Base Prospectus

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)

€6,000,000,000

Euro Medium Term Note Programme

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

Under the Programme, Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("**Banco Montepio**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €6,000,000,000 (or the equivalent in other currencies).

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg Law dated 16 July 2019 relating to prospectuses for securities (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en oeuvre du règlement (UE) 2017/1129*) (as amended, the "**Luxembourg Law** ") for the approval of this base Prospectus (the "**Base Prospectus**") as a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Pursuant to the Luxembourg Law, by approving this Base Prospectus the CSSF assumes no responsibility as to the economic and financial soundness of the Notes to be issued thereunder or the quality or solvency of the Issuer. The CSSF has only approved 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 Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. Furthermore, such approval relates only to Notes which are to be admitted to trading on a regulated market for the purposes of the Prospectus Regulation and/or which are to be offered to the public in any Member State of the European Economic Area ("**EEA**"). By approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulations, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. This Base Prospectus is valid for a period of twelve months from the date of approval. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List of the Luxembourg Stock Exchange (the "**Official List**") and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "**Market**"). References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Each Tranche of Notes (as defined in "*General Description of the Programme*") will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called the final terms (the "**Final Terms**"). Details of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes and the issue price of Notes for each Tranche of Notes will be set out in the relevant Final Terms which, with respect to Notes to be admitted to the Official List and to trading on the Luxembourg Stock Exchange, will be delivered to the CSSF and the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

Each Series (as defined herein) of Notes will be issued in book-entry form (*escriturais*) and registered form (*nominativas*) that will be integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("**Interbolsa**"), as management entity of the Portuguese Centralised System of Registration of Securities, *Central de Valores Mobiliários*.

The Programme has been rated: (P)B3 (senior unsecured) / (P)B3 (senior non-preferred) / (P)Caa1 (subordinated) / (P)Caa2 (junior subordinated) by Moody's Investor Service España, S.A. ("**Moody's**"); CCC (senior unsecured) / CCC (senior non-preferred) / B (short-term) by Fitch Ratings Ireland Limited ("**Fitch**") and B (senior unsecured) / CCC (high) (subordinated) / R-4 (short-term) by DBRS Ratings GmbH ("**DBRS**"). The "B" rating by Moody's in respect of the senior unsecured and senior non-preferred notes issued under the Programme indicates that such Notes are considered speculative and are subject to high credit risk. The "Caa" rating by Moody's in respect of the subordinated and junior subordinated notes issued under the Programme indicates that such Notes are judged to be speculative, of poor standing and subject to very high credit risk. The "CCC" rating by Fitch in respect of the senior unsecured and senior non-preferred notes issued under the Programme indicates that such Notes are of substantial credit risk. The short term "B" rating by Fitch indicates the speculative short term credit quality and the minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions. The "B" rating by DBRS in respect of the senior unsecured notes issued under the Programme indicates that such Notes are of highly speculative credit quality and there is a high level of uncertainty as to the capacity to meet financial obligations. The "CCC (high)" rating by DBRS in respect of the subordinated notes issued under the Programme indicates that such Notes are of very high speculative credit quality and in danger of defaulting on financial obligations. The short term "R-4" rating by DBRS indicates the highly speculative credit quality (with R-5 being the highest level). Each of Moody's, Fitch and DBRS is established in the EU and registered under Regulation (EC) No 1060/2009 on credit rating agencies, as amended (the "**CRA Regulation**"). As such, each of Moody's, Fitch and DBRS is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The ratings which Moody's, Fitch and/or DBRS may give to the Tranches of Notes (as defined in "General Description of the Programme") to be issued under the Programme may be endorsed by Moody's Investors Service Limited, Fitch Ratings Ltd and/or DBRS Ratings Limited, (as applicable), which are established in the United Kingdom ("**UK**") and registered under Regulation (EU) No 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**").

