the Committee's members must have independent statute, and must have, individually and collectively, the knowledge, experience and skills necessary for fulfilling their duties.

The Evaluation, Appointments, Ethics, Sustainability and Governance Committee is responsible for assisting the Board of Directors and the Remuneration Committee appointed by the General Meeting in the exercise of their respective powers, in terms of (a) selection and assessment of suitability, profile and performance, (b) remuneration and incentives created in this context to risk, capital and liquidity management effects, and (c) ethics, sustainability and corporate governance.

### *The Statutory Auditor*

The Statutory Auditor, elected at a General Meeting, following a proposal from the Audit Committee, shall possess the skills required by law, namely by the Portuguese Companies Code (*Código das Sociedades Comerciais*), and is responsible for obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes its opinion. The Statutory Auditor shall attend General Meetings at which the accounts are appraised and whenever his presence is requested.

### *Conflicts of Interest*

While all the members of the Governing Bodies mentioned above represent the Issuer on their respective boards, none of them have any conflict or potential conflict between their duties to the Issuer and their private interests or other principal activities as listed above.

### *Business Addresses*

The business address of each of the Directors, the Board of Directors and the Audit Committee Members listed above is Rua Castilho, number 5, 10th floor, postal code 1250-066, Lisbon, Portugal.

### *Material Contracts*

As at the date of this Base Prospectus, there are no material contracts that are reasonably likely to have a material effect on the Base Prospectus.

## CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S.A. AND ITS RELATIONSHIP WITH MGAM

*The information disclosed below in relation to Montepio Geral Associação Mutualista MGAM is presented for information only. MGAM is not responsible for payments on the Covered Bonds issued under the Programme which are the sole responsibility of Banco Montepio.*

Banco Montepio is a full service savings bank (*caixa económica bancária*) organised as public limited liability company (*sociedade anónima*) which is authorised to carry on business as a universal bank, under the supervision of the Bank of Portugal. It has separate legal personality and its majority shareholder is MGAM, with 99.99 per cent. shareholding. MGAM has no responsibility in respect of Banco Montepio's debts. For the avoidance of doubt, MGAM will not guarantee any Covered Bonds that may be issued pursuant to this Base prospectus.

Banco Montepio was established by MGAM as a dependent entity of MGAM (*caixa económica anexa*) with a view to paying MGAM its annual net profits (subject to any deduction required by Banco Montepio's Articles of Association) so as to enable MGAM to meet its own objectives as a mutual benefit association (*associação mutualista*).

MGAM is a "private institution of social support" (i.e. a *instituição particular de solidariedade social* of the mutual benefits association type (*associação mutualista*)) whose principal goals 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. As at 31 December 2021, the total number of MGAM's permanent members was 601,606 (598,438 as at 31 December 2020). 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 (*quotas*) and the subscribed members' savings plans (*modalidades mutualistas*). Those funds are invested in property and a number of different types of securities and equity participations, particularly financial institutions (including its interest in Banco 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.

MGAM is under no legal obligation to increase Banco Montepio's share capital or otherwise to support Banco Montepio.

## 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 European Commission (“EC”) legislative practice.

Regulations governing financial institutions have undergone a series of amendments since 1992. In particular, the RGICSF, establishes the conditions for the access to the activity of credit institutions and financial companies. It largely reflects the European Union (“EU”) Directives in this field, and covers the following aspects: authorisation and registration procedures; assessment of the suitability of qualifying shareholders; assessment of the suitability and professional qualifications of the members of the management and auditing boards; rules of conduct and relationship with clients; cooperation with other authorities; rules and prudential limits, including on capital buffer requirements; supervisory procedures; corrective measures, interim management and resolution; deposit guarantee; penalty framework.

The RGICSF introduced a comprehensive regulatory framework into Portugal in line with EC directives, which adopted the “universal bank” model and included several regulatory measures such as: the prudential requirements for credit institutions and investment firms (Basel III); the strengthening of the “fit and proper evaluation” for members of corporate bodies and other relevant officials; the establishment of prudential and supervisory rules; the regulation for foreign banks operating in Portugal and Portuguese banks operating abroad; the restrictions in the social bodies’ remuneration policy.

The increasingly competitive environment gave rise to a number of acquisitions amongst Portuguese banks and the establishment of larger financial groups in Portugal, more cross-selling initiatives, and 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.

On 30 July 2014, Banco Espírito Santo, S.A. (“BES”) announced losses largely above the foreseeable values in the light of information disclosed by BES and its external auditor. The results disclosed on 30 July 2014 reflected the practice of management acts seriously detrimental to the interests of BES and the violation of determinations of the Bank of Portugal that prohibited an increase in the exposure to other entities of the Grupo Espírito Santo.

Against this background, problems arose regarding the continuity of BES activity. Considering the importance of BES in the Portuguese banking system and in the financing to the economy, these problems endangered the stability of the national payment and financial systems, which prompted an imperative and very urgent intervention by the Bank of Portugal.

### *The resolution measure applied to Banco Espírito Santo S.A. (“BES”)*

The Board of Directors of the Bank of Portugal decided on 3 August 2014 to apply a resolution measure to BES. The general activity and assets of BES were transferred, immediately and definitively, to a bridge bank, Novo Banco, S.A. (“Novobanco”), which was specifically set up for this purpose with management appointed by the Bank of Portugal, which was duly capitalised and held no problem assets. Deposits have been fully preserved, as well as all unsubordinated bonds.

The contents of the contractual relationship with the customers remained unchanged. The branches of Novobanco continued to operate as usual and the BES’ employees became Novobanco’s employees, their rights being safeguarded.

With the application of a resolution measure to BES a separation was made between:

- problem assets, which in essence corresponded to liabilities of other entities of the Grupo Espírito Santo and to shareholdings of Banco Espírito Santo Angola, S.A. whose losses were borne by the shareholders and subordinated creditors of BES; and
- the remaining assets and liabilities, which were integrated in Novobanco, a duly capitalised bank, and ensured full continuity of the institution's activity, with no impact on its customers, collaborators or suppliers.

In line with the EC regulatory framework, the capitalisation of Novobanco was ensured by the Resolution Fund, supported by the financial sector, and the losses related to problem assets were borne by shareholders and subordinated creditors of BES. Novo Banco is subject to the Bank of Portugal's supervision and is obliged to comply with all legal and regulatory rules applicable to Portuguese banks.

The equity capital of Novo Banco, to the amount of €4.9 billion, was fully underwritten by the Resolution Fund. The Resolution Fund's sources of funding are the contributions paid by its member institutions and the proceeds from the levy over the banking sector, which, according to applicable regulations, are collected without jeopardising the solvency ratios.

As the Resolution Fund started its operations in 2012 and did not have sufficient financial resources available to finance the resolution measure applied to BES, the Resolution Fund took out a loan from the Portuguese Government in an amount of €3.9 billion and a loan from the institutions participating in the Resolution Fund in an amount of €700 million, both to be paid until December 2046.

On 29 December 2015, the Board of Directors of the Bank of Portugal approved a number of decisions that completed the resolution measure applied to BES. Based on evidence that the economic and financial situation of Novobanco had been negatively affected since the date of its setting-up by additional losses which were related to events predating the resolution date, the Bank of Portugal decided to transfer the liability for certain non-subordinated bonds issued by the latter, and offered to institutional investors, back to BES.

The nominal amount of the bonds retransferred to BES totalled €1,941 million and corresponded to a balance-sheet amount of €1,985 million. These bonds were originally issued by BES and were specifically placed with qualified investors, with a minimum denomination of €100,000.

The original resolution decision expressly provided that the Bank of Portugal, as the Resolution Authority, in use of its powers, could at any time re-transfer assets and liabilities between BES and Novobanco. In accordance with the Bank of Portugal, this measure was necessary to ensure that, as stipulated in the resolution regime, the losses of BES were absorbed by this institution's shareholders and creditors and not by the resolution fund or the taxpayers, protecting all depositors of Novobanco, the creditors for services provided and other categories of unsecured creditors.

In addition to the measure mentioned above, the Bank of Portugal made a final adjustment to the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novobanco, namely including (i) clarification that no liabilities have been transferred to Novobanco that were contingent or unknown on the date the resolution measure was applied to BES; (ii) retransfer to BES of the shareholding in BES Finance, which was necessary to ensure full compliance with and application of the resolution measure as regards the non-transfer to Novobanco of subordinated debt instruments issued by BES; (iii) clarification that it was the Resolution Fund's responsibility, upon the fulfilment of certain conditions, to make neutral for Novobanco – through an appropriate measure – potential negative effects of future decisions, resulting from the resolution process and giving rise to liabilities or contingencies.

These decisions were the final and definitive adjustment of the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novobanco, which was deemed

definitively fixed. As a consequence, the Bank of Portugal asked the European Central Bank to withdraw the authorisation of BES, starting the judicial liquidation proceedings.

These developments, as well as the agreement with the European Commission on the commitments to be applied to Novobanco, removed uncertainties and made a positive contribution to the relaunch of the sale process of the Resolution Fund's participation in the share capital of Novobanco in January 2016.

On 20 February 2017, the Bank of Portugal announced that it had selected Lone Star for the final stage of exclusive negotiations with a view to agreeing the final terms and conditions for the sale of Novobanco. The Bank of Portugal then conducted the second sale process of Novobanco after the application of the resolution measure to BES in August 2014. On 31 March 2017, the Bank of Portugal announced that a share purchase and subscription agreement relating to the share capital of Novobanco was entered into between the Resolution Fund and Lone Star Fund, which was pending the completion of the compliance with several conditions precedent.

The sale process of Novobanco was concluded on 18 October 2017 with an injection by the new shareholder (investment funds managed by North-American group Lone Star) of €750 million and €250 million, carried out in October and December, respectively. The conclusion of this operation brought to a close a complex negotiation process with the new shareholder, European institutions and other domestic institutions, in close cooperation with the Portuguese Government.

Since 18 October 2017 Novobanco is held by Lone Star and the Resolution Fund, which hold 75 per cent. and 25 per cent. of the share capital, respectively. Novobanco ceased to be a transition bank and started to operate on a normal basis, although it is still subject to certain measures imposed by the European competition authority restricting its activity.

Prior to the sale, Novobanco undertook a Liability Management Exercise ("LME") on 36 bond series with a book value of approximately €3 billion. The operation was successful, having achieved the purchase and redemption of bonds representing 73 per cent. of their book value.

In line with the conditions agreed in the sale process of Novobanco, a Contingent Capital Agreement ("CCA") was set up, which will be managed by the Resolution Fund that retained a 25 per cent. stake in the capital of Novobanco. This agreement is in force until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum amount of €3.89 billion compensation for losses that may be recognised in some of Novobanco's problematic assets, in case its capital ratios decrease below a predefined threshold.

On 28 March 2018, Novobanco announced the results for the year 2017, which resulted in the activation of the contingent capitalisation mechanism provided for in the agreements entered into in connection with the sale of Novobanco.

The amount to be paid by the Resolution Fund under the CCA shall be the lowest amount resulting from the comparison between the accumulated value of the losses on the assets that make up the CCA and the value of the insufficiency of capital of Novobanco compared to the agreed levels.

The Resolution Fund payments are settled after the legal certification of Novobanco's accounts and after a verification procedure to be carried out by an independent entity, to confirm that the amount payable by the Resolution Fund has been correctly determined.

The Resolution Fund made a payment of about €792 million in 2018, €1,149 million in 2019, €1,035 million in May 2020 and €429 million in 2021 (€317 million in June and €112 million in December).

To this end, the Resolution Fund used its own resources (resulting from contributions due, directly and indirectly, by the banking sector) and also resorted to a loan from the State, amounting to €450 million in 2018, and €850 million in 2019 and 2020, which corresponds to the annual maximum amount agreed



between the Resolution Fund and the Portuguese Government in October 2017. The amount paid by the Resolution Fund in 2021 was fully financed with resources from a loan obtained from seven Portuguese credit institutions.

With regard to the amount requested to the Resolution Fund, relative to the year 2020, two divergences remain outstanding as a result of disputes between Novobanco and the Resolution Fund, concerning (i) the provision for discontinued operations in Spain and (ii) the valuation of investment units that are subject to an arbitration decision. Novobanco considers these amounts (being €165 million) as due under the contingent capitalisation mechanism and is actioning contractual claims to them.

As of the date of this Base Prospectus the Resolution Fund has already paid to Novobanco 88 per cent. of the CCA amount in the first 4 years of the 8 years foreseen for the term of the CCA.

In the 2021 Results presentation, Novobanco announced that the amount of compensation to be requested in 2022, with reference to 2021, amounts to €209.3 million under the CCA as a result of the losses incurred on the assets covered by the contingent capitalisation mechanism and the regulatory capital requirements applicable at the end of 2021 under the contingent capitalisation mechanism.

To date, the Resolution Fund has disbursed a total of €8 305 million for financial support to the resolution measure applied to BES, of which €4,900 million corresponds to the Novobanco's capital subscription in August 2014, €792 million, €1,149 million, €1,035 million and €429 million to the 2018, 2019, 2020 and 2021 payments respectively under the CCA.

In accordance with the Press Release 76/22, of 5 May 2022, published by the Court of Justice of the European Union, the Portuguese legislation which provides the basis for the resolution action in respect of Banco Espírito Santo is compatible with the right to property. By transposing the directive on the recovery and resolution of credit institutions only in part prior to the expiry of the period prescribed for transposition, Portugal has not compromised the result prescribed by that directive.

#### ***The resolution measure applied to Banco Internacional do Funchal, S.A. ("Banif")***

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

The public recapitalisation had been approved by the European Commission (DG-COMP), with final approval being subject to the presentation of a Restructuring Plan for Banif. Between April 2013 and October 2014, Banif submitted to DG-COMP several versions of the Restructuring Plan. However, none of the submitted versions was approved and on 24 July 2015, DG-COMP communicated its decision to open an in-depth investigation process on the potential State aid to Banif.

In the period following the recapitalisation of Banif with public funds, the Bank of Portugal, as the prudential supervisory authority (a competence that since November 2014 has been exercised by the Single Supervisory Mechanism) monitored the institution very closely.

In that period, there were several deviations from the assumptions considered in Banif's Recapitalisation Plan. In terms of positive deviations, there was a reduction in structure costs and, until the end of 2014, an improvement in the liquidity position with the diversification of funding sources and the stability of the depositors' base. However, the absence of an approved restructuring plan, worsened by a less favourable economic environment, led to significant negative deviations of Banif's results from the projected amounts. In spite of these difficulties, Banif always maintained its prudential ratios above the legal thresholds.

In the wake of the in-depth investigation procedure opened by the European Commission on the State aid received by Banif, and considering the possibility that this aid could be considered illegal and therefore its reimbursement would be required, the shareholders and members of the Board of Directors of Banif started the process for the sale of the institution.

On 19 December 2015, the Ministry of Finance informed the Bank of Portugal that it had not been possible to sell Banif's assets and liabilities through a voluntary sale process, since all the proposals submitted by potential buyers implied additional State aid. This determined that the sale would have to be made in the context of a resolution.

Taking into consideration (i) the consequences of the possibility that the State aid provided to Banif could be declared illegal by the European Commission, which would create a very serious capital shortage; (ii) the position of the European bodies that the sale of Banif with recourse to State aid would only be viable in the context of a resolution; (iii) the impact of frustrated expectations related to the voluntary sale on Banif's liquidity situation and the resulting risks for the maintenance of its regular payment flows and for meeting its obligations towards the customers, the national authorities have decided to sell Banif to Banco Santander Totta for the amount of €150 million, in the framework of a resolution tool.

On 20 December 2015, the Bank of Portugal applied a resolution measure to Banif which notably resulted in the acquisition by Banco Santander Totta, S.A. of a set of rights and obligations, that constituted assets, liabilities, off balance sheet items and assets under the management of Banif, in the amount of €150 million, as listed in the resolution passed by the Bank of Portugal in that respect. Accordingly, the overall activity of Banif was transferred to Banco Santander Totta, except for the assets transferred to an asset management vehicle (Oitante, S.A.) set up in the context of the application by the Bank of Portugal of the aforementioned resolution measure. This operation involved an estimated public support of €2,255 million to cover future contingencies, of which €489 million are supported by the Resolution Fund (which was financed by a loan in the same amount granted by the Portuguese Government (the **"2015 Portuguese Government Loan"**) and €1,766 million directly by the Portuguese Government, as a result of the definition of the assets, liabilities, off balance sheet items and assets under the management of Banif perimeter agreed by and between the Portuguese and European authorities and Banco Santander Totta, S.A. to be sold in this context. The current outstanding principal amount of the 2015 Portuguese Government Loan is €353 million.

According to this decision, the overall activity of Banif was transferred to Banco Santander Totta, with the exception of problematic assets which were transferred to an asset management vehicle. Banif maintained a very limited set of assets to be wound up in the future, as well as the shareholders' positions, subordinated credit and related entities. The Resolution Fund is ultimately financed by the banking system, and thus the outcome of any disposals to be made by or on behalf of the Resolution Fund will ultimately be borne by the institutions which are required to fund the Resolution Fund, including the Issuer.

#### *Key indicators*

In 2021, the Portuguese banking system's return on assets ("**ROA**") increased by 0.41 p.p. to 0.45 per cent. Return on equity ("**ROE**") increased by 4.9 p.p. to 5.4 per cent. Operating results remained stable compared to 2020.

Profitability improved as a result of the decrease in net provisions and impairments, and to a lesser degree from the increase in results from financial operations.

After the significant increase in 2020, linked to the emergence of the COVID-19 pandemic, the cost of credit risk decreased by 0.68 p.p. to 0.33 per cent. in 2021.

The cost-to-income ratio maintained the trend of reduction that began in 2019, standing at 53.4 per cent.

in 2021 (-4.4 p.p. compared to 2020). The main contribution to this reduction came from the increase in operating income and, to a lesser to a lesser extent, the reduction in operating costs.

In 2021, the NPL ratio decreased by 1.3 p.p. to 3.6 per cent, which was reflective of the decrease in NPLs and the increase in performing loans, with contributions of -0.3 p.p. and -0.1 p.p. respectively. The NPL ratio net of impairments stood at 1.7 per cent.

The gross NPL ratios of NFCs and individuals stood at 8.1 per cent. (-0.3 p.p.) and 2.8 per cent. (-0.2 p.p.) respectively, with its change reflecting in particular the reduction in NPLs.

In 2021, the NPL net impairment ratio was 1.7 per cent. 0.5 p.p. down from December 2020. The NPL coverage ratio by impairments decreased 2.8 p.p. to 52.2 per cent. This reflected the decrease in accumulated impairments, partially offset by the reduction in NPLs. NFCs decreased by 3.5 p.p. to 52.9 per cent. For individuals, the coverage ratio increased by 0.6 p.p. to 50.9 per cent., with an increase of 0.3 p.p. in consumption and other purposes, to 64.8 per cent., and a decrease of 1.5 p.p. in the housing segment to 32.6 per cent..

In 2021, total assets increased by 8 per cent. This increase was particularly due to the growth in deposits at central banks and loans and advances to customers. The loan-to-deposit ratio decreased 3.5 p.p. to 81.2 per cent. as a result of an increase by 8.7 per cent. in customer deposits, offset by a 8.0 per cent. increase in loans and advances to customers. The weight of funding obtained from central banks increased by 1.6 p.p. to represent 9.4 per cent. of total assets.

In December 2021, the liquidity coverage ratio was 260 per cent. an increase of 14 p.p. in relation to September, especially as a result of the increase in liquid assets.

In 2021, the Portuguese banking system maintained its trajectory of strengthening capital ratios, with the total capital ratio reaching 18.0 per cent, in line with the end of 2020. In the same period, the CET1 rose from 15.3 per cent. to 15.5 per cent. This was mainly due to the decrease in RWA, partially offset by the decrease in own funds. The RWA density (given by the RWA divided by the total net assets) decreased by 4.6 p.p. to 44.0 per cent., as a result of an increase in assets and the reduction in RWA.

In December 2021, the prudential leverage ratio, measured as the ratio of Tier 1 capital to total exposure, was 7.0 per cent., representing a decrease by 0.7 p.p. from December 2020. This reflected a greater increase in the total exposure of the banking system in light of the increase in Tier 1 capital.