Tranches of Notes (as defined in "*General Description of the Programme*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme and/or the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued or endorsed by a credit rating agency established in the European Union or in the UK and registered under the CRA Regulation or the UK CRA Regulation (as applicable) will be disclosed in the relevant Final Terms. 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/. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Base Prospectus (as may be supplemented from time to time) will be valid for a period of twelve months from the date of its approval. This Base Prospectus will be valid for a year from the date of its approval. The obligation to supplement the Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Base Prospectus is no longer valid.

In the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients, as defined in MiFID II and/or Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA. Prospective investors are referred to the section headed "*Important Information*" of this Base Prospectus for further information.

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

Arranger
BofA Securities
Dealers

BNP PARIBAS
Caixa Económica Montepio Geral, caixa económica bancária, S.A.
Crédit Agricole CIB
Deutsche Bank
IMI – Intesa Sanpaolo
NATIXIS
Société Générale Corporate & Investment Banking

BofA Securities
Citigroup

Credit Suisse
DZ BANK AG
J.P. Morgan SE
NatWest Markets
UniCredit

The date of this Base Prospectus is 24 June 2022

IMPORTANT INFORMATION

This document comprises a base prospectus for the purposes of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus (including in relation to the Issuer, for the avoidance of doubt, any information contained in the relevant Final Terms relating to each Tranche of Notes issued under the Programme). To the best of the knowledge of the Issuer the information contained in this Base Prospectus as completed by the Final Terms 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 any supplements thereto and all documents which are incorporated herein by reference (see "Documents Incorporated by Reference") and, in relation to any Tranche of Notes, should be read and construed together with the applicable Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in "*General Description of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the 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 Notes includes a legend entitled "Prohibition of Sales to European Economic Area Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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 the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS

If the relevant Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to United Kingdom Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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) No 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 Directive (EU) 2016/97, 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. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes 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 Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The relevant Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes 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 Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes,

but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION

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 Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).

BENCHMARKS REGULATION

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

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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 Notes 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 Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

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

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 (excluding Banco Montepio acting in its capacity as Issuer) 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 Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this 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 Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

An investment in the Notes 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 Notes and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. The Notes are not guaranteed by any person. In addition, an investment in Notes involves the risk that subsequent

changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Notes. See "*Risk Factors*".

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

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

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

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

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

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

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

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 Notes unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

Investments in Notes 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 (such as the UK's Financial Services Compensation Scheme). Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in Notes in a worst case scenario could lose their entire investment.

STABILISATION

In connection with the issue of any Tranche (as defined in "*General Description of the Programme*"), the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may 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 and as at 31 December 2020 and 31 December 2021 contained in this Base Prospectus has been extracted from the Annual Report 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 set out in the Glossary at the back of this Base Prospectus.

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

SUPPLEMENT TO THE BASE PROSPECTUS

The Issuer has given an undertaking to the Dealers and the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant new factor, mistake or material inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the

Issuer, and the rights attaching to the Notes, 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 Notes and shall supply to each Dealer and the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer and the Luxembourg Stock Exchange may reasonably request.

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GENERAL DESCRIPTION OF THE PROGRAMME

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

Issuer.....	Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("**Banco Montepio**" and the "**Issuer**").
Issuer Legal Entity Identifier (LEI)...	2138004FIUXU3B2MR537
Description	Euro Medium Term Note Programme.
Size	Up to €6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger.....	BofA Securities Europe SA
Dealers	BNP Paribas BofA Securities Europe SA Caixa Económica Montepio Geral, caixa económica bancária, S.A. Citigroup Global Markets Europe AG Crédit Agricole Corporate and Investment Bank Credit Suisse Bank (Europe), S.A. Deutsche Bank Aktiengesellschaft DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Intesa Sanpaolo S.p.A. J.P. Morgan SE Natixis NatWest Markets N.V. Société Générale UniCredit Bank AG The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Agent.....	Caixa Económica Montepio Geral, caixa económica bancária, S.A.
Method of Issue.....	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount as specified in the relevant Final Terms.