### **Banking regulation in Portugal**

The Issuer operates in a highly regulated industry. The banking activities of the Issuer are subject to extensive regulation by the Bank of Portugal and guidelines issued by the European Central Bank (the “ECB”) and the European Banking Authority (“EBA”), mainly relating to liquidity levels, solvency and provisioning, as well as extensive regulation by the Portuguese Securities Market Commission (the “CMVM”).

The Portuguese financial industry has been reacting to a steady stream of changes in the regulatory and legal framework since the early 1980s. Portugal implemented legislation bringing Portuguese banking regulations in line with EU legislative practice. In particular, the RGICSF made a noticeable impact on the Portuguese financial sector by introducing a comprehensive regulatory framework in Portugal in line with EU Directives, abolishing the distinction between investment and commercial banks, establishing prudential and supervisory rules, revising the regulation of foreign banks operating in Portugal and Portuguese banks operating abroad and creating a deposit guarantee fund in order to protect depositors.

In 2013, the European authorities approved a new legislative package to strengthen the regulation of the banking sector and to implement the Basel III agreement into the EU legal framework, replacing the former Capital Requirements Directives (2006/48/EC and 2006/49/EC): (i) Regulation (EU) 575/2013 of

the European Parliament and of the Council, of 26 June, establishing new and detailed prudential requirements that institutions need to comply with (the Capital Requirements Regulation or “**CRR**”) and (ii) Directive 2013/36/EU of the European Parliament and of the Council, of 27 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions (the Capital Requirements Directive IV or “**CRD IV**”). The package entered into force on 1 January 2014, but the full application of the new Basel III regulations is being gradually introduced, with this process usually being referred to as “phasing-in”. The full assumption of the new regulations, without considering transitional plans, is referred to as “full implementation”. The “phasing-in” process is currently in force, and it is on this basis that the Bank of Portugal defines and requires the regulatory minimum ratios to be complied with.

To ensure a smooth transition to the new Basel III rules, instruments that do not meet the new rules are phased out over a 10-year period, provided they were issued prior to 12 September 2010. The CRR set the cut-off date at 31 December 2011 (except for instruments used for the recapitalisation of banks by Member States, where special rules apply). Under Basel III, capital instruments that do not meet the stricter eligibility criteria will be phased out over an eight-year period (starting in 2014).

By 31 December 2013, EU member states were required to adopt and publish the laws, regulations and administrative provisions necessary to comply with CRD IV. The provisions of the CRD IV have already been implemented in Portugal.

The CRR includes provisions regarding, for instance, own funds requirements, minimum capital ratios and liquidity ratios.

With reference to liquidity risks, the Basel III recommendations transposed into CRD IV imply the implementation of the liquidity coverage ratios known as Liquidity Coverage Ratio (“**LCR**”) (short-term ratio in a severe stress scenario) and Net Stable Funding Ratio (“**NSFR**”) (medium-term).

The LCR addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a severe stress scenario. The LCR was introduced gradually starting from October 2015 with a minimum level of 60 per cent. and was fully implemented in January 2018 comprising the minimum required ratio of 100 per cent., one year earlier than the Basel Committee had recommended. As at 31 December 2021, the Issuer’s LCR stood at 264.1 per cent. (200.7 per cent. as at 31 December 2020), above the 100 per cent. minimum regulatory requirement in force since 1 January 2018.

The NSFR, which was to be implemented in 2018 but was delayed until June 2021, will seek to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution’s assets and activities over one year period. As at 31 December 2021, the Issuer’s NSFR stood at 125.3 per cent. (109.8 per cent. as at 31 December 2020), above the 100 per cent. minimum regulatory requirement that will be in force.

Banks’ strategies had to change with respect to liquidity compliance and a more sustainable balance sheet. In order to meet the requirements, some adjustments have been made or are in progress; liquidity regulation ensures banks maintain a certain level of highly liquid assets, which may imply lower profitability. At the same time, financing costs may increase since long-term financing is favoured in relation to short-term financing.

The CRD IV/CRR requirements adopted in Portugal may change, whether as a result of further changes to the CRD IV/CRR agreed by EU legislators, or binding regulatory technical standards to be developed by the EBA, or changes to the way in which these requirements apply to Portuguese banks. On 23 November 2016, the European Commission presented a proposal with a comprehensive package of reforms to further strengthen the resilience of EU banks. These proposals aimed to complete the reform of the financial regulatory system, to bring back financial stability and market confidence by implementing some

outstanding elements, which are essential to further reinforce banks' ability to withstand potential shocks. The proposals also fine-tune the new regulatory framework, where necessary, to make it more growth-friendly and proportionate to banks' complexity, size and business profile. It also included measures that will support SMEs and investment in infrastructure.

This proposal amended the following pieces of legislation:

- a) the CRR and the CRD IV, adopted in 2013 and which set out prudential requirements for credit institutions and investment firms, and rules on governance and supervision; and
- b) the Bank Recovery and Resolution Directive ("**BRRD**") and the Single Resolution Mechanism Regulation ("**SRM Regulation**"), adopted in 2014 and which spell out the rules on the recovery and resolution of failing institutions, and establish the Single Resolution Mechanism.

The proposal also included phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Issuer is required to adopt for the valuation of financial instruments. The adoption of IFRS 9 requires an increase in the level of impairments and changes in the fair value of financial instruments which could have a material adverse effect on the Issuer's financial condition, operating results and, if such changes are significant, also on its prospects.

On 25 May 2018, the Council of the EU agreed to such proposal and asked the presidency to start negotiations with the European Parliament. The European Parliament confirmed its position on the proposal at its June 2018 plenary. The European Parliament and Council of the EU reached agreement on the main elements of the EU Banking Reforms in late 2018, which were endorsed by the Committee of Permanent Representatives ("**COREPER**") on 30 November 2018 and approved by the Economic and Financial Affairs Council on 4 December 2018. In February 2019, COREPER endorsed the positions agreed with the European Parliament on all elements of the EU Banking Reforms. The agreed text was adopted by the European Parliament on 16 April 2019. COREPER approved the EU Banking Reforms on 7 May 2019 and the Council of the EU formally approved the EU Banking Reforms on 14 May 2019.

The CRD-V package amendments contain three groups of provisions, covering capital and liquidity requirements, aspects of proportionality, and the EU's resolution framework.

The European Parliament, the Council and the EC agreed in October 2017 on some elements of the review of the CRD-V package, namely creation of a new category of unsecured debt in bank creditors' insolvency ranking, on the implementation of the IFRS 9 and on rules limiting large exposures to a single counterparty. On 1 January 2018, Regulation (EU) 2017/2395 of the European Parliament and of the Council, of 12 December 2017, entered into force, amending the CRR as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State.

On 7 June 2019 in the Official Journal of the EU, the following were published:

- Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council, of 20 May 2019 amending Regulation (EU) 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRMR II**").

Both BRRD II and SRMR II entered into force on 27 June 2019. BRRD II shall be implemented on or before 28 December 2020 and SRMR II shall apply from 28 December 2020.

Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019 amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements ("**CRR II**"); and

Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**").

Regarding capital ratios, according to the CRR and the Bank of Portugal Regulations, banks are subject to a minimum compliance of 4.5 per cent. (Common Equity Tier 1 (CET1), of 6 per cent. (Tier 1) and of 8 per cent. (Total Capital Ratio) with gradually increasing buffers until 1 January 2021.

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

- A capital conservation buffer 2.5 per cent. of risk-weighted assets, comprised of CET1 Capital;
- A countercyclical capital buffer between 0 and 2.5 per cent. of risk-weighted assets, comprised of CET1 Capital, pursuant to the conditions to be established by the competent authorities;
- A macro prudential systemic risk buffer of up to 5 per cent. of risk-weighted assets, depending on the economic outlook, to address systemic risks of a long-term, non-cyclical nature that are not covered by the CRR; and
- A systemic institutions risk buffer: i) applicable to the institutions with a global systemic importance: between 1 and 3.5 per cent. of risk-weighted assets; and ii) applicable to Other Systemically Important Institutions ("**O-SII**"): between 0 and 2 per cent. of risk-weighted assets. These buffers shall consist of CET1 Capital.

These buffers, apart from the macro prudential systemic risk buffer, have been gradually applied since 2016.

As regards Portuguese banks, the Bank of Portugal decided that the capital conservation buffer would be phased-in. In September 2015, the Bank of Portugal determined a conservation buffer of 2.5 per cent. (Regulatory Notice (Aviso) 1/2015) to be applied from January 2016. On 31 May 2016, the Bank of Portugal issued Notice 6/2016 revoking Notice 1/2015, which determined the conservation buffer to be 0.625 per cent. in 2016, with an increase of 0.625 per cent. per year until 2019. As of January 2017, the buffer was set at 1.25 per cent., as of 1 January 2018 it was set at 1.875 per cent., and as of 1 January 2019 at 2.5 per cent.

The Bank of Portugal has also decided to set the counter-cyclical buffer rate at 0 per cent. of the total risk-weighted assets. This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of the Bank of Portugal or the ECB, as applicable. The Bank of Portugal will review this decision on a quarterly basis. At its most recent revision, on 27 September 2022, the Bank of Portugal determined a countercyclical capital buffer rate of 0 per cent. to be in force as from 1 October 2022.

On 29 July 2016, and as subsequently confirmed on 30 November 2016, the Bank of Portugal, after having duly notified the ECB and after having consulted the National Council of Financial Supervisors, decided to apply a two-year phase-in regime of the O-SII buffer published on 29 December 2015 to the identified Portuguese O-SIIs. The timeline for the phase-in of the O-SII buffer was 50 per cent. as at 1 January 2018 and 100 per cent. as at 1 January 2019. The application of a two-year phase-in regime of the O-SII buffer

had the main purpose of ensuring a level playing field in terms of the decisions on the O-SII buffer between Portuguese institutions and their European peers operating in similar macroeconomic environments.

In a press release dated 30 November 2018, the Bank of Portugal announced the annual revision of the identification of O-SIIs and the imposition of capital buffers, pursuant to Article 138-R (2) of the RGICSF and in the exercise of the Bank of Portugal's powers as national macro prudential authority. For this purpose, the Bank of Portugal notified the European Central Bank, in accordance with Article 5 of Council Regulation (EU) 1024/2013, of 15 October 2013, which did not object to the draft decision, and consulted with the National Council of Financial Supervisors, under Article 2 (3) (c) of Decree-Law 143/2013, of 18 October 2013. The Bank of Portugal kept both the methodology and the O-SII capital buffer levels unchanged, but decided to extend the phase-in period – the initial two-year period was converted into a four-year period – taking into consideration the challenges facing the Portuguese banking system, in a context where interest rates remained very low.

As set out in the legal and regulatory provisions, the Bank of Portugal published the table with the names of the banking groups identified as O-SIIs in 2018 and the respective capital buffers as a percentage of the total risk exposure amount. The Issuer has been classified as an O-SII and the buffers shall consist of CET1 on a consolidated basis and shall be met as follows: 25 per cent. on 1 January 2018, 50 per cent. on 1 January 2019, 75 per cent. on 1 January 2020 and 100 per cent. on 1 January 2021. The O-SII buffer identified for the Issuer was 0.0625 per cent. as at 1 January 2018, 0.125 per cent. as at 1 January 2019, 0.1875 per cent. as at 1 January 2020 and 0.250 per cent. as of 1 January 2021.

On 8 May 2020 the Bank of Portugal published a press release on the decision to postpone the phase-in period of the capital buffer for O-SII, the category on which the Issuer falls. As part of the COVID-19 related measures, the Bank of Portugal has decided to postpone the phase-in period of the O-SII buffer by 1 year. As such, the compliance with the O-SII buffer percentage that banks must hold on 1 January 2021 was postponed to 1 January 2022; as a consequence, the current requirements for Banco Montepio are: 0.25 per cent. from January 2022 onwards. These buffers will be revised annually or if a significant restructuring process occurs, such as a merger or acquisition. The date for next revision is tentatively scheduled for 30 November 2022.

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. On an annual basis, the Bank of Portugal assesses whether there is a need to require institutions to hold own funds in excess of the legally established minimum requirements and to comply with specific liquidity requirements and other measures it lays down. This assessment is done under the Supervisory Review and Evaluation Process ("**SREP**"), which comprises a set of procedures carried out by the supervisory authorities to ensure each credit institution has in place the strategies, processes, capital and liquidity that are appropriate to the risks to which it is or might be exposed to. This process implements Basel Pillar 2 in European and national legislation.

The SREP also assesses the risk each institution poses to the financial system. This process therefore makes it possible to determine capital and liquidity requirements and other supervisory measures to address the specific weaknesses of each institution. This methodology provides for a holistic and forward-looking assessment of the viability of the supervised institution. The SREP is conducted in a proportional manner, both to significant institutions and less significant institutions ("**LSIs**"). The frequency and intensity of the SREP assessment takes into account the potential impact each institution may have on the financial system and its specific risk profile.

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.

As at the date of this Base Prospectus, Banco Montepio's minimum capital ratio requirements under Pillar

1, on a consolidated basis, are: 4.5 per cent. for CET1, 6.0 per cent. for Tier 1 and 8.0 per cent. for Total Capital. Under the SREP, the Bank of Portugal determined for Banco Montepio an additional 3.25 per cent. Pillar 2 requirement to be met from 1 July 2019 onwards, on a consolidated basis. Including the applicable buffers, as of 1 January 2021 Banco Montepio was required to comply with the capital ratio requirements (on a consolidated and phasing-in basis) of 9.022 per cent. for CET1, 11.131 per cent. for Tier 1 and 13.944 per cent. for Total Capital. As of 31 December 2021 the Common equity tier 1, the Tier 1 and the Total Capital ratios reported by Banco Montepio were above the prudential levels (including the combined buffer requirements) required by the Bank of Portugal, as the authority responsible for Banco Montepio's supervision on a consolidated basis, in the context of the SREP. As of 31 December 2021, the Total Capital ratio of the Issuer, on a consolidated and phasing-in basis was 15.1 per cent. (13.8 per cent. as at 31 December 2020) and the CET1 ratio was 12.7 per cent. (11.6 per cent. as at 31 December 2020). Considering the full implementation of CRD IV/CRR, as of 31 December 2021, the Total Capital ratio was 14.2 per cent. (12.3 per cent. as at 31 December 2020) and CET1 was 11.8 per cent. (10.1 per cent. as at 31 December 2020). As at 31 December 2021, the fully implemented Total Capital ratio was above the OCR determined by the Bank of Portugal.

IFRS 9 entered into force on 1 January 2018, introducing significant changes in the classification of financial assets and in the recording of impairment. IFRS 9 is divided into three pillars: Classification and measurement; Impairment and Hedge accounting. It is in the Impairment pillar that the most relevant impacts are observed given that IFRS 9 establishes a new asset impairment model based on expected credit losses (ECL), which considers the expected losses throughout the life of financial instruments, replacing the International Accounting Standard 39 – Financial Instruments: Recognition and Measurement ("IAS 39") "incurred loss" model.

Macroeconomic factors are considered when determining the ECL, whose changes have impact in expected losses. Instruments that are subject to impairment calculations are divided in three stages considering its credit risk level, as follows:

- (i) Stage 1: financial assets with no significant increase in credit risk since its initial recognition and which are not in default; impairment losses will correspond to expected credit losses resulting from default events that may occur within 12 months after the reporting date;
- (ii) Stage 2: financial assets with a significant increase in credit risk since its initial recognition, however without any clear evidence of impairment; impairment losses will correspond to expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- (iii) Stage 3: financial assets in default with a clear evidence of impairment losses as a consequence of events that resulted in losses; impairment losses will correspond to expected credit losses over the expected residual life of the instrument.

The expected credit losses (ECL) for homogeneous populations is given by the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD), discounted at the contract's effective interest rate until the reporting date.

The main difference between impairment losses measured for financial assets classified in the stages refers to PD's time horizon:

- (i) 12-month PD: the probability of a default occurring within the next 12 months (for contracts included in stage 1);
- (ii) Lifetime PD: it is the probability of a default occurring during the remaining life of the credit (include in stage 2). In such case, lifetime parameters are used and forward looking information is considered;



(iii) PD=100 per cent. to all stage 3 contracts.

In the group of individually significant customers, the exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the recovery expectations, taking into consideration the existing collateral as well as other relevant factors to assess the debtor credit quality.

With the adoption of IFRS 9 and considering Regulation (EU) 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phasing-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. Therefore, in 2018, Banco Montepio recognised 5 per cent. of the impact related to the IFRS 9 adoption, in 2019 15 per cent., in 2020 30 per cent., in 2021 50 per cent. and in 2022 75 per cent. of such impact; in 2023 Banco Montepio will recognize 100 per cent. of the impact related to the IFRS 9 adoption, thereby completing the static phasing-in period of IFRS9.

Since no specific tax treatment was established regarding the transition adjustment to IFRS 9, Banco Montepio considered the application of the Corporate Income Tax general rules. Any new transitional regime established for those purposes or different interpretation on the tax treatment of the adoption of IFRS 9 could result in a material adverse effect on the recovery of deferred taxes.

Law 98/2019, of 4 September, foresees changes to the Portuguese Corporate Income Tax Code, namely to Articles 28-A and 28-C, in order to align the tax regime applicable to credit impairments registered by entities subject to the supervision of the Bank of Portugal to the accounting and regulatory rules applicable.

This regime is applicable to impairments regarding all types of credit risk and whether analysed on an individual or collective basis. However, it lists down specific exceptions to the deductibility of credit impairments, namely:

- on credits and other rights over individuals or entities that hold directly or indirectly over 10 per cent. of the financial institution's capital or over its governing body's members (with certain exceptions); and,
- on credits and other rights over entities whose capital is held directly or indirectly in more than 10 per cent. by the financial institution or over participated entities in which the financial institution is engaged in special relations with, provided they are given after the participation acquisition or verification of the condition that determines the special relation situation (with certain exceptions).

In addition, Law 98/2019, of 4 September, also establishes that the new regime is applicable to impairment losses accounted on 1 January 2019 onwards, whereas regarding previously accounted impairment losses and yet not accepted for tax purposes, Notice 3/95 of the Bank of Portugal remains applicable (without prejudice to the Special Regime of Deferred Tax Assets (*Regime Especial Aplicável aos Ativos por Impostos Diferidos* ("REAIID"))) approved by Law 61/2014, of 26 August).

Furthermore, a multi-year map of impairment losses for specific credit risk regarding credits analysed on an individual basis and for groups of credits analysed on a collective basis must now be included in the tax documentation file, which must contain accounting information and tax adjustments detailed by credit or group of credits:

Additionally, Law 98/2019, of 4 September, foresees an adaptation period of 5 tax years after 1 January 2019, under which the current regime is still applicable (i.e. Notice 3/95 of the Bank of Portugal), unless communicated otherwise to the general director of the Portuguese Tax Authorities. Notwithstanding, financial institutions have to adopt this new regime from 2022 or 2023 onwards, as applicable, if on the 1st of January of those years they acquire own shares or distribute dividends to shareholders in respect of profits generated in those periods, except in cases where, as at 31 December of those years, the value of the deferred tax assets covered by special regime applicable to deferred tax assets has decreased by at

least 10 per cent. or 20 per cent., respectively, compared to the amount accounted at 31 December 2018.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment as at 31 December 2021 and 2020, it estimated its taxes based on the regime that was in force until 31 December 2018.

In order to further integrate the European banking system and to promote financial stability in the Eurozone, an agreement was reached by the European Council to create the European Banking Union (the “**EBU**”). This new union provides for a new supervisory landscape and the deepening of the Economic and Monetary Union. It was agreed to establish three main building blocks of the EBU: a Single Supervisory Mechanism (the “**SSM**”), a Single Resolution Mechanism (the “**SRM**”), and a Single Deposit Guarantee System.

Since November 2014 and in accordance with the SSM, the ECB is the central prudential supervisor of financial institutions in the euro area as a direct supervisor to the largest banks. National supervisors continue to monitor the remaining banks. The SRM was established in a bid to ensure taxpayer costs and damages to the real economy following bank failures are kept to a minimum. The SRM will apply to banks covered by the SSM and will allow bank resolutions to be managed effectively through a Single Resolution Fund and a Single Resolution Board.

The RGICSF has been further amended by Decree-Law 114-A/2014, of 1 August, Decree-Law 114-B/2014, of 4 August, and Law 23-A/2015, of 26 March, which have transposed the Directive 2014/49/EU, of 16 April on deposit guarantee schemes and the BRRD.

The requirements of the SRM are set out in the SRM Regulation and the BRRD. The SRM Regulation, subject to some exceptions, applied from 1 January 2016. The SRB has been fully operational since from January 2016. The BRRD has been implemented in Portugal pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015 (the “**BRRD Regulations**”).

The BRRD Regulations, other than regulations 79 to 94, came into effect on 15 July 2015. Regulations 79 to 94 of the BRRD Regulations came into effect on 1 January 2016. The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the Single Supervisory Mechanism (the “**SSM**”). The single resolution fund is financed by bank levies raised at the national level.

The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015 (namely the resolution measure applied to Banco Espírito Santo S.A. (BES) and the resolution measure applied to Banif). See further “*The resolution measure applied to Banco Espírito Santo S.A. (BES)*” and “*The resolution measure applied to Banif*” above.

The overarching goal of the new bank recovery and resolution framework established by the BRRD/SRM package is to break the linkages between national banking systems and sovereigns. The new framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors. Among other provisions, the BRRD requires banks to produce a full recovery plan that sets out detailed measures to be taken in different scenarios when the viability of the institution is at risk.

Banks subject to the BRRD may be required to contribute to ex ante funds and in particular to the European Resolution Fund. The periodic contributions of the participating institutions in the European Resolution Fund should be (i) distributed proportionally among participating institutions, according to the respective level of financial liabilities, excluding own funds and deducting deposits guaranteed by the Deposit Guarantee Fund (*Fundo de Garantia de Depósitos*) (the “**Reserve Base**”), adjusted according to the institution’s risk profile and considering the economic outlook as well as the contribution’s impact on the institution; and (ii) determined by the application of a contributory rate (proposed by the European

Resolution Fund and established by the Bank of Portugal) to the Reserve Base. The Fund will be built up during its first eight years (2016-2023) and shall reach at least 1 per cent. of deposits guaranteed by the Deposit Guarantee Fund (approx. €55 billion in 2024). Where *ex ante* contributions are insufficient to cover the losses or costs incurred by use of the Fund, additional *ex post* contributions should be collected.

The reorganisation regime previously in force that governed credit institutions was extensively reviewed and was replaced with a new approach by the Bank of Portugal as regards intervention on credit institutions and investment firms in financial distress. The measures set out in the new regime aim at recovering or preparing the orderly winding-up of credit institutions and certain financial companies in situations of financial distress. The new toolbox includes three stages of intervention by the Bank of Portugal: preparatory and preventive measures, prior supervisory intervention, and instruments and powers of resolution. The implementation of these measures and the exercise of these powers will directly affect the rights of shareholders and creditors.

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

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

Article 145-D of the RGICSF implemented Article 34 of the BRRD and determines as general principles applying to the resolution measures that (i) the shareholders of the institution bear losses with priority in relation to other creditors; (ii) creditors of the institution other than the shareholders under resolution bear losses in accordance with the order of priority of their claims; (iii) no shareholder or creditor of the institution shall, as a result of the resolution measures, bear losses higher than the ones that would arise should the institution be subject to liquidation; and (iv) the depositors shall not suffer losses in relation to deposits covered by the Deposit Guarantee Fund.

Further, pursuant to Article 145-E of the RGICSF, resolution measures may be applied if the following cumulative conditions are met: (a) a credit institution or an investment firm covered by the resolution regime has been declared by the Bank of Portugal as being insolvent, or at a risk of becoming insolvent; (b) it is not foreseeable that the insolvency situation of such institution can be remedied through measures adopted by the institution, or by corrective intervention measures or other measures aimed at the conversion or reduction of own funds instruments; (c) the implementation of such measures is considered necessary and proportional for the pursuance of at least one of the following objectives: (i) ensure the continuity of essential financial services, (ii) prevent systemic risk, (iii) safeguard public funds and taxpayers' interests, (iv) safeguard depositors' confidence, (v) protection of other funds and assets held by institutions for the account of their clients; and (d) the winding up of the institution is not capable of achieving the goals described in (c) more effectively than the resolution measures.

An institution is deemed to be failing, for the purposes of adoption of resolution measures, if one of the following situations occurs, or when sufficient reasons exist to suggest that they may occur in the short run: (i) the institution ceases to comply with the requirements for preserving the banking licence, including if it incurs losses capable of significantly absorbing its own funds; (ii) the institution's assets have become less than its liabilities; (iii) the institution is unable to meet its obligations; (iv) the institution is in need of extraordinary public funding, save when such assistance is aimed at preventing or containing a

serious economic crisis and preserving financial stability, and fulfils certain other criteria (Article 145-E of the RGICSF).

There are four types of resolution measures (Article 145-E of the RGICSF), namely: (i) the total or partial sale of the assets, liabilities, off-balance items and assets under management, as well as shares representing the share capital of the distressed financial institution to one or more financial institutions authorised to operate in the market; (ii) the creation of a bridge bank and the transfer of all or part of the assets and liabilities of the institution in financial distress to that bank; (iii) asset segregation tool, whereby all or part of the distressed institution's activity is transferred to an asset management vehicle; and (iv) bail-in through an internal recapitalisation of such institution. Along with these measures, by default the members of the institutions' corporate bodies and chartered accountant shall be replaced by members and a chartered accountant designated by the Bank of Portugal.

The powers granted to resolution authorities under the BRRD include (but are not limited to) the introduction of a statutory "write-down and conversion power" and a "bail-in power", which will give the relevant Portuguese resolution authority the power to cancel all, or a portion of, the principal amount of, or interest on, certain unsecured liabilities of a failing financial institution and/or to convert certain debt claims into another security, including ordinary shares of the surviving entity, if any.

The measures described above may be wholly or partially funded through the Resolution Fund, in accordance with the relevant provisions of the RGICSF.

Within its powers as authority in charge of resolution measures, the Bank of Portugal is also entitled to adopt, individually or jointly with the above mentioned resolution measures, other measures aimed at reducing or eliminating the insufficiency of own funds in the credit institution, including (a) reduction of its share capital (amortisation or reduction of nominal value of shares); (b) removal of nominal value of shares; (c) reduction of nominal value of credits attached to other financial instruments or contracts which are eligible for own funds purposes according to the legislation and regulation in force; and (d) increase of share capital via the conversion of credits referred to in (c) into share capital. In order to adopt the measures described in this paragraph, certain conditions must be met, as described in Article 145-I of the RGICSF. In its decision to adopt resolution measures, the Bank of Portugal shall abide by the rules on creditors' ranking set forth in the Portuguese Insolvency Code, thus not being allowed to affect a class of creditors which rank above another class that are not wholly or substantially affected.

Furthermore, to the extent necessary to ensure the effectiveness of a resolution measure, the Bank of Portugal may exercise, *inter alia*, the following powers: (i) suspension of payment or delivery obligations of the institution under existing agreements; (ii) suspension of enforcement rights benefiting holders of any security over assets of the institution; (iii) suspension of the rights to accelerate, terminate, or otherwise decide the termination under existing agreements; (iv) closing of agencies of the institution; (v) exercise of rights attached to shares and other instruments representing share capital of the affected institution; (vi) amendment of terms applicable to unsecured debt instruments and other eligible claims held *vis-à-vis* the institution, such as clauses on maturity dates and payable interest; (vii) liquidation and termination of financial agreements and derivative agreements; and (viii) suspension of the negotiation of a financial instrument (Article 145-AB of the RGICSF).

The Bank of Portugal and the Resolution Fund also have the right to recover their expenses resulting from the resolution measures through either a deduction of the consideration payable by any transferee in relation to the acquisition of the institution's assets, share capital or other instruments representative of debt or equity, from the institution itself, or from the profits generated by it or the vehicle managing its assets (a legal privilege is attached to the claim held by the Bank of Portugal and the Resolution Fund).

The Resolution Fund is a public-law legal person designed to provide financial support to the application of the resolution measures ordered by the Bank of Portugal. It is fully funded by the financial sector

through initial and periodical contributions from member institutions, including the Issuer, whose amount shall be fixed on an annual basis, as set out in Decree-Law 24/2013, of 19 February, as amended, and the revenue arising from the contribution over the banking sector. These institutions may also be requested to make extraordinary contributions, if necessary, in connection with the adoption of any resolution measures. The financial assistance provided by the Resolution Fund may include, among others, the transfer of cash to the acquirer bank or to the bridge bank, the provision of guarantees, the granting of loans, and the paying-up of the capital stock of bridge banks.

The Bank of Portugal Notice (*Aviso*) 1/2013 (as amended) sets forth the methodology to calculate periodic contributions to the Resolution Fund. Such methodology consists of the application of a contribution rate to the end of month outstanding balance of liabilities, deducted by own funds and deposits already included in the Deposit Guarantee Fund.

The rate to be applied is set by a regulatory instruction (*Instrução*) issued by the Bank of Portugal. The rate was 0.02 per cent. in 2016, 0.0291 per cent. in 2017, 0.0459 per cent. in 2018, 0.057 per cent. in 2019, 0.060 per cent. in 2020 and 2021, and 0.057 per cent. in 2022, as defined in instruction 19/2015, instruction 21/2016, instruction 20/2017, instruction 32/2018, instruction 24/2019, instruction 32/2020 and instruction 22/2021, respectively.

In the year 2018, as a result of the transitional regime established in Law 23-A/2015, of 26 of March, continued in force, in parallel, two contribution schemes for the Resolution Fund, in addition to the contribution scheme for the banking sector. On the one hand, the regime in force until the entry into force of said Law 23-A/2015 of 26 March, has been temporarily maintained, whose contributions are intended to ensure compliance with obligations previously assumed by the Resolution Fund (applying, in this case, with the necessary adaptations, the regime established in Decree-Law 24/2013, of 19 February). On the other hand it is in force the system of contributions created by the transposition of Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014 establishing a framework for the recovery and settlement of credit institutions and investment firms (BRRD), which is based on harmonized rules within the European Union and has been transposed in its principles and general rules by Law 23-A/2015, of 26 March (applying in this matter the Commission Delegated Regulation (EU) 2015/63, of 21 October 2014 - Delegated Regulation). The contributions collected under the combined terms of this scheme and Regulation (EU) 806/2014 of the European Parliament and of the Council, of 15 July 2014 (SRM Regulation) to institutions covered by the Single Resolution Mechanism (SRM) are transferred to the Single Resolution Fund (SRF) on the basis of the Agreement on Transfer and Mutual Contributions to the SRF (Intergovernmental Agreement), signed in Brussels on 21 May 2014 and approved by Assembly Resolution no. 129/2015 of 22 July.

In addition to the contributions collected under the regime established by Decree-Law 24/2013, of 19 February, and the contributions created under the BRRD transposition, charged on the basis of the Delegated Regulation, there is an additional source of revenue of the Resolution Fund which is the contribution income on the banking sector.

In view of the above, funds available to the Resolution Fund arise from the following sources: (a) contributions from the banking sector; (b) initial, periodic and special contributions from institutions participating in the Resolution Fund and collected before the implementation of the BRRD in Portugal; (c) initial, periodic and special contributions from institutions participating in the Resolution Fund collected pursuant to Decree-Law 24/2013, of 19 February, and due under the transitional regime provided for in Law 23-A/2015, of 26 March (aimed at enabling compliance with the obligations undertaken by the Resolution Fund in the context of the application of resolution measures applied before 31 December 2014); (d) initial, periodic and special contributions from the investment firms not subject to the ECB's supervision, branches of credit institutions of third countries, entities relevant for the payments system not subject to the ECB's supervision; (e) proceeds derived from investment applications and from the

Resolution Fund activity; (f) donations; (g) loans; and (h) other proceeds legally or contractually allocated to the Resolution Fund.

The Issuer's *pro rata* share in the Resolution Fund will vary, and may increase, from time to time according to the Issuer's liabilities and own funds. Contribution to the Resolution Fund is adjusted to the risk profile and the systemic relevance of each participating institution considering its solvency situation. Also, banks (including the Issuer) may be required to contribute to the deposit guarantee systems in amounts that are higher than the current contributions. The participation of the Issuer in the €700 million initial loan corresponded to 10 per cent.

According to Article 5, paragraph e of the Regulation of the Resolution Fund, approved by the Ministerial Order (*Portaria*) 420/2012, of 21 December, the Resolution Fund may submit to the Portuguese Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund.

If the payment of those special contributions compromises the Issuer's liquidity or its solvency, the Bank of Portugal can suspend them for a period of up to 180 days, extendable at the request of the Issuer. The Resolution Fund also publicly indicated that the financing will be structured in such a manner as to not only avoid jeopardising the solvency of any credit institution but also to preserve financial stability.

Under Article 153-O of the RGICSF, the Resolution Fund may be required to finance the implementation of the resolution measures applied by the Bank of Portugal and the resulting general and administrative expenses. At the present date, there is no reliable estimate of the potential losses to be incurred by the Resolution Fund.

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

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

Hence, if the Issuer is subject to a resolution measure, the Bank of Portugal may:

- a) require the full transfer of all the assets, liabilities and off-balance sheet items of the Issuer, in which case the entirety of the rights and obligations under the Programme (including the Programme Documents) shall be transferred to another duly licensed entity or a bridge institution;
- b) require the partial transfer of all the assets, liabilities and off-balance sheet items of the Issuer, in connection with such partial transfer, and that the obligations and liabilities under the Programme (including the Programme Documents) remain as a liability of the Issuer: in such instance, depending on the financial condition and other factors relating to the Issuer, the Bank of Portugal may additionally revoke the licence of, and determine the opening of liquidation proceedings against, the Issuer.
- c) determine that the creditors of the Issuer are subject to bail-in measures: in such case, it is expressly referred in the RGICSF that the adoption of such type of resolution tool shall not encompass obligations having the benefit of security ("*garantia real*") over the assets of the Issuer up to the amount of the security assets; conversely, if such amount of such obligations exceeds the value of the assets charged as security thereof, then such excess may be affected by the relevant bail-in

measures. The Bank of Portugal may cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities of a failing financial institution or its holding company, convert certain debt claims into another security, including ordinary shares of the surviving entity, if any and/or amend or alter the terms of such claims, including the maturity of the unsecured liabilities or amendment of the amount of interest payable on the unsecured liabilities, or the date on which interest becomes payable, including by suspending payment for a temporary period.

In addition to the measures set out above, to prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the BRRD also requires that all institutions should meet the minimum requirement for own funds and eligible liabilities ("**MREL**"), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities".

The MREL regime, which became effective during 2016, involves a transition period and should have implications on the issue of debt by bank institutions, implying the introduction of alterations in the liability structure through the issue of new senior debt with some subordination structure or strengthening Tier 2.

In accordance with Article 145-Y of the RGICSF, financial institutions are required to meet a MREL requirement set by the Bank of Portugal.

Banco Montepio has already been notified by the Bank of Portugal regarding the MREL to be met. For more information, please refer to the risk factor headed "*Legislation on Bank Recovery and Resolution*".

The MREL requirement determined by the Bank of Portugal is based on applicable legislation and is therefore subject to amendments from time to time. In order to meet MREL requirements, the Issuer may need to issue MREL-eligible instruments, affecting its funding structure and financing costs. Such mechanisms and procedures, besides having the capacity to restrain the Issuer's strategy, could increase the average cost of the Issuer's liabilities, in particular, without limitation, the cost of additional Tier 1 and Tier 2 instruments and thus negatively affect the Issuer's earnings. Tier 1 instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, if they include convertibility features.

Regarding NPL related initiatives, in March 2018, the Commission presented a package of measures aimed at reducing NPLs. The measures include a proposed regulation amending CRR and introducing common minimum coverage levels for newly originated loans that become non-performing, and a proposed directive on credit servicers, credit purchasers and the recovery of collateral, which provides for an out-of-court recovery mechanism for NPLs and aims to encourage the development of secondary markets in NPLs. Amendments to CRR to apply the day after publication in the Official Journal. New rules under directive on credit servicers to apply from 1 Jan 2021 or (for credit servicer authorisation and supervision) 1 July 2021.

The regulatory laws governing banking activity may change at any time in ways which may have an adverse effect on the business of the Issuer. A potential further alignment by the Bank of Portugal with the ECB's regulations and recommendations may harden its stance in certain areas, such as capital requirements and acceleration of NPL disposals, which may, in turn, have an adverse impact on the Issuer and/or the Banco Montepio Group's results and financial position.

The Bank of Portugal conducts the preventive supervision of money laundering and terrorist financing (ML/TF) of credit institutions, financial companies, payment institutions, electronic money institutions, branches established in Portugal and entities providing postal services as well as financial services. Supervised institutions are required to comply with several duties such as, (i) customer identification and

due diligence, (ii) duty to keep documents and records on customers and operations, (iii) scrutiny and reporting of suspicious operations and (iv) adoption and implementation of internal control systems that are adequate to the ML/TF risk intrinsic to each institution. The Bank of Portugal has regulatory functions and actively participates in the preparation of the legal framework governing ML/TF. In this regard, note should be made of the Bank of Portugal Notice 2/2018 which regulates Law 83/2017, of 18 August, in particular the reinforcement of preventive duties established therein.

Money laundering is the process through which the authors of criminal activities conceal the true source of the property and revenue (benefits) obtained by illicit means, transforming the liquidity from such activities into legally reusable money, by disguising the origin and true owner of the funds. According to Portuguese law, money laundering is a crime (Article 368-A of the Portuguese Penal Code).

In articulation with the legal framework for the prevention of money laundering, legislative measures were adopted to make it easier to detect, prevent and suppress terrorist financing, reducing the possibility of access to the international financial system by the persons who commit terrorist acts, terrorist organisations and groups, and their sponsors. These measures include, inter alia, the freezing and seizure of the assets belonging to terrorists and those supporting and sponsoring terrorist organisations and groups, the duty to report transactions suspicious of having any type of connection with terrorist activities, the strengthening of the duties to prevent money laundering (in particular, the identification duty) within the scope of operations involving the transfer of funds and criminalising terrorist financing. In accordance with Portuguese Law, terrorist financing is considered a criminal offence, by virtue of the provisions laid down in Article 5-A of Law 52/2003, of 22 August 2003 (as amended).

In December 2016, the Commission adopted a package of legislative proposals to fight financing of terrorism, including a proposed Regulation on the mutual recognition of freezing and confiscation orders. The new Regulation was published in the Official Journal on 28 November 2018 and aims to improve co-operation between European authorities to ensure they can freeze and confiscate assets quickly and efficiently across the EU. The new Regulation widens the scope of current rules and includes provisions to ensure that victims' rights to compensation and restitution are respected. Most provisions will apply from 19 December 2020 (24 months after entry into force).

The fifth Money Laundering Directive ("**MLD5**") was published in the Official Journal in June 2018. It includes targeted amendments to increase transparency around owners of companies and trusts through the establishment of public beneficial ownership registers, prevent risks associated with the use of virtual currencies for terrorist financing, restrict the anonymous use of pre-paid cards, improve the safeguards for financial transactions to and from high-risk third countries and enhance Financial Intelligence Units' access to information.

Law 58/2020 ("**Law 58/2020**"), published on 31 August 2020, transposed into the Portuguese Law the MLD5. In addition to the changes made to matters already dealt with in Portuguese Law (namely the regime of beneficial owners and politically exposed persons, as well as enhanced due diligence duties for high-risk third countries), Law 58/2020 also includes, for the first time, entities engaged in activities with virtual assets ("cryptocurrencies" or other type of "crypto assets") within the scope of the Portuguese anti money laundering and terrorist financing rules.

Since December 2020 the Sixth Anti-Money Laundering Directive ("**AMLD6**") is in effect for all member states and must be transposed and implemented by 3 June 2021. Stricter than its predecessors, AMLD6 introduces a larger responsibility on regulated entities to fight money laundering. AMLD6 harmonizes the definition of criminal activity by detailing 22 offenses within certain categories that the directive deems a criminal activity, expands criminal liability to legal persons, including companies and partnership and increases the maximum imprisonment for offenses, from one year to four years. Furthermore, a sentence may include additional sanctions and fines, which could result in the cessation of the company's



operations.