Form of Notes.....	The Notes are issued in book-entry form (*escriturais*) and registered form (*nominativas*) that will be integrated in and held through Interbolsa, as management entity of the *Central de Valores Mobiliários*. The terms and conditions of each series of Notes shall be the terms and conditions set out in this Base Prospectus, as supplemented and/or completed in the relevant Final Terms. The Notes are constituted by a deed poll given by Banco Montepio in favour of the holders of the Notes dated 24 June 2022 (the "**Instrument**").
Clearing Systems	Interbolsa, Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Agent and the relevant Dealer.
Currencies	Notes may only be issued in EUR ("**euro**"), USD ("**United States Dollar**"), GBP ("**British Pound Sterling**"), JPY ("**Japanese Yen**"), CHF ("**Swiss Franc**"), AUD ("**Australian Dollar**") and CAD ("**Canadian Dollar**"), or any other currency as Interbolsa accepts for registration and clearing securities.
Maturities.....	Subject to compliance with all relevant laws, regulations and directives and as permitted by the relevant central bank (or equivalent body) and subject as provided below, any maturity as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Senior Non Preferred Notes and Ordinary Senior Notes intended by the Issuer to be MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations will have an original maturity of at least one year or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations. Subordinated Notes will have a minimum maturity of at least five years or as otherwise permitted in accordance with Applicable Banking Regulations (as defined in the Terms and Conditions of the Notes) from time to time. According to the Luxembourg Law relating to prospectuses for securities (the "**Luxembourg Law**"), the CSSF is not competent to approve prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and which also comply with the definition of securities in the Luxembourg Law.
Specified Denomination	Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in British Pound Sterling) which have a maturity of less than one year and in

respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum specified denomination of £100,000 (or its equivalent in other currencies).

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

Reset Notes ..... Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms and as further described in the Conditions. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.

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

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; and as amended, supplemented and/or updated as at the Issue Date of the first Tranche of the Notes; or

(ii) by reference to EURIBOR as adjusted for any applicable margin and subject to the benchmark discontinuation provisions set out in Condition 4(j).

Interest periods will be specified in the relevant Final Terms.

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

Interest Periods and Interest Rates ... The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period.

Redemption ..... The relevant Final Terms will specify the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in British Pound Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Any early redemption of a Subordinated Note will be subject to the prior consent of the Relevant Authority.

Unless previously redeemed, purchased and cancelled, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount, which shall be at least equal to its nominal amount.

Early redemption will be permitted for taxation reasons or, in the case of Ordinary Senior Notes if so specified in the relevant Final Terms, following an Event of Default or, in the case of Senior Non Preferred Notes or Ordinary Senior Notes if so specified in the relevant Final Terms, upon the occurrence of a MREL Event or, in the case of Subordinated Notes, upon a Capital Event, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms.

Any early redemption of Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes eligible as Tier 2 Capital or MREL-Eligible Instruments, as applicable, will be subject to the prior consent of the competent authorities and/or relevant resolution authorities, to the extent required, in accordance with Applicable Banking Regulations.

Benchmark Discontinuation ..... In the case of Reset Notes or Floating Rate Notes where Screen Rate Determination is specified in the relevant Final Terms as being the manner in which the Rate(s) of Interest is/are to be determined, on the occurrence of a Benchmark Event, the Issuer shall, as soon as reasonably practicable, use its reasonable endeavours to appoint an Independent Adviser who may determine or, if such Independent Adviser fails to make any such determination or the Issuer is unable to appoint an Independent Adviser, the Issuer may determine, a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread and any Benchmark Amendments in accordance with Condition 4(j) the Rate of Interest applicable to the next succeeding Interest Accrual Period or Reset Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or Reset Period, respectively.

Optional Redemption ..... The relevant Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

Status of the Senior Notes ..... The Senior Notes may be either Ordinary Senior Notes or Senior Non Preferred Notes.

Ordinary Senior Notes will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and will rank at least *pari passu* among themselves and with any other Senior Higher Priority Liabilities, and senior to all Senior Non Preferred Liabilities and all present and future subordinated obligations of the Issuer, (including, for the avoidance of doubt, all Subordinated Notes).