In September 2017 the European Banking Authority (EBA) published its revised Guidelines on Internal Governance. These Guidelines aim at further harmonising institutions' internal governance arrangements, processes and mechanisms across the EU, in line with the new requirements in this area introduced in the Capital Requirements Directive (CRD IV) and also taking into account the proportionality principle. Effective internal governance is fundamental if individual institutions and the banking system as a whole are to operate well.

On 15 July 2020, the Bank of Portugal published Notice 3/2020 (*Aviso nº3/2020*) which regulates the governance and internal control systems and defines the minimum standards on which the organisational culture of the entities subject to supervision by the Bank of Portugal must be anchored. Notice 3/2020 revokes Notices 5/2008 and 10/2011, as well as Instruction 20/2008, aims to consolidate the regulatory provisions regarding institutions' internal control and governance, incorporating the content of the EBA guidelines on internal governance, the EBA guidelines on outsourcing arrangements and the EBA guidelines regarding sound remuneration policies.

The General Data Protection Regulation (“**GDPR**”), agreed upon by the European Parliament and Council in April 2016, replaced the Data Protection Directive 95/46/EC in 2018 as the primary law regulating how companies protect EU citizens' personal data. The mutually agreed GDPR came into force on 25 May 2018 and was designed to modernise laws that protect the personal information of individuals. GDPR altered how businesses and public sector organisations can handle the information of their customers. The implementation of GDPR in Portugal was accomplished through Law 58/2019, of 8 August.

The Law 23/2019, of 13 March 2019 transposed to the Portuguese Law the Directive (EU) 2017/2399 of the European Parliament and of the Council, of 12 December 2017, as regards the ranking of certain debt instruments in the insolvency hierarchy. This law grants a full depositor preference in bank insolvency and resolution proceedings against senior debt and introduced a new class of debt, the Senior Non-Preferred Debt, that will rank below preferential Senior debt, but above Subordinated Debt.

Banco Montepio's activities are regulated by the Bank of Portugal, as a credit institution, and by the CMVM, as an issuer with outstanding listed Covered Bonds. It must comply with the regulations issued by the Bank of Portugal, the RGICSF and with the Portuguese Securities Code (*Código dos Valores Mobiliários*). In its activity as distributor of insurance products it is also subject to the supervision of the Insurance and Pension Funds Authority (*Autoridade de Seguros e Fundos de Pensões*).

The Bank of Portugal enjoys extensive supervisory and regulatory powers in relation to all credit and deposit-taking institutions in Portugal. Banco Montepio in particular, classified as a LSI, under the current SSM arrangement, is directly supervised by the Bank of Portugal.

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.

Since 2011, Banco Montepio has participated in several exercises conducted by the European Banking Authority to evaluate the impacts of Basel III rules' implementation. At the same time, Banco Montepio has been performing stress tests exercises taking into account adverse macroeconomic and financial scenarios defined by the Bank of Portugal.

In addition to the stress tests reported to the Bank of Portugal, Banco Montepio regularly conducts other impact studies that are intended to provide an analytical view of its position in terms of liquidity, profits and capital when subject to unfavourable scenarios stemming from changes in risk factors such as interest rates, credit spreads, deposit runoffs, eligible asset valuation haircuts applied by the European Central

Bank (the “ECB”), credit ratings, portfolio and collateral losses, among other factors.

The results under the adverse scenarios, including those resulting from the adverse macroeconomic scenarios defined by the Bank of Portugal, show that Banco Montepio shall maintain the ongoing process of capital levels strengthening.

The impact studies and results are disclosed to and discussed with the Board of Directors, with the subsequent conclusions incorporated in the strategic decision making processes, namely in the determination of solvency levels, liquidity, exposure to specific risks (counterparty and price risks) and global risks (interest rate, foreign exchange and liquidity risks), as well as in the pricing, loan criteria and development of products offered.

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

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

- a) They are automatically and mandatorily replaced without delay with a tax credit, in the event that the institution reports a loss when its annual financial statements are formally approved, or in the event of its liquidation or insolvency;
- b) The above-mentioned tax credit may, under national tax law, be offset against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to supervision on a consolidated basis; and
- c) Where the amount of tax credits referred to in point (b) above exceeds the tax liabilities referred to in that same point, any such excess is replaced without delay with a direct claim on the central government of the Member State in which the institution is incorporated.

The deduction of DTA from CET1 capital, as at 1 January 2014, would thus have a negative impact on the capital levels of credit institutions established in Member States where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses – namely, Italy, Spain and Portugal.

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

In view of the above, the Portuguese Parliament approved Law 61/2014, of 26 August, as amended from time to time, (“**Law 61/2014**”) which implements a special regime with the aim of fulfilling the requirements for non-deductibility of DTA from CET1 capital of resident credit institutions, allowing Corporate Income Taxpayers to convert DTA arising from impairment of loans and advances losses and from post-employment and long-term employment benefits into tax credits (the “**DTA Special Regime**”).

Law 61/2014 foresees that any DTA arising from the above-mentioned items, accounted in taxable periods starting on or after 1 January 2015, or registered in the taxpayer's accounts in the last taxable period prior to that date, may be converted into tax credits when the taxpayer: (i) reports an annual accounting loss when the institution's annual financial statements are formally approved by the competent corporate bodies; or (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body. The amount of DTA to be converted into tax credits corresponds to the ratio between (a) the amount of the annual accounting loss, and (b) the total amount of equity minus the amount in (a) above, and is declared by the

Corporate Income Taxpayers in their annual Corporate Income Tax return, to be submitted within the five-month period after the year-end. The amount of the declared tax credit must subsequently be confirmed by the tax authorities through a tax audit procedure to be initiated within the three-month period following the expiry of the above-mentioned annual corporate income tax return submission deadline. The tax credits obtained with the conversion of DTA may be offset against any State taxes on income and on assets payable by the taxpayer or by any companies included in the same tax group or in the same group for purposes of prudential consolidation under the CRR.

However, the conversion of DTA entails the constitution of a special non-distributable reserve, equivalent to the amount of the tax credit obtained increased by 10 per cent., and conversely, the issuance of symmetric warrants to the Portuguese Republic. The warrants entitle the Portuguese Republic (i) to demand the increase of the issuer's share capital through conversion of the special reserve and subsequent issue and delivery of ordinary shares representing the issuer's share capital; or (ii) to freely dispose of them, including by sale to third parties, which may subsequently demand such increase of the issuer's share capital. To mitigate the effects of the possible shareholding dilution resulting thereof, Law 61/2014 grants that, at the date of issuance of the warrants, existing shareholders are automatically vested statutory entitlements that allow them to purchase the warrants from the Portuguese Republic.

Taking into consideration that Banco Montepio posted, on an individual basis, a negative net income in 2020, following the approval of the annual accounts by the corporate bodies and the application of the REAID, in 2021 the deferred tax assets resulting from non-deduction of expenses and deductions of value of assets resulting from impairment losses on receivables and post-employment or long-term employee benefits were converted into tax credits, with a special reserve corresponding to 110 per cent. of its amount having been set up for this purpose.

Under the terms of Article 8 of the annex to Law 61/2014, of 26 August, Banco Montepio accumulated a special reserve in 2021 in the amount of €4,750 thousand, corresponding to a tax credit of €4,319 thousand, which as at 31 December 2021 was part of the total current tax assets. These amounts may be changed in the context of the certification to be carried out by the Tax and Customs Authority (*Autoridade Tributária e Aduaneira*).

The amendments to the DTAs conversion regime, enacted by Law 23/2016, of 19 August 2016, establish that the DTAs conversion is not applicable to any DTAs arising from the mismatch between the accounting and tax regimes from 1 January 2016 onwards, without precluding its applicability to DTAs generated with respect to the previous fiscal years.

The DTA related to reported losses are deducted from regulatory capital, and the DTA related to temporary mismatches that depend on future profitability are partially deducted from capital (the portion that exceeds the threshold of 10 per cent. of CET1) and partially weighed at 250 per cent. Finally, the DTA related to temporary mismatches protected by the Portuguese fiscal regime are weighed at 100 per cent. Potential future changes to the way in which the Portuguese fiscal regime operates could result in previously protected DTAs (that would eventually be converted into DTA related to temporary mismatches that depend on future profitability) no longer being protected. At this point, there are no expected changes in the fiscal regime that could negatively affect the calculation of DTAs on capital ratios, but Banco Montepio cannot assure investors that the expected changes will not take place.

#### ***Temporary legal moratoria on certain financing agreements***

Law 1-A/2020, of 19 March, as amended, implemented exceptional and temporary measures to tackle the pandemic caused by coronavirus SARS-CoV-2 and COVID-19. Article 8 of Law 1-A/2020 created a temporary regime whereby execution of mortgages over real estate property used by the mortgagor for permanent residence are suspended for the time being. This regime will cease to apply on a date to be determined via the enactment of a new Decree-Law declaring the end of the exceptional period of

prevention, containment, mitigation and treatment of SARS-CoV2 and COVID-19.

On 26 March 2020, the Portuguese Government approved Decree-Law 10-J/2020, which established a temporary legal moratorium on certain financing agreements with a view to protecting the liquidity of companies and families (lastly amended by Law 27-A/2020, of 24 July) (the “**Legislative Moratoria**”). This regime entered into force on 27 March 2020 and will be in force until 31 March 2021. It includes, in relation to credit operations granted by financial institutions (excluding, among others, credit or financing for the purchase of securities or the acquisition of positions in other financial instruments), (i) a prohibition of revocation, in whole or in part, of credit lines and loans, in the amounts contracted, from 27 March 2020, (ii) an extension, for a period equal to the term of the measure, of all debts with payments of principal at the end of the contract in force as at 27 March 2020, together with all its associated elements, including interest, guarantees, notably those provided by the way of insurance or securities; and (iii) suspension, from 27 March 2020, in relation to debts with partial instalments or other cash amounts payable, of payments of principal, rents and interest in such period, with the respective contractual payment plan being automatically extended, for a period equal to that of the suspension, in order to ensure that there are no charges other than those which may derive from the variability of the benchmark interest rate underlying the respective contract, and with all the elements associated with the respective contracts, including guarantees, also being extended. From the date that it entered into force, Decree-Law 26/2020, of 16 June, establishes that operations meeting the eligibility criteria set forth in Decree-Law 10-J/2020, of 26 March, who have benefited from any moratorium before the institutions from 27 March 2020 and 17 June 2020 shall be subject to the legal regime set forth therein. On 24 July 2020, Law 27-A/2020, of 24 July, which amended Decree-Law 10-J/2020, extended the period to adhere to the moratorium until 30 September 2020. On 29 September 2020, Decree-Law 78-A/2020 further amended Decree-Law 10-J/2020, extending the legal moratoria from 1 April 2020 to 30 September 2021, limited to principal with certain exceptions (notably for housing loans and financial leases, education related consumer loans and certain other loans granted to activities more impacted by the pandemic listed in the Annex to which Article 9 of Decree-Law 78-A/2020, of 20 September, refers).

On 2 April 2020, the European Banking Authority (“EBA”) published a guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020 (EBA/GL/2020/02). The EBA clarified that payment moratoria do not trigger classification as forbearance or distressed restructuring if the measures taken are based on the applicable national law or on an industry/sector-wide private initiative agreed and applied broadly by the relevant credit institutions, without prejudice to the institutions continuous monitoring of the borrowers’ credit quality, identifying exposures to borrowers who may face longer-term financial difficulties. Any such exposures should be classified in accordance with existing regulation.

Following publication of the EBA’s guidelines, the members of the Portuguese Banking Association (*Associação Portuguesa de Bancos*), including the Issuer, signed, on 16 April 2020, an interbank protocol establishing harmonised general conditions for private initiative moratoria (the “**Non-legislative moratoria**”) on mortgage loans and non-mortgage loans (e.g. personal or auto loans). Such private initiative moratoria is available to Portuguese-resident individuals and individuals not resident in Portugal.

Non-legislative moratoria under this protocol benefit from a similar prudential and accounting treatment to legislative moratoria.

The moratoria under the special aid scheme provided to households and companies in the context of the COVID-19 pandemic expired on 31 December 2021, with the vast majority already expired at the end of September 2021. A majority of customers resumed the debt payment service as planned on the date they adhered to the moratorium, and as of the date of this Base Prospectus, there was no increase in the credit risk or delinquencies in the portfolio that was subject to the moratorium. However, there is still a high level of uncertainty as Banco Montepio cannot guarantee that prevailing market conditions will persist or

return to normal pre-COVID-19 activity levels in the future.

As at 31 December 2021, the aggregate value of the loans subject to a moratorium that had then expired totalled €2,697 million, of which 88 per cent. were performing.

### ***EU Temporary Framework for State aid measures and Portuguese measures***

On 19 March 2020, the European Commission ("EC") adopted a Temporary Framework for State aid measures (based on Article 107 (3) (b) of the Treaty on the Functioning of the European Union) to support the economy in the COVID-19 outbreak, which, inter alia, set out the possibilities Member States have under Union rules to ensure liquidity and access to finance for undertakings, especially small and medium-sized undertakings ("SMEs") that face a sudden shortage in this period in order to allow them to recover from the current situation. The aim was to lay down a framework that enables Member States to support undertakings experiencing difficulties due to the COVID-19 outbreak and to provide urgently needed liquidity for companies, whilst maintaining the integrity of the EU Internal Market, ensuring a level playing field.

The Temporary Framework provides for five types of aid:

- (i) Direct grants, selective tax advantages and advance payments: Member States will be able to set up schemes to grant up to €800,000 to a company to address its urgent liquidity needs.
- (ii) State guarantees for loans taken by companies from banks: Member States will be able to provide State guarantees to ensure banks keep providing loans to the customers who need them.
- (iii) Subsidised public loans to companies: Member States will be able to grant loans with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.
- (iv) Safeguards for banks that channel State aid to the real economy: Some Member States plan to build on banks' existing lending capacities, and use them as a channel for support to businesses – in particular to small and medium-sized companies. The Framework makes clear that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.
- (v) Short-term export credit insurance: The Framework introduces additional flexibility on how to demonstrate that certain countries are not-marketable risks, thereby enabling short-term export credit insurance to be provided by the State where needed.

Given the limited size of the EU budget, the main response will come from Member States' national budgets. The Temporary Framework will help target support to the economy, while limiting negative consequences to the level playing field in the Single Market.

The EC is continuously examining the need to further adapt the Temporary Framework that was initially set to expire on 31 December 2020 and later extended to 30 June 2021. In view of the persistence and evolution of the COVID-19 outbreak, the EC decided to prolong all measures set out in the Temporary Framework, including recapitalisation measures, until 30 June 2022.

In respect of the Portuguese support measures to help citizens and companies during the significant economic impact of the coronavirus pandemic, the EC approved the following:

- On 22 March 2020, four guarantee schemes, in a total amount of € 3 billion, for SMEs and midcaps affected by the COVID-19 outbreak to be applied in four different sectors: (i) tourism; (ii) restaurants; (iii) extractive and manufacturing industry; and (iv) travel agency activities, tourism, event organisation;

- On 4 April 2020, two schemes to support SMEs and large companies affected by the coronavirus outbreak: a direct grant scheme, and a State guarantee scheme for investment and working capital loans granted by commercial banks;
- On 8 April 2020, a scheme to support SMEs active in the fishery and aquaculture sector in the context of the coronavirus outbreak in the form of a credit line in a total amount of €20 million;
- On 17 April 2020, a scheme to support investment in research and development (R&D), testing and production of products that are relevant to the coronavirus outbreak, including vaccines, ventilators and personal protective equipment. The public support took the form of direct grants in a total amount of €140 million;
- On 25 May 2020, two schemes intended to preserve employment in the Azores during the coronavirus pandemic in a total amount of €43 million;
- On 10 June 2020, a rescue loan in favour of Transportes Aéreos Portugueses SGPS S.A. in an amount of €1.2 billion to provide the Portuguese airline company with the necessary resources to address its immediate liquidity needs, without unduly distorting competition in the Single Market;
- On 22 June 2020, a scheme to support companies affected by the coronavirus outbreak in the autonomous region of Madeira in a total amount of €40 million. The support took the form of direct grants and State guarantees on loans;
- On 31 August 2020, a credit line scheme to support SMEs active in Madeira in the agricultural and agri-food sectors, in a total amount of €5 million;
- On 20 October 2020, a scheme for preserving employment on the Azores Islands in a total amount of €9 million; the scheme followed two measures approved by the EC in May 2020, which had expired;
- On 21 January 2021, a scheme to support micro, small and medium companies active in sectors particularly affected by the coronavirus outbreak, in a total amount of €1.2 billion, in the form of direct grants available under two different measures: 'Apoiar.PT', open to micro and small companies exclusively active in commerce and services open to consumers, cultural activities, touristic activities, the hospitality sector, and food and beverage service activities; 'Apoiar Restauração', open to micro, small and medium companies in the food and beverage sector; and 'Apoiar Rendas' to compensate companies for a certain percentage of their rental payments and provide financial support, to help businesses preserve jobs and avoid lay-offs;
- On 11 February 2021, a €35 million scheme to support micro, small and medium-sized enterprises with head offices or permanent establishments in the region of the Azores, from sectors most severely affected by the economic impact of the COVID-19 outbreak;
- On 2 March 2021, a €15 million scheme (The 'Apoiar.PT Açores –4ºT 2020') to support micro, small and medium-sized enterprises with head offices or permanent establishments in the region of the Azores in the context of the COVID-19 outbreak;
- On 31 March 2021, a €500 million Portuguese top-up insurance scheme to support domestic trade credit in the context of the coronavirus outbreak. The scheme aims to support the availability of trade credit insurance to all companies, therefore reducing their immediate liquidity needs;
- On 6 April 2021, a €35 million scheme to support companies in the Azores region affected by the coronavirus outbreak, in the form of direct grants, to be open to companies of all sizes active in the Azores, conditioned on the level of employment maintained until June 2021;

- On 16 April 2021, a €150 million scheme to support Portuguese companies in the region of the Azores affected by the coronavirus outbreak, in the form of a direct grant, to mitigate the negative impact of the government-imposed restrictive measures to limit the spread of the coronavirus on companies active in the region of the Azores;
- On 26 April 2021, the Commission confirmed that a €462 million support measure in favour of Transportes Aéreos Portugueses, S.A., the largest airline based in Portugal, was in line with EU state aid rules. The measure aims to compensate the company for damages incurred between March and June 2020, as a direct result of the containment measures and travel restrictions introduced to limit the spread of the coronavirus;
- On 27 April 2021, a €8 million scheme to support companies in the Azores region in the context of the coronavirus outbreak, in the form of direct grants, to mitigate the impact of the restrictive measures imposed by the authorities to limit the spread of the coronavirus;
- On 3 May 2021, a €12 million in support of the Portuguese SATA Air Açores company - Sociedade Açoriana de Transportes Aéreos S.A. ("**SATA Air Açores**") - as compensation for the damages suffered due to the travel restrictions imposed in the context of the coronavirus outbreak. The support will take the form of a €12 million direct grant. The Commission also approved up to €255.5 million additional support to SATA Air Açores, to address the company's immediate liquidity needs;
- On 10 May 2021, a €22 million scheme to support micro, small and medium-sized enterprises in the region of Madeira, in the context of the coronavirus outbreak. The scheme, "APOIAR.PT.Madeira", which is open to companies operating in the sectors most affected by the economic impact of the coronavirus outbreak, in the form of direct grants, aims to help companies that have experienced a fall in turnover of at least 25 per cent. in 2020 compared to the same period in 2019;
- On 4 June 2021, a €500,000 scheme to support the passenger transport sector in the Region of the Azores in the context of the coronavirus outbreak, in the form of direct grants, to mitigate the liquidity shortages faced by the beneficiaries due to the coronavirus outbreak, and the restrictive measures that the government had to implement to limit the spread of the virus;
- On 29 June 2021, a €8 million scheme to support micro, small and medium-sized enterprises affected by the coronavirus outbreak in the outermost region of the Azores, in the form of direct grants, which was earmarked for beneficiaries active in the most severely impacted sectors (tourism, hospitality, etc.);
- On 19 July 2021, the Commission approved, under EU state aid rules, a calculation methodology for premiums on guaranteed loans for micro, small and medium-sized enterprises. The methodology aims to serve the granting authorities in calculating price guarantees at market-rate, or the aid element in guarantees for the purpose of the application of the *De Minimis* Regulation or of the General Block Exemption Regulation;
- On 29 July 2021, a €275,000 Portuguese scheme to support companies active in the sugarcane-processing sector in Madeira. The measure aims to mitigate the liquidity shortages that the beneficiaries are facing and address part of the losses that they incurred due to the coronavirus outbreak and the restrictive measures in place to limit the spread of virus. Under the scheme, the public support will take the form of direct grants;
- On 1 September 2021, a €10 million scheme to support farmers active in the outermost region of the Azores in the context of the coronavirus outbreak. Under the scheme, the public support, in the form of direct grants, aims to mitigate the liquidity shortages and part of the losses the beneficiaries incurred due to the coronavirus outbreak and the restrictive measures put in place to limit the

spread of the virus;

- On 14 September 2021, a €500,000 scheme to further support the passenger transport sector in the Region of the Azores in the context of the coronavirus outbreak, following the previous measure from 4 June 2021. Under the scheme, the support, in the form of direct grants, aims to mitigate the sudden liquidity shortages faced by the beneficiaries and address the losses incurred due to the coronavirus outbreak and the restrictive measures implemented to limit the spread of the virus; and
- On 22 December 2021, €2.55 billion of restructuring aid for Group Transportes Aéreos Portugueses SGPS S.A. and TAP Air Portugal airline, and €107.1 for TAP Air Portugal for damages suffered due to the coronavirus pandemic. The assistance, in the form of equity or quasi equity measures, aims to compensate for loss incurred due to travel restrictions put in place to limit the spread of the coronavirus, and help support the beneficiaries' long-term viability.

The exceptional circumstances and the wide effects of the COVID-19 pandemic, together with the measures taken from time to time by the Portuguese Government or adopted by the Issuer at its own initiative to address this situation, notably those relating to moratoria in respect of loans granted to individuals and companies permitting borrowers to postpone regular payments under their loans for certain periods, to the extent applicable, may generally affect the capacity of the Issuer to carry out its business as normal. It is not possible at this stage to assess all specific measures that will be implemented to curb the effects of the COVID-19 pandemic and the relevant impacts such measures will have on the Issuer.

#### ***Portugal's recovery and resilience plan***

As Europe moves from crisis management to economic recovery, State aid control will also accompany and facilitate the implementation of the Recovery and Resilience Facility ("**RRF**"). In this context, on 21 December 2020, the Commission published a number of State aid guiding templates, covering several types of investments projects, which are intended to assist Member States in the design of their national recovery plans, in line with EU State aid rules. The EC will assess all State aid notifications received from Member States in the context of the RRF as a matter of priority. The RRF will make €672.5 billion in loans and grants available to support reforms and investments undertaken by Member States. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. By offering large-scale financial support for investment and reforms, the RRF will better prepare Member States for a sustainable recovery. The reforms and investments in Portugal's recovery and resilience plan will help Portugal become more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. The plan consists of 83 investments and 32 reforms. They will be supported by a €16.6 billion recovery and resilience plan (consisting of €13.9 billion in grants and €2.7 billion in loans), of which 38 per cent. of the plan will support climate objectives and 22 per cent. of the plan will foster the digital transition. All reforms and investments have to be implemented within a tight timeframe, as the Regulation on the RRF foresees they have to be completed by August 2026.

In the area of climate and environmental policies (green transition), Portugal's challenges include the need to make construction and building materials more energy-efficient, diversify energy sources and improve forest fire prevention.

Digital challenges for Portugal include the need for investment, particularly in the development of digital skills, both basic and advanced, in the use of digital technologies to ensure equal access to quality education and training, and to facilitate competition. This is especially relevant in Portugal, where the economy is characterised by micro-enterprises concentrated in traditional sectors.



In the Portuguese economy, there is high public and private debt and sluggish productivity growth which is held back by, *inter alia*, relatively low levels of investment (particularly in intangibles), low R&D intensity, overall low skill levels of the population and a business environment hampered by regulatory restrictions and inefficiencies in the justice system. The recovery and resilience plan will support and finance key measures to reinforce Portugal's economic and social resilience.

### **Capital relief measures related to COVID-19**

On 12 March 2020, the ECB announced a number of measures to ensure that the financial institutions can continue to fulfil their role in funding the real economy as the economic effects of the COVID-19 outbreak become apparent. The ECB will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G) and the capital conservation buffer (CCB). The ECB considers that these temporary measures will be enhanced by the appropriate relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments which do not qualify as Common Equity Tier 1 (CET1) capital, such as Additional Tier 1 or Tier 2 instruments, to meet Pillar 2 Requirements ("P2R"). This measure was initially scheduled to come into force in January 2021 as part of the revision to the CRD IV. It was accelerated as a relief measure to mitigate the negative effects of the COVID-19 pandemic.

In a press release dated 8 May 2020, the Bank of Portugal published the decision to postpone the phase-in period of the capital buffer for "Other Systemically Important Institutions" ("O-SII"), the category on which the Issuer falls, by 1 year. As such, the compliance with the O-SII buffer percentage that banks must hold on 1 January 2021 was postponed to 1 January 2022. Capital buffers as a percentage of total risk-weighted assets consist of CET1 capital on a consolidated basis and were determined by the Bank of Portugal to be applicable in phases, from 1 January 2018 onwards.

On 26 June 2020 it was published Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 (the "**CRR Quick Fix**"), amending Regulations (EU) 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, in force since 27 June 2020, with the exception of the amendments to the calculation of the leverage ratio which will apply from 28 June 2021. The purpose of this regulation is to encourage banks to continue lending to businesses and households during the crisis caused by the COVID-19 pandemic and to absorb the economic shock of the pandemic. In this context, the CRR Quick Fix amends specific aspects of the CRR, such as extending the transitional arrangements for mitigating the impact of the IFRS 9 provisions on regulatory, applying a preferential treatment for publicly guaranteed loans under the prudential backstop for non-performing loans available under the CRR, delaying until 1 January 2023 the application of the leverage ratio buffer for global systemically important institutions and also brings forward the dates of application of certain reforms introduced by the CRR 2.

In addition, the Bank of Portugal published Circular Letter (*Carta Circular*) no. CC/2020/00000053 informing that it will allow the restoration of the combined buffer requirements and Pillar 2 Guidance level by at least the end of 2022, and will allow the restoration of the LCR by at least the end of 2021, with a view to strengthening the lending capacity of credit institutions to the economy and the capacity to absorb losses from the pandemic crisis. In line with the decision taken by the European Central Bank for significant credit institutions, on 29 March 2022, the Bank of Portugal reported that the previously communicated easing measure concerning the capital recommendation ("**Pillar 2 Guidance**") and the combined buffer requirements will end on 31 December 2022. Therefore, from 1 January 2023 onwards, institutions must maintain levels of own funds in order to comply with the Pillar 2 Guidance and the combined buffer requirements, in accordance with the applicable legislation and the supervisory decisions individually communicated by the Bank of Portugal. As of 31 December 2021, the capital ratios reported by Banco Montepio were above the required prudential levels, including the combined buffer

requirements, not only under the phasing in criteria, but also on a fully implemented basis. For further information, please refer to the section "*Description of the Issuer - Capital*".

Accordingly, whenever institutions do not comply or expect not to comply with the combined capital buffer or the Pillar 2 Guidance, they must notify the Bank of Portugal, submitting the plans and deadlines for their re-establishment. The Bank of Portugal will assess this information on a case-by-case basis. The Bank of Portugal also reiterated that on 31 March 2022 the measure allowing less significant credit institutions to benefit from the determination of the existence of exceptional circumstances for the purpose of excluding exposures to central banks from the calculation of the leverage ratio exposure measure will cease. Accordingly, from 1 April 2022, exposures to central banks are reinstated in the denominator of the leverage ratio.

The principal rules with which Banco Montepio and all Portuguese banks must comply include the following:

a) ***Solvency ratio***

Since the beginning of 2014, prudential indicators are Basel III-compliant. As such, Banco Montepio's Own Funds are divided into CET1, Tier 1 and Tier 2. As at 31 December 2021, Banco Montepio's CET1 ratio was 12.7 per cent., pursuant to the phasing-in criteria of the CRD IV package and the Bank of Portugal's Notice (*Aviso*) 10/2017. When measured under the full implementation criteria, the CET1 ratio was 11.8 per cent.

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 Banco Montepio's Tier 1 Capital. As at 31 December 2021, Banco Montepio's exposure to a counterparty group exceeded this threshold with an exposure of 13.8 per cent. of Tier 1 Capital. The total exposure of Banco Montepio to a counterparty (or such counterparty's group) cannot exceed 25 per cent. of Banco Montepio's Tier 1 Capital. As at 31 December 2021, none of Banco Montepio's exposures exceeded such level.

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

Direct and indirect participating interests held by Banco 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 Banco 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 2021, Banco 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 Banco 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 2021, Banco Montepio did not hold any participating interest, directly or indirectly, exceeding such limit.

e) ***Limitations on credit to qualified shareholders***

The total exposure of Banco Montepio to a qualified shareholder cannot exceed 10 per cent. of Banco Montepio's own funds and the global value of exposures to qualified shareholders cannot be greater than 30 per cent. of such own funds. As at 31 December 2021, Banco Montepio did not

have any exposure to a qualified shareholder exceeding such limit.

## **DESCRIPTION OF THE ISSUER'S RESIDENTIAL MORTGAGE BUSINESS**

### **The Residential Mortgage Business of the Issuer**

The Issuer is one of Portugal's largest residential mortgage lenders, a business it was authorised to develop long before the market was liberalised in 1991. In spite of the strong competition that followed that event, the Issuer has been able to maintain its market position and its recognition as a major player in this business.

With the aim of defending its position as a mortgage specialist, focus is given to the quality of the service provided to its customer base, along with the adoption of rigorous, ethical and transparent practices.

### **Origination**

All of the Issuer's residential mortgage loans are originated at the branch level. This may take place as a result of direct contact with borrowers, or via proposals submitted to the Issuer by real estate agents. In each case, the client will have to go to the branch to follow the standard application and approval process.

### **Credit Decision**

The Issuer has adapted product policies applied before the financial crisis that included decreasing loan-to-value ratios and maturities as well as introducing less flexible repayment schemes.

The Issuer has refocused its strategic guidelines for mortgage lending, focusing on credit decisions, delinquency loans and customer profitability.

In Portugal, most residential mortgage loans pay interest on a floating rate basis, indexed to 3, 6 and 12 month Euribor (being the 12 month the current benchmark) with a spread depending on the loan-to-value ratio and the relevant clients' scoring under Basel II rules. While most banks offer fixed or capped rate alternatives, the majority of the Portuguese borrowers are still preferring the floating rate loans. The potential evolution of instalments and the impact on delinquency are considered in the Issuer's credit decision.

In order to prevent future increases in Euribor and over indebtedness, the Issuer stresses the financial customer capacity evaluation for new loans by adding 300 basis points to the standard loan rate (ie to the Euribor plus spread applicable to the loan).

Additionally, in the credit decision analysis, the Issuer uses a Return on Regulatory Capital (RORC) pricing model, which takes into consideration the cost of capital, cost of funding and cost of risk based on the internal scoring models in place, which assess the credit risk of clients based on a wide range of variables, such as socio-demographic, economic, financial and behavioral.

### **Underwriting**

Mortgage loans applications are submitted by customers at the local branches. At the branch of the commercial area, the information required in accordance with internal credit rules (i.e. financing application, identity documents, informative questionnaires and official documents evidencing the customer's income) is collected, checked and entered into the "Credit Scoring System". This system automatically checks whether there is any relevant information on the customer stored in internal and/or external databases and checks the application against the main credit policies/rules (i.e. Loan-to- Value, Debt-to-Income).

The Credit Analysis Division (an independent area of the commercial divisions) issues a binding opinion in the second and third levels of decision.

The proposals are submitted through a workflow system that automatically validates the competent level for decision. The approval of housing loans is the responsibility of four levels of management, involving

the Branch, the Regional Department and Credit Analysis Department, the Commercial Manager and the Credit Analysis Manager and the Executive Board.

The limits depend on the score and Loan to Value (LTV):

1st Level: Branch (Loan amount limit): €150,000 to €300,000 (highest to the lowest risk score) and LTV not higher than 80 per cent. (second or holiday home), 90 per cent (general rule) or 100 per cent. (when financing properties held in the Issuer's balance sheet).

2nd Level: Regional Department and Credit Risk Department: €300,000 to €800,000 and LTV not higher than 80 per cent., 90 per cent. or 100 per cent., depending on the loan purpose.

3rd Level: Commercial Manager and the Risk Analysis Manager: €450,000 to €1,100,000 and LTV not higher than 80 per cent., 90 per cent. or 100 per cent, depending on the loan purpose.

4th Level: Executive Board: Other cases

Once a decision has been made by the relevant decision level, the customer is formally informed by mail.

### **Insurance Cover**

Property insurance coverage is required in respect of any property which is the subject of a mortgage loan. The existence of fire or multi-risk insurance is compulsory for an amount equal to the property reconstruction value and with an insurance company approved by the Issuer.

Life insurance is also compulsory, for an amount at least equal to the value of the loan and for all the borrowers, which, in case of death or permanent invalidity of the borrower, guarantees the payment of the outstanding capital to the Issuer.

### **Security Interests**

Loans are secured by first ranking mortgage over the property to be purchased. In exceptional cases, this may be replaced by a guarantee over another property or by a pledge of securities/deposits.

### **Mortgage Products**

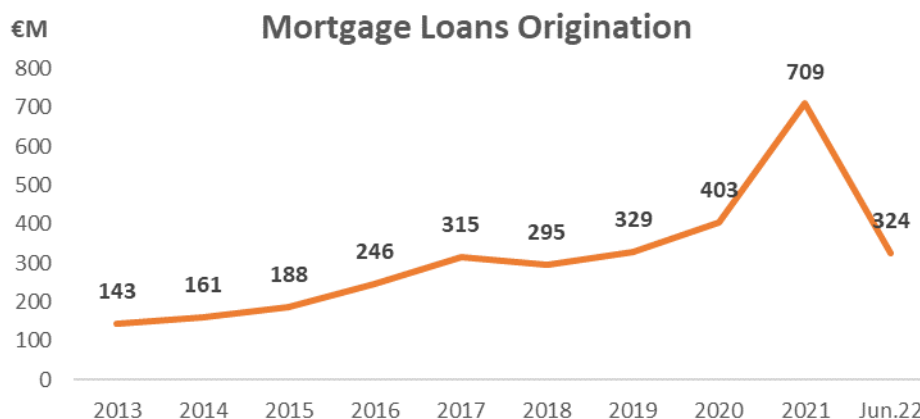
Under the laws of the Portuguese Republic, the term of any mortgage contract may exceed 30 years, however maximum loan terms have been defined, depending on the age of the borrower:

- 40-year term for borrowers aged up to or equal to 30 years old
- 37-year term for borrowers aged between 30 and 35 years old
- 35-year term for borrowers older than 35 years old

All loans must be repaid in instalments (comprising interest and principal) and paid by direct debit (the system automatically debits the customer's current account associated with the loan), usually on a monthly basis.

The majority of residential mortgage loans pay interest on a floating rate basis, indexed to 3, 6 or 12 month EURIBOR, plus a spread, depending on the LTV ratio and on the risk class assigned by the scoring system.

In order to mitigate the risk, the underwriting criteria for mortgage loans was revised, pursuant to which LTV and debt-to-income ratios are kept at a maximum of 80 per cent. and 50 per cent., respectively.



In the most recent years, the Issuer has been focused in the mortgage sector which translates into the origination amounts that have been observed since mid-2020.

### **Monitoring**

The Issuer proceeds to the monitoring of the credit portfolio on a monthly basis. In that process, the Issuer closely analyzes the performance of a number of indicators, which include the risk ratios and a set of quality indicators, such as debt to income, the loan-to-value ratio, and the risk class. The Issuer also performs regular revisions to the scoring models, in order to guarantee their accuracy. For that purpose, a number of indicators are analysed, such as the overrides and the acceptance and rejection rates.

### **Delinquency management in the mortgage business**

For the Issuer, the residential mortgage business requires a strict and consistent management of delinquency, using multiple solutions to prevent and mitigate non-performing loans.

Early detection of delinquency situations led to the creation of the concept of a client in financial distress. A customer is in financial distress when the client records a default within the Issuer, or when the client shows difficulty in paying expenses, even if the customer is not yet in default. In either circumstance, typically, the client has had a reduction of disposable income, meaning an increase in the debt-to-income ratio when compared to that observed at the time of underwriting.

For these clients, the Issuer has enhanced its information systems in order to detect customers (i) with a partial delay in paying of at least one mortgage instalment; (ii) using the total overdraft limit negotiated in a two-month period; (iii) using the full credit limit in credit cards at least once in the last 6 months; (iv) with an indication of credit written-off, non-performing loans or credit renegotiation in the Bank of Portugal's systems.

It also detects customers whose payments, by direct debit, are lagging behind or whose debit payments have been cleared.

New legislation relating to default situations within the context of residential loan agreements was established from 2012 onwards, which resulted in the adoption of new concepts for the characterisation of customers who are in economic difficulty and new measures aimed at preventing default and promoting extrajudicial renegotiation of loans, applicable to credit institutions.

Like other Banks, the Issuer has implemented the Pre-arrears Action Plan (PARI), with new rules, procedures and measures which allow for: early detections of signs of delinquency risk, implementing

systems to identify default risk; control of borrowers who report financial difficulties; the adoption of measures to prevent arrears; the evaluation of evidence of default risk; repayment solutions proposals, whenever the risk of failure is caused by temporary and specifically defined circumstances; evaluation of the financial capacity of the client; contract restructuring or credit agreements consolidation proposals, in cases where the risk of default is assumed to be permanent.

The Issuer has also created an extrajudicial settlement procedure for borrowers in default situation (PERSI), with several measures intended to automatically detect customers in default and propose timely contractual changes and restructurings, including: the notification of customer arrears and amounts due, to the borrower and guarantors; registration of the reasons for non-compliance and assessment of the financial capacity of the client; reporting clients about the evaluation of failure; contractual remedies proposals, adequate to each borrower's financial situation.

### **Arrears management in Pre-Litigation**

The arrears management in the first 60 (sixty) days is performed at branch level. At the first missed payment, letters are sent to debtors and guarantors requesting repayment of overdue amounts. The commercial network is informed of the arrears and is encouraged to contact customers for the respective regularization. New settlement plans draw-up and decision about them for loans in arrears with less than 1 month, followed by a closely monitoring of the loans performance under the revised settlement plans.

Contacts are also made via Contact Centre at the 10th, 30th and 45th day of arrears. Scripts are different, becoming more assertive as the time in arrears increases.

All phone contacts are recorded and registered in a dedicated credit recovery software (SIRA), and if necessary, meetings are scheduled between the borrowers / guarantors and the respective branches.

The Issuer also developed software and proceedings for dealing with the customers that are eligible for PERSI-Extrajudicial Procedure Default Situations Regularization (Decree-Law 227/2012, of 25 October) namely whenever the Client alerts about the risk of default, transmit facts indicating the deterioration of its financial capacity or explicitly request the inclusion in PERSI. For the remaining customers PERSI is triggered after 31 (thirty-one) days in arrears.

After 60 (sixty) days in arrears the process is monitored by the Credit Recovery Division. Within the scope of the ongoing transformation project, a new organization structure was implemented and new credit delegation rules were put in place, reducing the decision process cycle. Additionally it were implemented a set of predefined cure approaches based on a decision tree process, on a loan by loan basis, tailored to each segment and credit features, differentiating short term from medium to long term approaches.

Several letters are sent to the borrowers and guarantors, as well as outbound calls to the borrowers and guarantors, notifying them on the delinquent status of the loan and advising about a new channel for payments (via net banking and ATM's) in addition to the standard direct debit procedure. In the following 30 (thirty) days, every legal steps provided for in PERSI are implemented, including contacts, letters and negotiations to deal with the delinquency. Applicable solutions have a wide scope and can take several forms, including:

- Short-term treatment
  - Regularization plans for credit recovery;
  - Contractual changes with grace periods of principal;
  - Contractual changes with grace periods of principal and interest;
- Long-term treatment
  - Extension of the contractual maturity;

- Deferring part of principal outstanding for the final installment;
  - Customer's debt restructuring through a new contract with new warranties and / or guarantors;
- Last attempt treatment
- Credit reimbursement by selling the collateral to a third party;
  - Taking back the property (deed in lieu);
  - Integration into real estate rental funds

After 180 (one hundred and eighty) days in arrears, if it is not possible to reach an agreement with the customer, then the legal process is initiated. Due to the current economic situation and to the households' difficulties this period may be extended, if necessary.