Senior Non Preferred Notes will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and

will rank *pari passu* among themselves and with any other Senior Non Preferred Liabilities (as defined in the Conditions), junior to any present or future claims of depositors of the Issuer and to any Senior Higher Priority Liabilities (as defined in the Conditions) (and accordingly, upon the insolvency of the Issuer, the claims in respect of Senior Non Preferred Notes will be met after payment in full of the claims of depositors of the Issuer and Senior Higher Priority Liabilities) in accordance with Article 8-A (as defined in the Conditions) and senior to all present and future subordinated obligations of the Issuer in accordance with Article 8-A.

Status of the Subordinated Notes..... The Subordinated Notes will constitute direct and unsecured obligations of the Issuer, subordinated as provided under Condition 2(b) and will rank *pari passu* among themselves. The claims of the holders of the Subordinated Notes will, in the event of the bankruptcy or the winding up of the Issuer (to the extent permitted by Portuguese law), be subordinated in right of payment in the manner provided in Condition 2(b) and the Instrument to the claims of all Senior Creditors of the Issuer but shall rank (a) at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and all obligations of the Issuer which rank, or are expressed to rank, *pari passu* therewith and (b) in priority to any present or future (1) claims of holders of all share capital of the Issuer, (2) claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital of the Issuer, and (3) claims of holders of all other obligations of the Issuer which rank, or are expressed to rank, junior to the Subordinated Notes or Tier 2 Capital of the Issuer.

Substitution and Variation ..... Where "Capital Event – Substitution and Variation" or "MREL Event – Substitution and Variation", as the case may be, is specified as "Applicable" in the relevant Final Terms and a Capital Event or an MREL Event, as the case may be, has occurred and is continuing, or if required to ensure the effectiveness and enforceability of Condition 15, the Issuer may, subject to the provisions of Condition 5(k), either substitute all (but not some only) of the relevant Notes for, or vary the terms of the relevant Notes such that they remain or, as appropriate, become, Compliant Securities (as defined in Condition 5(j)).

Negative Pledge..... Applicable only to Ordinary Senior Notes unless "Ordinary Senior Notes: Negative Pledge" is expressly specified to be "Not Applicable" in the relevant Final Terms. See " *Conditions — Negative Pledge in relation to certain of the Ordinary Senior Notes*".

Cross Default..... Applicable only to Ordinary Senior Notes unless "Ordinary Senior Notes: Cross-default" is expressly specified to be "Not Applicable" in the relevant Final Terms. See " *Conditions — Events of Default*".

Limited Rights of Acceleration ..... A Noteholder's rights to accelerate Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes where "Ordinary Senior Notes: Events of Default" Condition 9(a) is

expressly specified as "Not Applicable" in the relevant Final Terms are limited to insolvency or winding up type events only. See "*Conditions — Events of Default*".

Ratings..... The Programme has been rated: (P)B3 (senior unsecured) / (P)B3 (senior non-preferred) / (P)Caa1 (subordinated) / (P)Caa2 (junior subordinated) by Moody's Investor Service España, S.A. ("**Moody's**"); CCC (senior unsecured) / CCC (senior non-preferred) / B (short-term) by Fitch Ratings Ireland Limited ("**Fitch**") and B (senior unsecured) / CCC (high) (subordinated) / R-4 (short-term) by DBRS Ratings GmbH ("**DBRS**"). Each of Moody's, Fitch and DBRS is established in the EU and registered under the CRA Regulation. Tranches of Notes (as defined in "*General Description of the Programme*") may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme and/or the Notes already issued. Where a Tranche of Notes is to be rated, such ratings will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued or endorsed by a credit rating agency established in the European Union or the United Kingdom and registered under the CRA Regulation or the UK CRA Regulation (as applicable) will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption..... Except as provided in "**Optional Redemption**" above, Notes will be redeemable at the option of the Issuer prior to maturity only for taxation reasons or, in the case of Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes, for regulatory capital treatment reasons. See " *Conditions — Redemption, Purchase and Options*".