#### **Arrears Management - litigation**

The litigation process is usually initiated after 6 months in arrears; and since 2019, litigation recovery process has been fully outsourced to law firms that handle the legal process through all its phases.

External law firms no matter the process complexity and/or exposure amount perform the judicial recovery. The exchange of information with these law firms is performed on a daily basis through a secure server (FTPs - File Transfer Protocol Secure) using interface files with the data and scanned documents. Bearing in mind that the aim of DRC is to settle the defaulted mortgage loans mainly out of the court, even at this stage a settlement out of court is still possible.



### **USE OF PROCEEDS**

The net proceeds resulting from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes.

## THE COVERED BONDS LAW

The following is a brief overview of Portuguese legal provisions applicable to the issuance of Covered Bonds. Prospective investors should seek their own independent legal advice.

### FRAMEWORK

The Covered Bonds Law introduced a framework for the issuance of asset covered debt securities into Portuguese Law.

The Covered Bonds Law has been supplemented by the Regulatory Notices. The Regulatory Notices address matters such as the segregation of the assets included in the cover pool assets from the insolvent estate of the issuer in the event of insolvency, the compliance with asset and liability matching requirements and the methodology for valuation of mortgages and properties, namely:

- Regulatory Notice (“*Aviso*”) 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law;
- Regulatory Notice (“*Aviso*”) 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law;
- Regulatory Notice (“*Aviso*”) 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law;
- Instruction (“*Instrução*”) 13/2006, of the Bank of Portugal, contains rules to be followed in respect of notices to the Bank of Portugal regarding the issue of covered bonds under the Covered Bonds Law. Prior to a first issuance of covered bonds, and on each subsequent issuance, an Institution is required to provide the Bank of Portugal with certain documentation and information, including a chart showing the detailed composition of the autonomous pool of assets allocated to the covered bonds.

On 6 May 2022, Decree-Law 31/2022, of 6 May 2022, approving the new Legal Regime of Covered Bonds and transposing the CBD, was published in the Portuguese Official Gazette (*Diário da República*). Without prejudice to some transitory provisions, this new regime entered into force on 1 July 2022. In accordance with the CBD, Decree-Law 31/2022, of 6 May 2022 provides for permanent grandfathering with respect to certain requirements of the new regime for Article 52 (4) UCITS Directive-compliant covered bonds issued before 8 July 2022 and includes an option for EU Member States to allow tap issues of grandfathered covered bonds (for up to 24 months after 8 July 2022, which Portugal has elected for under the new legislation), provided that such issues comply with certain prescribed requirements. Pursuant to the transitory regime set out in paragraph 4 of Article 7 of the Legal Regime of Covered Bonds, this Base Prospectus is intended to be used solely for tap issues of grandfathered Covered Bonds, which is permitted under the Legal Regime of Covered Bonds provided the following requirements are met:

- a) The maturity date of the covered bond does not exceed 8 July 2027;
- b) The total volume of increments made after 8 July 2022 does not exceed twice the total volume of covered bond issues carried out and not yet repaid on such date;

- c) The total volume of covered bond issues on the maturity date does not exceed € 6,000,000,000.00; and
- d) The collateral assets are located in Portugal.

Such grandfathered covered bonds will continue to be governed by the Covered Bonds Law in conjunction with certain provisions of the Legal Regime of Covered Bonds (e.g., certain provisions relating to insolvency of the issuer). The supervision of grandfathered covered bonds has been transferred from the Bank of Portugal to the CMVM from 1 July 2022. The Decree-Law also provides that the secondary legislation passed by the Bank of Portugal will remain in force until the CMVM has issued replacement regulations.

### **ISSUERS OF COVERED BONDS**

Under the Covered Bonds Law, as complemented by the Legal Regime of Covered Bonds, mortgage covered bonds (“*obrigações hipotecárias*”) may be issued by credit institutions legally authorised to grant credits guaranteed by mortgages over property (the “**Institutions**”).

If the issuer of covered bonds is a credit institution, with no restrictions to its banking activities, it may issue covered bonds directly maintaining the underlying cover pool on its balance sheet. The Issuer is an Institution.

If the cover assets are insufficient to meet interest and principal payments due on the covered bonds of the insolvent Institution, the holders of covered bonds and the hedging counterparties will also rank *pari passu* with unsecured creditors of the Institution in relation to the remaining assets of the insolvent Institution. Please refer for further detail to *Segregation of Cover Assets and Insolvency Remoteness* below.

### **COVER ASSETS**

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

#### *Mortgage Credits Eligibility Criteria*

- a) pecuniary receivables not yet matured, which are neither subject to conditions, nor encumbered, judicially seized or apprehended and which are secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
- b) mortgage credits secured by junior mortgages provided all mortgage credits secured by senior mortgages on the same property are held by the Issuer and allocated to the Cover Pool;
- c) receivables secured by a personal guarantee granted by a credit institution or an appropriate insurance policy, in each case together with a mortgage counter guarantee evidencing (a) or (b) above.

#### *“Other Assets” Eligibility Criteria:*

The following assets may also be included in the Cover Pool as Other Assets:

- a) deposits with the Bank of Portugal, in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the EU member states whose currency is the euro);
- b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent; and

c) other assets meeting both the low risk and high liquidity requirements of the Regulatory Notices.

The aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool allocated as collateral to all Covered Bonds issued by the Issuer.

At the date of this Base Prospectus, the Issuer intends to include in the Cover Pool mortgage credits which, for the purposes of the Covered Bonds Law, are located in Portugal and secured primarily on residential property.

The Issuer does not intend at the date of this Base Prospectus to include either (i) Mortgage Credits which have their primary security over commercial property or (ii) Mortgage Credits in respect of which the associated Property is located for the purposes of the Covered Bonds Law outside Portugal without first obtaining (in each case for so long as the Covered Bonds are rated by such rating agency) from Fitch and/or Moody's a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Covered Bonds.

Hedging contracts may also be included in the cover pool for hedging purposes, namely to hedge interest rate, foreign exchange rate and liquidity risks. The Regulatory Notices contain certain rules governing the limits and conditions for the use of these hedging contracts.

The cover pool is of a dynamic nature. Accordingly, the Institution may be required, or may otherwise decide to, include new assets in such cover pool or substitute assets in case the existing ones no longer comply with the applicable financial and prudential requirements.

Furthermore, an Institution is required by the Covered Bonds Law to maintain a register of all the assets comprised in the cover pool, including hedging contracts and to have them identified through a code in the issue documents. The key to such code is deposited with the Bank of Portugal.

#### **VALUATION AND LOAN-TO-VALUE CRITERIA**

Institutions are required to conduct valuations of mortgage properties and periodic updates of such valuations in accordance with the rules defined by the Bank of Portugal (in particular, pursuant to Regulatory Notice 5/2006, which establishes rules on the methods and frequency of the valuations of assets and derivatives).

The maximum Loan to Value cannot exceed the value of the mortgages and is 80 per cent. for residential mortgages and 60 per cent. for commercial mortgages loans.

The value of each property securing a mortgage credit comprised in a cover pool may not be higher than the commercial value of such property, determined in accordance with a prudent criteria and taking into consideration: (i) the sustainable long term characteristics of such property, (ii) the standard conditions of the local market, (iii) the current use of the relevant property, and (iv) any alternative uses of each such property.

Pursuant to the requirements of Regulatory Notice 5/2006, the commercial value awarded by an issuer of covered bonds to each of the properties securing mortgage credits comprised in a cover pool may not be higher than the market value of the relevant properties. For these purposes, the market value of each property corresponds to the price by which such property can be purchased by a third party purchaser, able to complete such purchase, (please refer to page 93 of this Base Prospectus) on the date of the valuation of such property, assuming that (i) the property is publicly put on sale, (ii) the market conditions allow for a regular transfer of the property and (iii) there is a normal period of time to negotiate the corresponding purchase and sale, considering the nature of the property.

Regulatory Notice 5/2006 contains detailed provisions regarding valuation of properties securing mortgage credits included in a cover pool (including subsequent valuations), the methods and frequency

for such valuations, the appointment, remuneration and role of the real estate valuation experts and transitional provisions concerning valuations made prior the coming into force of the aforesaid Regulatory Notice.

## ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS

The Covered Bonds Law and the Regulatory Notices establish the following asset and liabilities matching requirements:

- The global nominal value of the outstanding mortgage covered bonds cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (i.e., a mandatory overcollateralisation of 5.2632 per cent.). Pursuant to the Terms and Conditions of the Covered Bonds, the Issuer is committed to an overcollateralisation of 10.0 per cent. which is higher than the 5.2632 per cent. threshold required by the Covered Bonds Law. For further information, refer to Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*);
- The average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds;
- The total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any point in time, the amount of interest to be collected from the mortgage credits and other assets comprised in the cover pool backing the relevant issue of covered bonds – this means, therefore, that under the Covered Bonds Law cash flows from the cover pool must at all times be sufficient to meet all scheduled payments due to the holders of covered bonds;
- The net present value of the liabilities arising from issues of covered bonds pursuant to the Covered Bonds Law cannot exceed the net present value of the cover pool assigned to such covered bonds, including any hedging contracts also comprised in the cover pool. This ratio must also be met for 200 basis points parallel shifts in the yield curve.

For the purposes of the calculation of the level of overcollateralisation, as well as of the remaining financial and prudential requirements, Institutions are required to use the following criteria:

- (i) the mortgage credits shall be accounted for the nominal value of their outstanding principal, including any accrued but unpaid interest;
- (ii) the covered bonds shall be accounted according to the nominal value of outstanding principal, including accrued but unpaid interest; and
- (iii) in relation to any other assets:
  - (a) deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
  - (b) securities eligible for Eurosystem credit transactions shall be accounted for a value which is obtained in accordance with margin calculation rules laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

If the relevant covered bonds are denominated in any currency other than euro, the Institution must use the foreign exchange rates published by the ECB as a reference.

The Covered Bonds Law also contains rules regarding the management of the cover pool allocated to one or more issues of covered bonds, allowing the Institution, *inter alia*, to assign new mortgage credits to the cover pool. The Institution may also enter into irrevocable credit facilities for the provision of liquidity in connection with the liabilities arising under the covered bonds. The credit facility counterparty must have a minimum credit rating of “A-”.

An Institution is entitled to enter into derivatives contracts to hedge interest, exchange rate and liquidity risks. These derivatives contracts are also included in the cover pool and the derivative counterparties (who also benefit from the special creditor privilege) have to be rated “A-” or above. If a particular issue

of covered bonds is denominated in a currency other than the euro, the Institution must enter into adequate hedging contracts for the purpose of hedging the relevant currency exchange risk.

If the limits and requirements established in the Covered Bonds Law are exceeded, the issuer is required to remedy the situation immediately by (i) allocating new mortgage credits, with or without substitution of those already allocated to the Covered Bonds; and/or (ii) purchasing outstanding covered bonds in the secondary market and/or (iii) allocating other eligible assets within the limits of the Covered Bonds Law.

Mortgage credits that become delinquent after being allocated to the cover pool may still remain in such cover pool provided that the delinquency period is not equal to or higher than 90 days, in which case such mortgage credits must be removed from the cover pool by the Institution and, if necessary to comply with the prudential requirements established in the Covered Bonds Law, substituted by new mortgage credits.

Mortgage credits underlying covered bonds may only be sold or pledged if the Institution allocates new mortgage credits to the covered bonds sufficient to maintain compliance with the financial and prudential requirements set forth in the Covered Bonds Law.

Instruction 13/2006, of the Bank of Portugal, contains rules to be followed in respect of regulatory notices to the supervisory authority regarding the issue of covered bonds under the Covered Bonds Law in the context of first and subsequent issuances, including a chart showing the detailed composition of the autonomous pool of assets allocated to the covered bonds. On a monthly basis, the Institution is required to provide the supervisory authority with information on the number and amount of covered bonds outstanding and on any new issues of covered bonds and redemptions occurred.

#### **COVER POOL MONITOR, COMMON REPRESENTATIVE AND BANKING SUPERVISION**

The Board of Directors of the Institution is required to appoint an independent auditor registered with the CMVM for the purposes of monitoring the compliance by such Institution of the financial and prudential requirements established in the Covered Bonds Law.

Pursuant to the Covered Bonds Law, the independent auditor is required to issue an annual report covering the compliance by the issuer with the applicable legal and regulatory requirements.

Also, a common representative of the holders of the covered bonds – common to all mortgage or public covered bond issues (“*obrigações hipotecárias*”) or (“*obrigações sobre o sector público*”) – must be appointed by the Board of Directors of the Institution in order to represent the interest of the holders of covered bonds.

The Bank of Portugal and the CMVM carry out banking and capital markets supervision respectively, with the CMVM having replaced the Bank of Portugal as the supervisory authority for Covered Bonds since 1 July 2022.

#### **SEGREGATION OF COVER ASSETS AND INSOLVENCY REMOTENESS**

##### *Asset segregation*

The assets and hedging contracts allocated by the Institution to the issues of covered bonds will remain and be registered in separate accounts of the Institution and will be identified under a codified form. The key to such code will be deposited with the supervisory authority. If the holders of covered bonds decide to accelerate the relevant covered bonds pursuant to Article 4.5 of the Covered Bonds, the common representative of such holders shall request the supervisory authority to disclose the information associated to such code key.

The assets included in the register maintained by the Institution will form a segregate estate over which the holders of the covered bonds will have a special creditor privilege (*privilegio creditório especial*), in particular in case of the winding-up and/or the dissolution of the Institution.

In the event of insolvency of the Institution, the assets allocated to one or more issues of covered bonds

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

From and including 1 July 2022, the following regime applies under the Legal Regime of Covered Bonds, substituting the previous regime on such matters under the Covered Bonds Law:

Where a resolution action is taken against the Issuer, CMVM shall cooperate with the Bank of Portugal, as the competent resolution authority, to protect the rights and interests of the holders of Covered Bonds, in particular by verifying the continuity and sound management of the covered bonds programme following the resolution action.

If an Insolvency Event occurs in relation to the Issuer, the Bank of Portugal, as the competent resolution authority, shall notify CMVM, as soon as possible, when it applies a resolution measure to the Issuer, informing it, specifically, of the treatment of the covered bonds in the resolution action applied. In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal will immediately inform CMVM of the decision to revoke the authorisation of the Issuer.

In case of revocation of the authorisation to act as a credit institution in Portugal and consequent liquidation of the Issuer, CMVM may appoint a Special Administrator, within 10 business days after the revocation of such authorisation. The roles and responsibilities of the Special Administrator include:

- a) extinction of liabilities associated with the Covered Bonds;
- b) the management and settlement of hedging assets, including their transfer to another credit institution that issues covered bonds, together with the liabilities associated with such covered bonds;
- c) performing all acts and operations necessary for:
  - (i) the adequate administration of the Cover Pool;
  - (ii) the continuous monitoring of the coverage of the liabilities associated with the Covered Bonds; and
  - (iii) the initiation of the necessary legal actions to reintegrate the assets in the Cover Pool and the transfer of the remaining assets, after the extinction of all hedging portfolio liabilities to the insolvent estate (*massa insolvente*) of the Issuer;
- d) performing all acts and operations necessary for the sound management of the claims and respective guarantees, to ensure the timely payment of all amounts due to the holders of the Covered Bonds, including, but not limited to:
  - (i) selling the Mortgage Credits comprised in the Cover Pool;
  - (ii) ensuring collection services in respect of the Mortgage Credits comprised in the Cover Pool;
  - (iii) administrative services in connection with such Mortgage Credits and respective borrowers; and
  - (iv) amending and extinguishing conservative acts relating to the guarantees; and
- e) maintaining and keeping updated a segregated register of the Cover Pool in accordance with the Legal Regime of Covered Bonds.

The CMVM may dismiss the Special Administrator, in particular in cases where such Special Administrator fails to fulfil and comply with the duties and responsibilities assigned under the Legal Regime of Covered Bonds. The remuneration of the Special Administrator is fixed by the CMVM and constitutes a charge on



the Cover Pool.

Finally, the CMVM, the Bank of Portugal, as the competent resolution authority, and (if appointed) the Special Administrator shall coordinate their measures and exchange the necessary information for the performance of their respective functions.

The Special Administrator will prepare, immediately upon being appointed, an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes, as well as an annual report, regarding the Cover Pool. The annual report shall be subject to an audit report, prepared by an independent auditor appointed by the Special Administrator. By the end of the quarter following the end of the relevant financial year, the Special Administrator will share with the CMVM the annual report, jointly with the audit report.

#### *Preferential status for covered bonds holders*

Pursuant to the Covered Bonds Law, holders of covered bonds benefit from a **special creditor privilege** (*privilégio creditório especial*) over the assets assigned to the issue, with precedence over any other creditors, for the purpose of redemption of principal and receipt of interest corresponding to the relevant covered bonds.

The mortgages that serve as collateral for the entitlements of the holders of covered bonds prevail over any real estate preferential claims. If the assets comprised in the cover pool are not enough to pay interest and principal under the covered bonds, the holders of covered bonds will then rank *pari passu* with unsecured creditors of the relevant Institution.

The hedging contracts entered into by the Institution also form part of the cover pool and thus the relevant counterparties will also benefit from the special creditor privilege (*privilégio creditório especial*) over such cover pool. Accordingly, these counterparties will have similar rights to those of the holders of the covered bonds and, consequently, their contracts are not expected to be called in case of insolvency of the Institution.

From and including 1 July 2022, Article 5 (Dual Recourse) of the Legal Regime of Covered Bonds applies, which, while continuing to apply the same regime as above, specifies further detail thereto, confirming that the holders of covered bonds and the hedging counterparties have: (a) a claim against the credit institution issuing the covered bonds; (b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a special creditor privilege on the cover assets in the amount of the principal and any accrued and future interest; (c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the privileged credit referred in (b) cannot be fully satisfied, a claim against the insolvency estate of that credit institution, which ranks *pari passu* with the claims of the credit institution's ordinary unsecured creditors of the credit institution. It is further specified that the entitlements under (a) to (c) above are limited to the total payment obligations under the covered bonds and that the above dual recourse and special creditor privilege also applies in case of maturity extension of those covered bonds subject to automatic maturity extension, pursuant to the Legal Regime of Covered Bonds.

The remuneration costs and disbursements related with the tasks of the Common Representative will also benefit from the special creditor privilege (*privilégio creditório especial*) to the extent that the same are in line with the terms and conditions of the relevant issue.

Pursuant to the Covered Bonds Law, in the case of dissolution and winding-up of an Institution, a meeting of holders of covered bonds may decide, by a 2/3 (two thirds) majority vote, to accelerate the covered bonds, in which case the administrator shall provide for the settlement of the estate allocated to the relevant issue in accordance with the provisions defined in the Covered Bonds Law and in the relevant terms and conditions that govern such issue.

## **RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

Covered bonds issued in accordance with the Covered Bonds Law are in compliance with the requirements of paragraph 4 of Article 52 of the UCITS Directive as well as with subparagraphs (a) to (f) of paragraph 1 of Article 129 of Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, the Capital Requirements Regulation (“CRR”). The risk-weighting applicable to covered bonds is also governed by Article 129 of the CRR

## **HARMONISATION OF THE EU COVERED BOND FRAMEWORK**

The CBD was published in the Official Journal on 18 December 2019 and came into effect on 7 January 2020, establishing a revised common base-line for the issue of covered bonds for EU regulatory purposes and has been transposed into Portuguese national legislation by Decree-Law 31/2022, of 6 May 2022, which entered into force on 1 July 2022, which approved the Legal Regime of Covered Bonds.