Withholding Tax..... All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes in Portugal unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions and, in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance), in relation to interest only, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in and in accordance with Decree-Law no. 193/2005, of 7 November 2005 (as amended) (See "*Taxation – Special Tax Regime for Debt Securities (Decree-Law 193/2005)"*).

Governing Law ..... English law, save that Conditions 2 and 15 and the provisions relating to the form (*representação formal*) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes and Clauses 5, 6, 7 and 12 of the Instrument and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, Portuguese law.

Listing and Admission to Trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions	The United States, Prohibition of Sales to European Economic Area Retail Investors, Prohibition of Sales to United Kingdom Retail Investors, the Portuguese Republic, Japan, France, Singapore, Canada, Switzerland and the Republic of Italy. See "*Subscription and Sale*". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended. If TEFRA C is specified as "Applicable" in the relevant Final Terms, then the Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") unless the Notes are issued other than in compliance with the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Use of Proceeds:	The net proceeds from each issue of Notes will be used for the general financing purposes of the Issuer. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

RISK FACTORS

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

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

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

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 Notes. 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;
- Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme
    - Risks related to the structure of a particular issue of Notes;
    - Risk relating to Subordinated Notes and Senior Non Preferred Notes;
    - Risks related to the market generally;
    - Risks related to Notes generally.

Within each category or subcategory, the most material risks, in the assessment of the Issuer, are set out first. The Issuer has assessed the 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 or subcategory of risk is more material than any other category or subcategory.

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

Change in 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 Banco de 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 beneficial 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 Decree-Law no. 190/2015, of 10 September ("**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 no. 2 of the 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 and other subordinated debt issued by Banco Montepio, which represents 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 and, as a result, 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 beneficial 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, 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 no. 59/2018, of 2 August, as amended by Decree-Law no. 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**").

MGAM, together with other affected mutual associations, is subject to a 12-year transitional period (which commenced on 27 November 2018). During this 12-year transition period, MGAM is required to take steps to adapt to the new regulatory framework imposed by the RJASR. At the end of the transitional period, and subject to compliance with the applicable legal requirements, MGAM will become fully subject to the financial supervision by the ASF and the RJASR. Until then, the Portuguese Government member responsible for the social security area will be responsible for the effective supervision of MGAM.

During this transition period, the ASF has powers to monitor the progress made by MGAM and other mutual associations to converge with the new regulatory and supervisory framework. 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 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 or operations.

The potential impacts of the COVID-19 pandemic and similar future outbreaks

In March 2020, the World Health Organisation declared the outbreak of a new infectious disease known as "COVID-19", caused by the severe acute respiratory syndrome coronavirus 2 (commonly known as SARSCoV- 2), to be a global pandemic.

Despite a successful vaccination programme in many countries, the risk to the global economy of 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 has 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 international markets and/or result in a severe and extended global recession as a consequence 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 have further, significant macro-economic consequences and has had, and might have further, 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 pandemic led to the declaration of a state of emergency in various countries, including Portugal, as well as the imposition of travel restrictions, the establishment of quarantines and the temporary shutdowns of various institutions and companies, including the adoption by the Issuer and by other credit institutions and companies in Portugal of an unprecedented measure, especially that of having all, or the vast majority, of its central services' employees, working remotely.

In Portugal, the Directorate General of Health (*Direção-Geral da Saúde*) has been closely following the development of the COVID-19 pandemic and whenever necessary certain public health protocols have been activated, including epidemiological monitoring and surveillance, risk management and communication, which are usual in these situations.

Therefore, the ongoing COVID-19 pandemic and any potential similar future outbreaks may have a significant adverse effect on the Issuer, including for the reasons set out below.

Firstly, the spread of such diseases amongst the Issuer's employees, or within its facilities, or any quarantine measures affecting the Issuer's employees, may reduce the Issuer's personnel's ability to carry out their work, thus affecting the Issuer's operations.

Secondly, any quarantine or spread of virus may affect clients' capacity to carry out their business operations, which may consequently adversely affect the Issuer's own capacity to carry out its business as normal.

Thirdly, the current pandemic and any potential similar future outbreaks and actions taken by governments and other relevant authorities in response to the pandemic or such outbreaks, including the imposition of quarantine, stay at home or mandatory business closures may also have an adverse effect on the Issuer's counterparties and/or clients, resulting in additional risks in the performance of the obligations assumed by them for the Issuer, as and when the same fall due, ultimately exposing the Issuer to an increased number of defaults and insolvencies among its counterparties and/or clients.

In the current context, in light of the existing uncertainty as to both the duration and scale of the COVID-19 pandemic, it is not possible to quantify the potential impacts on the business of Banco Montepio, which will essentially derive from external factors affecting the demand for banking products and services. This assessment is difficult with the information currently available, as there is currently limited data to assess the depth of the impact or its duration.

Depending on the depth and extent of the disruptive impact, the Issuer's business and profitability will be affected to a greater or lesser degree. Any of the factors outlined above could have an adverse effect on the Issuer's business, financial results, operations, profits and financial position.

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. However, this measure did not entirely eliminate this risk and there is uncertainty around the magnitude of this risk given the uncertainty around the impact and ongoing effects of the COVID-19 pandemic. In particular, Banco Montepio believes that its 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 and the vast majority had 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, but 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 of the business and profitability of Banco Montepio driven by the lower capacity of borrowers 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.

Credit risk

The Issuer is exposed to the credit risk of its customers, to concentration risk in its credit exposure and to the credit risk of its counterparties. 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, and accordingly 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. The 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). The balance of 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 the 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 predict with accuracy 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. For more information, please refer to the risk factor headed "*The potential impacts of the COVID-19 pandemic and similar future outbreaks*".

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, the sensitivity of assets and liabilities 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 the 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, consequently, this may 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, an increase in interest rates by 1.0 percentage point would have led to a decrease in the expected economic value of the banking book portfolio of approximately €88.2 million, compared with a reduction of €55.5 million as at 31 December 2020.

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

Operational risks, such as systems disruptions or failures, breaches of security, cyber-attacks, 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 fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems such as, for example, those of the Issuer's suppliers or counterparties. The occurrence of any of these operational risks may adversely impact the Issuer's business, reputation, financial condition and results, operations or prospects.

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

Liquidity risk reflects the risk that the Issuer may be unable 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 highly 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 of 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 as at 31 December 2021, corresponding entirely to funds raised under the TLTRO-III ("**Targeted Longer-term Refinancing Operations**").

Since March 2020, the ECB has announced various measures to create favourable conditions to support banks' lending to those affected by the COVID-19 pandemic. These measures are temporary and specifically aimed at tackling the impact of the COVID-19 pandemic on the real economy, the duration, extent and existence of ECB liquidity support more broadly cannot be predicted. If it were to be withdrawn or reduced, the Issuer would need to seek alternative sources of funding, which may not be possible, whether on equally favourable cost terms or at all.

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 the COVID-19 pandemic. 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, however, the Issuer cannot 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 Notes 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.

The Issuer's activity is subject to reputational risk

The Issuer is exposed to reputational risk, which is the probability of the occurrence of negative impacts on the Issuer 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.

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 no. 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 Banco de Portugal has instituted various administrative proceedings against Banco Montepio for alleged breaches of regulatory requirements. The Banco de 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 affect the Issuer's business, reputation and operating results.

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. Often, these regulations are 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 a rating of: Long Term Issuer Default Rating of "B-" and Short Term Issuer Default Rating of "B" by Fitch; Baseline Credit Assessment of "b3" by Moody's and Long Term Issuer Rating of "B" and Short Term Issuer Rating of "R-4" 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 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, 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 Notes (if applicable) generally may affect the market value of the Notes. In addition, ratings assigned to the Notes (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 Notes.

Information on the ratings granted 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 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 reduction 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 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 public entities – domestic). These positions could be adversely affected by volatility in 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 Gross loans and advances to customers in the aggregate amount of €12,189 million, guarantees and sureties provided in the aggregate amount of €480 million and 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 for 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, 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 of income 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 amounted to €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 Banco Montepio 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, operations or prospects.