In accordance with the transitional provisions of Decree-Law 31/2022, of 6 May 2022, an issuer of covered bonds under the Covered Bonds Law may apply to the CMVM, as supervisory authority, to convert its existing covered bonds programme, under the Covered Bonds Law, to a covered bonds programme compliant with the Legal Regime of Covered Bonds, by submitting the application to the CMVM together with the adjusted programme documentation and other applicable supporting documents and information. If the CMVM authorises such conversion, the covered bonds issued under the Covered Bonds Law will become subject to the Legal Regime of Covered Bonds and the terms of such compliant covered bonds programme. Until authorisation from the CMVM is provided, the existing covered bonds programme does not fulfil the legal requirements to be considered compliant with the Legal Regime of Covered Bonds.

Pursuant to the transitory regime set out Article 7 (4) of the Legal Regime of Covered Bonds, this Base Prospectus is intended to be used solely for tap issues of grandfathered Covered Bonds. Such grandfathered covered bonds will continue to be governed by the Covered Bonds Law in conjunction with certain provisions of the Legal Regime of Covered Bonds (e.g., certain provisions relating to insolvency of the issuer).

## TAXATION

### Portugal

The following is a general description of certain Portuguese tax consequences of the acquisition and ownership of Covered Bonds. It does not purport to be an exhaustive description of all tax considerations that may be relevant to decide about the purchase of Covered Bonds. Notably, the following general discussion does not consider any specific facts or circumstances that may apply to a particular purchaser.

This overview is based on the laws of Portugal currently in full force and effect and as applied on the date of this Base Prospectus, thus being subject to variation, possibly with retroactive or retrospective effect.

Prospective purchasers of Covered Bonds are advised to consult their own tax advisers as to the tax consequences resulting from the purchase, ownership and disposition of Covered Bonds, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents.

The economic advantages deriving from interests, amortization or reimbursement premiums and other types of remuneration arising from Covered Bonds issued by private entities are qualified as investment income for Portuguese tax purposes.

Gains obtained with the repayment of Covered Bonds or of any other debt securities are qualified as capital gains for Portuguese tax purposes.

#### General tax regime on debt securities

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income (*englobamento*), subject to tax at the current progressive rates of up to 48 per cent. plus an additional surcharge of 2.5 per cent. applicable on income exceeding €80,000 and up to €250,000 and of 5 per cent. applicable on income exceeding €250,000.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more resident accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

In this case, the tax withheld is deemed a payment on account of the final tax due. Capital gains obtained by Portuguese resident individuals on the transfer of Covered Bonds are taxed at a special tax rate of 28 per cent. levied on the positive difference between the capital gains and capital losses of each year, which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 48 per cent. plus an additional surcharge of 2.5 per cent. applicable on income exceeding €80,000 and up to €250,000 and of 5 per cent. applicable on income exceeding €250,000. The State Budget Law for 2022 foresees that, from 1 January 2023 onwards, the positive balance between capital gains and capital losses arising from the transfer for consideration of shares and other securities, which includes gains obtained on the disposal or the refund of the Covered Bonds, is mandatorily accumulated and taxed at progressive rates if the assets have been held for less than 365 days and the taxable income of the taxpayer, including the balance of the capital gains and capital losses, amounts to or exceeds € 75,009.

Interest and other investment income derived from Covered Bonds and capital gains obtained with the transfer of Covered Bonds by legal persons resident for tax purposes in Portugal and by non resident legal

persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at a rate of (i) 21 per cent. (14.7 per cent. in the Autonomous Region of Azores) or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law 372/2007, of 6 November 2007, 17 per cent. (11.9 per cent. in the Autonomous Region of Azores) for taxable profits up to €25,000 and 21 per cent. (14.7 per cent. in the Autonomous Region of Azores) on profits in excess thereof, to which may be added a municipal surcharge (*"derrama municipal"*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than € 1,500,000 are also subject to State surcharge (*"derrama estadual"*) of 3 per cent. (2.1 per cent. in the Autonomous Region of Azores) on the part of their taxable profits that exceeds € 1,500,000 up to € 7,500,000, of 5 per cent. (3.5 per cent. in the Autonomous Region of Azores), on the part of the taxable profits that exceeds € 7,500,000 and 9 per cent. (6.3 per cent. in the Autonomous Region of Azores) on the part of the taxable profits that exceeds €35,000,000.

Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due (except where the beneficiary is either a financial institution, a collective investment undertaking or an exempt entity as specified by current Portuguese tax law).

Interest and other investment income paid or made available (*"colocado à disposição"*) to accounts opened in the name of one or more resident accountholders or non resident accountholders with a permanent establishment in Portugal acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

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

Interest and other types of investment income obtained by non resident individuals is subject to withholding tax at a rate of 28 per cent..

Interest and other investment income paid or made available (*"colocado à disposição"*) to accounts opened in the name of one or more non resident accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

A withholding tax rate of 35 per cent. also applies in case of investment income payments to individuals resident in a country, territory or region subject to a clearly more favorable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*"Portaria"*) 150/2004, of 13 February 2004, as amended from time to time (*"Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis"*).

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

Interest and other investment income paid or made available (*"colocado à disposição"*) to accounts opened in the name of one or more non resident accountholders without a permanent establishment in Portugal acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

A withholding tax rate of 35 per cent. also applies in case of investment income payments to legal persons resident in a country, territory or region subject to a clearly more favorable tax regime included in the

“low tax jurisdictions” list approved by Ministerial order (“*Portaria*”) 150/2004, of 13 February 2004, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”).

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes may be available for viewing and downloading at <http://www.portaldasfinancas.gov.pt>.

Capital gains obtained on the transfer of Covered Bonds by non resident individuals are exempt from Portuguese capital gains taxation unless the beneficial owner is resident in a country, territory or region subject to a clearly more favorable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (“*Portaria*”) 150/2004, of 13 February 2004, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”). If the exemption does not apply, the gains will be subject to personal income tax at a rate of 28 per cent.. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

Capital gains obtained on the disposal of Covered Bonds by a legal person non resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities (the referred 25 per cent. threshold will not be applicable when the following cumulative conditions are met by the seller: (i) the entity at issue has its residence in the European Union or in the European Economic Area State or in any country with which Portugal has a double tax treaty in force that foresees information exchange; (ii) such entity is subject and not exempt from IRC, or a tax of similar nature with a rate not lower than 60 per cent of the Portuguese IRC rate; (iii) it holds at least 10 per cent. of the share capital or voting rights for at least 1 year uninterruptedly; and (iv) it is not intervenient in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage) or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (“*Portaria*”) 150/2004, of 13 February 2004, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

### **Special Debt securities tax regime**

Pursuant to Decree-Law 193/2005, of 7 November 2005, as amended from time to time, last amended by Law 42/2016, of 28 December 2016 (“**Decree-Law 193/2005**”), investment income paid on, as well as capital gains derived from a sale or other disposition of the Covered Bonds, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the

Decree-Law 193/2005, and the beneficiaries are:

- a) central banks or governmental agencies; or
- b) international bodies recognised by the Portuguese State; or
- c) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement in force; or
- d) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial Order (*Portaria*) 150/2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*), as amended from time to time (hereinafter “**Ministerial Order (*Portaria*) 150/2004**”).

For purposes of application at source of this tax exemption regime, Decree-Law 193/2005 requires completion of certain procedures aimed at verifying the non-resident status of the Noteholder and the provision of information to that effect. Accordingly, to benefit from this tax exemption regime, a Noteholder is required to hold the Covered Bonds through an account with one of the following entities:

- a) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;
- b) an indirect registered entity, which, although not assuming the role of the “direct registered entities”, is a client of the latter; or
- c) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

Direct registered entities are required, for the purposes of Decree-Law 193/2005, to register the Noteholders in one of two accounts: (i) an exempt account or (ii) a non-exempt account.

**(a) Domestic Clearing Covered Bonds**

Registration of the Covered Bonds in the exempt account is crucial for the tax exemption to apply upfront and requires evidence of the non-resident status of the beneficiary, to be provided by the Noteholder to the direct registered entity prior to the relevant date for payment of interest or other investment income (*rendimentos de capitais*) and to the transfer of Covered Bonds, as follows:

- (i) if the beneficiary is a central bank, an international body recognised as such by the Portuguese State, or a public law entity and respective agencies, a declaration issued by the beneficial owner of the Covered Bonds itself duly signed and authenticated, or proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary, and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (ii) if the beneficiary is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be made by means of the following: (A) its tax identification official document; or (B) a certificate issued by the entity responsible for such supervision or registration, or by tax authorities, confirming the legal existence of the beneficial owner of the Covered Bonds and its domicile; or (C) proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary, and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

- (iii) If a beneficial owner of Covered Bonds is 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, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iv) below, so long as the beneficial owners of Covered Bonds provide the confirmation referred to in paragraph (iv) below.
- (iv) in any other case, information provided in accordance with the following rules: confirmation must be made by the relevant beneficial owner of Covered Bonds by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, (B) a document issued by the relevant Portuguese Consulate certifying residence abroad, or (C) a document specifically issued by an official entity taking part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country; for these purposes, an identification document such as a passport or an 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. The beneficiary must provide an original or a certified copy of such documents and, as a rule, if such documents do not refer to a specific year and do not expire, they must have been issued within the three years prior to the relevant payment or maturity dates or, if issued after the relevant payment or maturity dates, within the following three months. The Beneficiary must inform the direct registering entity immediately of any change in the requirement conditions that may eliminate the tax exemption.

**(b) Internationally Cleared Covered Bonds**

Pursuant to the requirements set forth in the tax regime, if the Covered Bonds are registered in an account held by an international clearing system operated by a managing entity, the latter shall transmit, on each interest payment date and each relevant redemption date, to the direct register entity or to its representative, and with respect to all accounts under its management, the identification and quantity of securities, as well as the amount of income, and, when applicable, the amount of tax withheld, segregated by the following categories of beneficiaries:

- a) entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable and which are non-exempt and subject to withholding;
- b) entities which have residence in country, territory or region with a more favourable tax regime, included in the Portuguese “blacklist” (countries and territories listed in Ministerial Order (*Portaria*) no. 150/2004) and which are non-exempt and subject to withholding;
- c) entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable, and which are exempt or not subject to withholding;
- d) other entities which do not have residence, headquarters, effective management or permanent establishment to which the income generated by the securities would be imputable.

On each interest payment date and each relevant redemption date, the following information with respect to the beneficiaries that fall within the categories mentioned in paragraphs (a), (b) and (c) above, should also be transmitted:

- a) name and address;
- b) tax identification number (if applicable);
- c) identification and quantity of the securities held; and

d) amount of income generated by the securities.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005, as amended from time to time, last amended by Law 42/2016, of 28 December 2016. The refund claim is to be submitted to the direct register entity of the Covered Bonds within 6 (six) months from the date the withholding took place. Following the amendments to Decree-Law 193/2005, introduced by Law 83/2013, of 9 December, a new special tax form for these purposes was approved by Order (*Despacho*) 2937/2014, published in the Portuguese Official Gazette (*Diário da República*), second series, no. 37, of 21 February 2014 issued by the Secretary of State of Tax Affairs (*Secretário de Estado dos Assuntos Fiscais*).

The refund of withholding tax after the above six-month period is to be claimed from the Portuguese tax authorities within two years, starting from the term of the year in which the withholding took place.

### **The proposed financial transactions tax ("FTT")**

The European Commission has published a proposal for a Directive for a common financial transaction tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

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

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

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

### **Administrative cooperation in the field of taxation**

The regime under Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014.

Under Council Directive 2014/107/EU, financial institutions are required to report to the Tax Authorities of their respective Member State (for the exchange of information with the State of Residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (i) in case of depository accounts, income paid or credited in the account during the calendar year; or, (ii) in the case of custodial accounts, the total gross amount of interest,



dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Portugal has implemented Directive 2011/16/EU through Decree-Law 61/2013, of 10 May.

Also, Council Directive 2014/107/EU was implemented through Decree-Law 64/2016, of 11 October. Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities which, in turn, will report such information to the relevant Tax Authorities of EU Member States or States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

In view of the abovementioned regimes, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations and the forms to use for that end were provided by the Ministry of Finance, through Order 302-B/2016, of 2 December 2016, Order 302-C/2016, of 2 December 2016, Order 302-D/2016, of 2 December 2016 and Order 302-E/2016, of 2 December 2016, all as amended from time to time.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "**FATCA**", a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Portugal) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply to foreign passthru payments prior to 1 January 2019 and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds.

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds.

In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except 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 ("**Regulation S**").

If TEFRA C is specified as "Applicable" in the relevant Final Terms, then the Covered Bonds 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 of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that it has not offered, sold or delivered and will not offer, sell or deliver the Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such an identifiable Tranche, 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 Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons of any identifiable Tranche of Covered Bonds. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Each purchaser of Covered Bonds outside the United States pursuant to Regulation S and every subsequent purchaser of such Covered Bonds in resales prior to the expiration of the distribution compliance period, will be deemed to have represented, agreed and acknowledged that:

- a) the Covered Bonds are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S; and
- b) the Covered Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from registration under the Securities Act.

### Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, 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 Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

#### **Prohibition of Sales to European Economic Area Retail Investors**

Unless the relevant Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation").
- b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

#### **Public Offer Selling Restriction Under the Prospectus Regulation**

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an

investor to decide to purchase or subscribe the Covered Bonds and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

#### **Prohibition of sales to United Kingdom Retail Investors**

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", in relation to the United Kingdom, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

#### **Public Offer Selling Restriction under the UK Prospectus Regulation**

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", each Dealer shall be required to represent and agree that it has not made and will not make an offer of Covered Bonds to the public which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto in the United Kingdom except that it may make an offer of such Covered Bonds to the public in the United Kingdom:

- (i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

## **United Kingdom – Other regulatory restrictions**

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:

- a) in relation to any Covered Bonds 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 Covered Bonds 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 Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- b) 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 Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

## **France**

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

- a) in relation to offers to the public in France:  
it has only made and will only make an offer of Covered Bonds 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 Covered Bonds, by the competent authority of a Member State, other than the AMF, and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus, all in accordance with the Prospectus Regulation and any applicable French law and regulation; or
- b) in relation to offers addressed solely to qualified investors in France:  
it has only offered or sold and will only offer or sell, directly or indirectly, any Covered Bonds in France to and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France, this Base Prospectus, the relevant final terms or any other offering material relating to the Covered Bonds to qualified investors as defined in Article 2(e) of the Prospectus Regulation.

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

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Covered Bonds or caused such Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Covered Bonds or cause such Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the

offer or sale, or invitation for subscription or purchase, of such Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 2001) of Singapore (as amended or modified from time to time, the “SFA”)), pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Covered Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, securities or securities-based contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

## **Canada**

The Covered Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Covered Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

## **Switzerland**

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Covered Bonds. The Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

## **Italy**

The offering of the Covered Bonds has not been registered with the Commissione Nazionale per le Società

e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or distribute any Covered Bonds or any copy of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy ("**Italy**") in an offer of securities to the public under the meaning of Article 2, letter (d) of the Prospectus Regulation and/or Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998, as amended (the "**Financial Services Act**") except:

- a) to qualified investors (investitori qualificati), as defined pursuant to Article 2 of the Prospectus Regulation and Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "Issuers Regulation"), all as amended from time to time; or
- b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

### **General**

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

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

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

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

### **Secondary Market Arrangements**

The Issuer may enter into agreements with Dealers or other persons in relation to a Tranche or Series of Covered Bonds whereby such Dealers may agree to provide liquidity in those Covered Bonds through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to

quote bid and offer prices for the relevant Covered Bonds at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Covered Bonds under the Programme will benefit from such agreements. A description of the main terms of any such agreements and the names and addresses of the relevant Dealers or other persons who are party to such will be disclosed in the applicable Final Terms for the relevant Covered Bonds.



## GENERAL INFORMATION

### Legal Entity Identifier

The Issuer is an entity duly authorised to engage in financial transactions, through its Legal Entity Identifier Code (“LEI Code”) no. 2138004FIUXU3B2MR537.

### Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 26 June 2008 and 23 March 2016, in accordance with the provisions of the Covered Bonds Law. The last update of the Programme was duly authorised by the resolution of the Executive Committee passed on 18 October 2022 and by the Board of Directors of the Issuer dated 31 October 2022.

### Listing

Application has been made to list the Covered Bonds on Euronext Dublin and to admit the Covered Bonds to trading on Euronext Dublin's regulated market.

### Clearing Systems

The Covered Bonds have been accepted for clearance at **Interbolsa**, through the clearing systems to which it has adhered, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by Interbolsa will be specified in the relevant Final Terms.

### Significant or Material Change

There has been no significant change in the financial position of Banco Montepio and/or the Group and no significant change in the financial performance of Banco Montepio since the end of the last financial period for which financial information has been published, 30 September 2022.

There has been no material adverse change in the prospects of Banco Montepio since 31 December 2021, the date of the last audited consolidated annual financial statements of Banco Montepio.

### Legal and Arbitration Proceedings

Save as disclosed in the section “*Legal and arbitration proceedings*”, the Issuer is not involved in any legal, governmental or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) during the last 12 (twelve) months which may have or have had a significant negative effect on the Issuer's or the Group's financial position or profitability thereof.

### Statutory Auditors

The auditor of the Issuer for the financial years ended on 31 December 2020 and 31 December 2021 was PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., registered at CMVM with the number 20161485, with Head Office at Palácio Sottomayor, Rua Sousa Martins, number 1 – 3rd floor, 1069-316 Lisbon, represented by José Manuel Henriques Bernardo (ROC no. 903) and Carlos José Figueiredo Rodrigues (ROC no. 1737).

The financial statements of the Issuer in respect of the financial years ended 31 December 2020 and 2021 were audited in accordance with IFRS issued by the International Accounting Standards Board.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at and may be obtained from <https://www.bancomontepio.pt/investor-relations>:

- a) the constitutional documents (including the by-laws) of the Issuer (Portuguese and English

versions);

- b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2020 and 31 December 2021 (Portuguese and English versions), in each case with the audit reports prepared in connection therewith;
- c) the unaudited consolidated results of the Issuer for the first half of 2022 (Portuguese and English versions);
- d) the earnings release of the Issuer for the first nine months of 2022 (Portuguese and English versions);
- e) the Agency and Payments Procedures dated 27 April 2017, as amended;
- f) the Common Representative Appointment Agreement dated 18 November 2008, as amended and restated;
- g) this Base Prospectus; and
- h) any offering circulars, information memoranda and supplements, including the Final Terms (other than the Final Terms relating to Covered Bonds which are not listed on any stock exchange), to this Base Prospectus and any other documents incorporated herein or therein by reference.

In relation to the documents referred to at (a), (b), (c) and (d), the Issuer confirms that the translations thereof are true and accurate; however, in case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

#### **Electronic copy of this Base Prospectus**

Electronic copies of this Base Prospectus (and any supplements thereto) are available from the official website of the Issuer ([www.bancomontepio.pt](http://www.bancomontepio.pt)) and the official website of Euronext Dublin (<https://live.euronext.com/>).

#### **Language of the Base Prospectus**

The language of the Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

#### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Covered Bonds, except if required by law, in which case such information will be disclosed at the Issuer's website.

#### **Stabilisation Manager**

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

**Data obtained through third party sources**

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

The statements relating to market positions of the Issuer are based on calculations made by the Issuer using data produced by itself and/or obtained from other entities and which are contained or referred to in the Annual Report of the Issuer for 2020 and 2021 and the press release with the announcement of the results as of 30 September 2022 (available at [www.cmvm.pt](http://www.cmvm.pt) and [www.bancomontepio.pt](http://www.bancomontepio.pt)).

**Listing Agent scope**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Covered Bonds and is not itself seeking admission of the Covered Bonds to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

**Dealers transacting with the Issuer**

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

## DEFINITIONS

In this Base Prospectus, the following defined terms have the meanings set out below:

**“Acceleration Notice”** means a notice served on the Issuer pursuant to Condition 9 (*Events of Default and Enforcement*).

**“Additional Security”** means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit.

**“Affiliate Member of Interbolsa”** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear S.A./N.V. (“Euroclear Bank”) and/or Clearstream Banking, S.A. (“Clearstream, Luxembourg”) for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

**“Agent”** means Caixa Económica Montepio Geral, caixa económica bancária, S.A., with head office at Rua Castilho, 5, 1250-066 Lisbon.

**“Agency and Payments Procedures”** means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 27 April 2017 and made and agreed by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent and agent bank appointed by the Issuer.

**“Amount of Interest”** means, following an Issuer Event, and in respect of an Interest Payment Date, the interest amount payable in respect of each Series of Covered Bonds.

**“Arranger”** means NatWest Markets N.V. and any other entity appointed as an arranger for the Programme and references in this Agreement to the Arranger shall be references to the relevant Arranger.

**“Asset Percentage”** has the meaning given to it in Condition 14.1 (*Maintenance of overcollateralisation*).

**“Auditor”** means PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., registered at CMVM with the number 20161485, with Head Office at Palácio Sottomayor, Rua Sousa Martins, number 1 – 3rd floor, 1069-316 Lisbon.

**“Available Funds”** means any funds arising under the Cover Pool, including in result of any interest and principal payments under Mortgage Credits or any other assets that are part of the the Cover Pool, any sale proceeds of any Mortgage Credits or other assets that are part of the Cover Pool (for the avoidance of doubt, such amounts do not include any collateral that may be transferred under the Hedging Contracts), any hedging payment amounts paid by the hedging counterparty under the Hedging Contracts, any balances standing to the credit of the Reserve Account and the Programme Account, in all cases which are received by the Issuer between, and including, the sixth Business Day prior to the Interest Payment Date immediately preceding the relevant Interest Payment Date up to, but excluding, the sixth Business Day prior to the relevant Interest Payment Date, as calculated by the Agent pursuant to the Agency and Payment Procedures.

**“Base Prospectus”** means this base prospectus dated 17 November 2022 prepared in connection with the Programme.

**“Business Day”** means a day which is both: (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and (ii) either (1) in relation to any sum payable in a Specified Currency other than

euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**“Capital Requirements Directive”** comprises Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

**“CHF”**, **“Swiss francs”** means Swiss francs, the lawful currency of Switzerland.

**“Clearing Systems”** means clearing systems through which Interbolsa ensures the clearing according to its regulations and procedures, and, each, a **“Clearing System”**.

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

**“Common Representative”** means Citicorp Trustee Company Limited acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5 LB, United Kingdom, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law (as supplemented by Article 28 of the Legal Regime of Covered Bonds) in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement. or any successor common representative appointed by a Meeting of the holders of Covered Bonds.

**“Common Representative Appointment Agreement”** means the agreement dated 18 November 2008 entered into between the Issuer and the Common Representative and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative.

**“Condition”** means a reference to a particular numbered condition set out in the “Terms and Conditions of the Covered Bonds”.

**“Cover Pool”** means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the holders of Covered Bonds and the Other Preferred Creditors, and including the Mortgage Credits, the Hedging Contracts and the Other Assets, as specified in the Register.

**“Cover Pool Monitor”** means PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, S.A., a company incorporated under the laws of Portugal, member of the Portuguese Institute of Statutory Auditors (*“Ordem dos Revisores Oficiais de Contas”*), registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, number 1, 3<sup>rd</sup>, 1069-316, in Lisbon.

**“Cover Pool Monitor Agreement”** means the agreement dated 12 December 2018 entered into between the Issuer and the Cover Pool Monitor, as amended.

**“Covered Bond”** means any conditional pass-through mortgage covered bond issued by the Issuer pursuant to the Covered Bonds Law in the form specified in the applicable Final Terms and **“Covered Bonds”** shall be construed accordingly.

**“Covered Bonds Law”** means the Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-Law 59/2006, of 20 March 2006, as amended.

**“CRA Regulation”** means Regulation (EC) 1060/2009, of the European Parliament and of the Council, of 16 September 2009, as amended by Regulation (EU) 513/2011 of the European Parliament and the Council and by Regulation (EU) 462/2013 of the European Parliament and the Council.

**“Credit Institutions General Regime”** or **“RGICSF”** means Decree-Law 298/92, of 31 December, as amended from time to time.

**“CSD”** means a central securities depository.

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

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

- (i) if **“Actual/365”** or **“Actual/Actual”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **“Actual/365 (Sterling)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **“Actual/360”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if **“30E/360”** or **“Eurobond Basis”** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

**“DBRS”** means DBRS Ratings GmbH, which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such, DBRS Ratings GmbH is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Dealers”** means each of BofA Securities Europe SA, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral- Genossenschaftsbank, Frankfurt am Main, J.P. Morgan SE, Landesbank Baden-Württemberg, Natixis, NatWest Markets N.V., Société Générale and UniCredit Bank AG and any other

Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to clause 10 of the Programme Agreement.

**“Default of Payment Event”** means, in respect a Series of Covered Bonds, if such Series has not been repaid in full on its Maturity Date or on the following two Business Days, or if interest due under that Series has not been paid on any Interest Payment Date or on the following five Business Days. For the sake of clarity, a Default of Payment Event will only occur if the relevant repayment (or interest payment, as applicable) is not done by the end of the following two (or five, as applicable) Business Days mentioned above.

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

**“ECB”** means the European Central Bank.

**“EEA”** means the European Economic Area.

**“ESMA”** means the European and Securities Markets Authority.

**“EU”** means the European Union.

**“Euro”, “€” or “euro”** means the lawful currency of member states of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) 974/98, of 3 May 1998 on the introduction of the euro, as amended.

**“Euroclear”** means Euroclear Bank S.A./N.V.

**“Euronext Lisbon”** means the regulated market of Euronext Lisbon, the official quotation market (*“Mercado de Cotações Oficiais”*) in Portugal.

**“Eurosystème”** means the central banking system for the Euro.

**“Expenses”** means the fees of and expenses due to the Common Representative, the fees of and expenses due to the Special Administrator, including any expenses incurred by the Special Administrator in connection with any actual or prospective disposals of Cover Pool assets, the fees of and expenses to cover for the maintenance and operating of the Reserve Account and the Programme Account, the fees and expenses of the Cover Pool Monitor, Covered Bonds listing costs and other costs that may be agreed and defined as “Expenses” for this purpose in the agreements entered into in connection with the Programme.

**“Extended Maturity Date”** has the meaning given in the relevant Final Terms.

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

**“Fitch”** means Fitch Ratings Limited, which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such Fitch Ratings Limited is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Fixed Interest Period”** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

**“GBP”**, **“£”** or **“pounds sterling”** means pounds sterling, the lawful currency of the United Kingdom.

**“Group”** means the Issuer and its subsidiaries.

**“Hedging Contracts”** means the hedging contracts entered into by the Issuer in accordance with the Covered Bonds Law for the purpose of hedging interest rate, exchange or liquidity risks in relation to the Cover Pool.

**“Hedge Counterparties”** means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

**“Insolvency Event”** has the meaning given to it under Condition 9.1 (*Insolvency Event*).

**“Instruction 13/2006”** means the regulatory instruction (*“Instrução”*) 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Interbolsa”** means **Interbolsa** - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários.

**“Interbolsa Participant”** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

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

**“Interest Payment Date”** means the date specified as interest payment date in the Final Terms of a Series of Covered Bonds and, upon the occurrence of an Issuer Event, the first Business Day of each month, following such occurrence, for all the outstanding Series or for all the applicable Series in case of a Default of Payment Event.

**“ISDA”** means the International Swaps and Derivatives Association Inc.

**“Issue Date”** means the date so specified in the applicable Final Terms being, in respect of any Covered Bond, the date of issue and purchase of such Covered Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

**“Issuer”** means Caixa Económica Montepio Geral, caixa económica bancária, S.A.

**“Issuer Event”** means an Insolvency Event or a Default of Payment Event.

**“Liquidity Event”** means the delivery by the Issuer of a 5 (five) day prior notice to the Liquidity Facility Provider of not having enough available funds to make the payment of the Amounts of Interest due on the Covered Bonds in the Interest Payment Date of any Covered Bond.

**“Liquidity Facility Provider”** means a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies (and in any case not lower than the minimum rating required by the Covered Bonds Law).

**“JPY”**, **“Japanese yen”** means Japanese yen, the lawful currency of Japan.

**“Legal Regime of Covered Bonds”** means the legal regime of covered bonds, approved by Decree-Law 31/2022, of 6 May 2022 (as amended from time to time).

**“Loan to Value”** means, in respect of a Mortgage Credit, the ratio of the aggregate Value of such Mortgage Credit to the Current Value of the Property securing such Mortgage Credit.



**“Maturity”** means the final legal maturity of any outstanding Covered Bonds, Mortgage Credits, Hedging Contracts or Other Assets, as applicable.

**“Maturity Date”** has the meaning given in the relevant Final Terms.

**“Meeting”** means a meeting of holders of Covered Bonds (whether originally convened or resumed following an adjournment) and **“Meetings”** shall be construed accordingly.

**“Moody's”** means Moody's Investors Service España, S.A., which is established in the European Union and is registered under Regulation (EC) 1060/2009 (as amended). As such, Moody's Investors Service España, S.A. is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with such Regulation.

**“Mortgage”** means, in respect of any Mortgage Credit, the charge by way of voluntary mortgage over the relevant Property the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

**“Mortgage Credit”** means the pecuniary credit receivables secured by a Mortgage and/or any Additional Security which is comprised in the Cover Pool and which complies with the following eligibility criteria established in the Covered Bonds Law:

- a) pecuniary receivables not yet matured, which are neither subject to conditions nor encumbered, judicially seized or apprehended and which are secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
- b) mortgage credits secured by junior mortgages provided all Mortgage Credits secured by senior mortgages on the same property are held by the Issuer and allocated to the Cover Pool;
- c) receivables secured by a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

**“Non-Performing Mortgage Credits”** means, with respect to a Mortgage Credit, that such Mortgage Credit:

- a) is in the course of being foreclosed or otherwise enforced; or
- b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days or more.

**“Other Assets”** means all assets other than Mortgage Credits and Hedging Contracts which comply with the eligibility criteria established in the Covered Bonds Law and which are included in the Cover Pool as specified in the Register, including:

- a) deposits with the Bank of Portugal, in cash or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);
- b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least «A-» or equivalent, and which will include, for the avoidance of doubt, any funds standing to the credit of the Reserve Account and the Programme Account and which are subject to the same legal requirements and regime as such other deposits (and which compliance at all times the Issuer shall ensure); and

- c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the supervisory authority.

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

**“Other Preferred Creditors”** means the Hedge Counterparties (who benefit of a special creditor privilege (*privilégio creditório especial*) and of an interest in the autonomous estate (*património autónomo*) relating to the Cover Pool) and the Common Representative (or any successor thereof) and the Special Administrator (who benefit of an interest in the autonomous estate (*património autónomo*) relating to the Cover Pool).

**“Overcollateralisation Percentage”** has the meaning given in Condition 14.1 (*Maintenance of overcollateralisation*).

**“Owed Hedging Payments”** means any payments owed by the Issuer due to the relevant hedge counterparty under the Hedging Contracts.

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

**“Portuguese Companies Code”** means the commercial companies code (*“Código das Sociedades Comerciais”*) approved by Decree-Law 262/86, dated 2 September 1986, as amended from time to time, in particular by Decree-Law 76-A/2006, dated 29 March 2006.

**“Portuguese Securities Code”** means the *“Código dos Valores Mobiliários”*, approved by Decree-Law 486/99, of 13 November 1999, as amended from time to time.

**“Principal Amount Outstanding”** means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of Covered Bonds in respect thereof.

**“Programme”** means the €5,000,000,000 conditional pass-through covered bonds programme of the Issuer.

**“Programme Account”** means the cash account to be held with a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by the Covered Bonds Law. The Programme Account, and any balance to the credit thereof, will form part of the Cover Pool and be subject to the same legal requirements and legal regime as any Other Assets which are part of the Cover Pool.

**“Programme Agreement”** means the agreement dated 17 November 2022 entered into between the Issuer and the Dealers, as amended, supplemented or restated from time to time.

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

**“Programme Resolution”** means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

**“Property”** means, in relation to any Mortgage Credit, the property upon which the repayment of such

Mortgage Credit is secured by the corresponding Mortgage and “**Properties**” means all of them.

“**Property Valuation**” means, in relation to any Property:

- a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulatory Notice 5/2006; and
- b) the amount determined by resorting to the use of adequate and recognized indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 5/2006.

“**Prospectus Delegated Regulations**” means Commission Delegated Regulation (EU) 2019/980, of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) 809/2004, together with Commission Delegated Regulation (EU) 2019/979, of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) 382/2014 and Commission Delegated Regulation (EU) 2016/301.

“**Prospectus Regulation**” means Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended.

“**Provisions for Meetings of for Meetings of Holders of the Covered Bonds**” means the provisions contained in Schedule 1 of the Common Representative Appointment Agreement on Meetings of holders of Covered Bonds;

“**Rating**” means the then current rating of rated Covered Bonds given by the relevant Rating Agency and

“**Ratings**” means all of such Ratings;

“**Rating Agencies**” means Moody's and Fitch Ratings.

“**Register**” means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Regulatory Notices;

“**Regulatory Notice 5/2006**” means the regulatory notice (“*Aviso*”) 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulatory Notice 6/2006**” means the regulatory notice (“*Aviso*”) 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulatory Notice 8/2006**” means the regulatory notice (“*Aviso*”) 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

“**Regulatory Notices**” means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006 and Regulatory Notice 8/2006, as amended from time to time, and any amending, replacing or

supplementing secondary legislation passed by the CMVM, in accordance with the Legal Regime of Covered Bonds.

**“Regulation S”** means Regulation S under the Securities Act.

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

**“Requirements of the Cover Pool”** means the eligibility criteria and the prudential requirements of the assets allocated to the Cover Pool as set out in the Cover Pool Monitor Agreement;

**“Reserve Account”** means the cash account held with a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, an in any case not lower than the minimum rating required by the Covered Bonds Law, being the Accounts Bank, and the operation of which shall be governed by Conditions 5.4 and 6.8 and the Reserve Account Agreement. The Reserve Account, and any balance to the credit thereof, will form part of the Cover Pool and be subject to the same legal requirements and legal regime as any Other Assets which are part of the Cover Pool.

**“Reserve Account Agreement”** means the agreement so designated entered into between the Issuer and the Reserve Account Bank in relation to the creation, operation and maintenance of the Reserve Account, on or about 7 July 2016, as amended and/or supplemented and/or restated from time to time (including a Deed of Novation dated on or about 7 September 2020).

**“Reserve Account Bank”** means Elavon Financial Services DAC, a Designated Activity Company registered in Ireland with the Companies Registration Office, registered number 418442, with its registered office at Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D18 W319, acting through its UK Branch (registered number BR020005) from its offices at 125 Old Broad Street, London, Fifth Floor, London EC2N 1AR under the trade name U.S. Bank Global Corporate Trust Services, acting in its capacity as bank at which the Reserve Account is held. Under a Deed of Novation dated on or about 7 September 2020, from 25 September 2020 the Reserve Account Bank contractual position was novated to Elavon Financial Services DAC (described above), acting through its office in Ireland, and the definition of Reserve Account Bank shall be interpreted accordingly.

**“Reserved Matter”** means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or shares, bonds or other obligations or securities of any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; or (vi) to amend this definition.

**“Resolution”** means a resolution adopted at a duly convened meeting of holders of Covered Bonds and approved in accordance with the applicable provisions.

**“Securities Act”** means the United States Securities Act of 1933, as amended.

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

rates and/or Issue Prices.

**“Special Administrator”** means such entity as appointed by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, “**CMVM**”), in case of an Insolvency Event, pursuant to the Legal Regime of Covered Bonds to manage in the place of the Issuer the Cover Pool, which shall be separated from the Issuer’s insolvency estate, all in accordance with the Legal Regime of Covered Bonds.

**“Stabilisation Manager”** means the Dealer or Dealers (if any) named as the stabilisation manager(s) for a particular Tranche of Covered Bonds.

**“Stock Exchange”** means the Irish Stock Exchange Plc trading as Euronext Dublin or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms and references in this Agreement to the relevant Stock Exchange shall, in relation to any Covered Bonds, be references to the stock exchange or stock exchanges on which such Covered Bonds are from time to time, or are intended to be, listed.

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

**“TARGET Day”** means any day on which the TARGET2 System is open.

**“TARGET2 System”** means the Trans-European Automated Real-time Gross Settlement Express Transfer system.

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

**“Tax Authority”** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function.

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

**“Terms and Conditions”** means in relation to the Covered Bonds, the terms and conditions to be endorsed on the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

**“Total Target Reserve Amount”** has the meaning given in Condition 5.4.

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

**“Transition Period”** means the period of time elapsing on 31 December 2020 (unless it is extended) as foreseen in the Withdrawal Agreement in relation to the United Kingdom’s departure from the European Union entered into by and between the United Kingdom and the European Union on 17 October 2019.

**“U.S.\$”, “USD” or “U.S. dollars”** means United States dollars, the lawful currency of the United States of America.

**“UCITS Directive”** means Council Directive 2009/65/EC of the European of the European Parliament and the Council, of 13 July 2009, relating to undertakings for collective investment in transferable securities, which revoked as of 1 July 2011 Council Directive 85/611/EEC, of 20 December 1985 (as amended by Council Directive 2001/107/EC, of 21 January 2002 and 2001/108/EC of 21 January 2002).

**“Value”** means:

- a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan-to-Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

**“Written Resolution”** means, in relation to the Covered Bonds, a resolution in writing signed by or on behalf of all holders of Covered Bonds who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Holders of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Covered Bonds.

#### REGISTERED OFFICE OF THE ISSUER

**Caixa Económica Montepio Geral, caixa  
económica bancária, S.A.**

Rua Castilho, 5  
1250-066 Lisboa  
Portugal

#### ARRANGER

**NatWest Markets N.V.**

Claude Debussylaan 94  
Amsterdam 1082 MD  
The Netherlands

#### DEALERS

**BofA Securities Europe SA**

51 rue la Boétie  
75008 Paris  
France

**Citigroup Global Markets Europe AG**

Reuterweg 16  
60323 Frankfurt am Main  
Germany

**Commerzbank  
Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Germany

**Crédit Agricole Corporate and  
Investment Bank**

12, Place des États-Unis  
CS 70052, 92547 Montrouge  
Cedex, France

**Deutsche Bank Aktiengesellschaft**

Mainzer Landstr. 11-17  
60329 Frankfurt am Main  
Germany

**DZ BANK AG Deutsche Zentral-  
Genossenschaftsbank, Frankfurt  
am Main**

Platz der Republik  
60325 Frankfurt am Main,  
Germany

**J.P. Morgan Securities SE**  
Taunustor 1 (TaunusTurm)

60310  
Frankfurt am Main  
Germany

**Landesbank Baden- Württemberg**

Am Hauptbahnhof 2  
70173 Stuttgart  
Germany

**Natixis**  
30 Avenue Pierre Mendès France  
75013

Paris  
France

**NatWest Markets N.V.**

Claude Debussylaan 94  
Amsterdam 1082 MD  
The Netherlands

**Société Générale**  
29 Boulevard Haussmann,  
75009 Paris  
France

**UniCredit Bank AG**

Arabellastr. 12  
81925 Munich  
Germany

**COVER POOL MONITOR**

**PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas,  
S.A.**

Palácio SottoMayor  
Rua Sousa Martins, 1, 3º, 1069-316 Lisboa  
Portugal

**COMMON REPRESENTATIVE**

**Citicorp Trustee Company Limited**

acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London  
E14 5 LB  
United Kingdom

**AGENT and PAYING AGENT**

**Caixa Económica Montepio Geral, caixa económica bancária, S.A.**

Rua Castilho, 5  
1250-066 Lisboa  
Portugal

**AUDITORS**

*To Caixa Económica Montepio Geral, caixa económica bancária, S.A.*

**PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas,  
Lda.**

Palácio Sottomayor  
Rua Sousa Martins, 1, 3º, 1069-316 Lisboa  
Portugal

**LEGAL ADVISERS TO THE ISSUER**

*as to Portuguese law*

**António Frutuoso de Melo & Associados, Sociedade de Advogados, SP RL**

Avenida da Liberdade 38 – 1.º  
1250-145 Lisboa  
Portugal

**LEGAL ADVISERS TO THE ARRANGER AND THE DEALERS**

*as to Portuguese law*

**Vieira de Almeida & Associados, Sociedade de Advogados, S.P., R.L.**

Rua Dom Luís I, 28  
1200-151 Lisboa  
Portugal

**LISTING AGENT**

**Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace, Dublin 2  
Ireland