Deferred Tax Assets Regime

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

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

Pursuant to current legislation (Law no. 61/2014, of 26 August (as amended)), if the Issuer incurs losses on an individual basis, there is the risk that the Portuguese Government 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 no. 61/2014, of 26 August (as amended), in 2021 a partial portion of the deferred tax assets 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 no. 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*".

IT and Telecommunications Systems Risk

The Issuer and its activities are increasingly dependent on highly sophisticated information technology ("**IT**") systems, as a result 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, operations 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 and results, operations 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, operations or prospects.

Risks related to the legal and regulatory framework

Legislation changes regarding banking commissions

The current legislation in Portugal, 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, Law 57/2020, of 28 August, which came into effect on 1 January 2021. This new legislation has introduced 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 pandemic 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, 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 their powers over defaulting clients and, as a result, may have a material adverse effect on the Issuer's business, reputation, financial condition and results, operations or prospects.

Implications of a negative EURIBOR on credit agreements for consumers relating to residential real estate property

Law No. 32/2018, of 18 July, amending Decree-Law No. 74-A/2017, of 23 June, on credit agreements for borrowers relating to residential real estate property, entered into force on 19 July 2018 and, in the context of residential loan agreements, imposes on banking institutions, including the Issuer, the obligation to reflect the existence of negative rates in the calculation of interest rates applicable to the loans.

According to this new law, when the sum of the relevant index rate (such as EURIBOR) and the relevant margin is negative, this negative interest rate amount will have to either (i) be discounted from the principal amounts outstanding of the relevant loans or (ii) be converted into a credit which may in the future set off against positive interest rates (and ultimately paid to the borrowers if it has not fully been set off at maturity).

The compliance with the above-mentioned law may have a negative impact in relation to the interest accruing on the housing loans forming part of the Issuer's loan portfolio, insofar as a floating interest rate has been agreed under such loans, and the relevant EURIBOR rate is below zero. This may negatively affect the Issuer's business, reputation, financial condition and results, operations or prospects.

Regulation of the Portuguese Financial Industry on Prudential Matters

The Issuer operates in a highly regulated industry. The banking activities of the Issuer are subject to extensive regulation by Banco de Portugal and guidelines issued by the ECB and the European Banking Authority ("**EBA**"), mainly relating to liquidity levels, solvency and provisioning, and also extensive regulation by the Portuguese Securities Regulator (the "**CMVM**") and supervision by the Insurance and Pension Funds Supervisory Authority ("**ASF**"), as well as by other equivalent regulators of jurisdictions in which it operates.

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, 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 Banco de 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, operations or prospects.

Legislation on Bank Recovery and Resolution

On 10 February 2012, the Decree-Law no. 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 no. 114-A/2014, of 1 August, Decree Law no. 114-B/2014, of 4 August, and Law no. 23-A/2015, of 26 March, which have transposed the Directives 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.

Banco de 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 requirements set by Banco de Portugal. Banco Montepio has already been notified by Banco de 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 in a linear trend, 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 Banco de 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, operations or prospects of Banco Montepio.

Basel Committee: potential impact of Basel IV 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 announced recently include updates to the ways banks calculate their capital requirements ratios 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.

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) No 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**") 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. Most of the provisions of CRD V were required to be transposed into national law by 28 December 2020, with application immediately thereafter. Although the transposition deadline has passed,

CRD V has still not been implemented in Portugal. Banco de Portugal, as the Portuguese local regulator, has launched a public consultation regarding the draft legal instrument that aims to transpose CRD V into national law (*Código da Atividade Bancária*). As at the date of this Base Prospectus, the public consultation has been concluded and the revised draft legal instrument is expected to be published the near future, however, such date is not yet known.

CRR 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.

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 Banco de 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 2020, the total contribution amount to the Resolution Fund totalled €72.0 million (€74.1 million in 2019), which represented a decrease of €2.1 million over the previous year, of which approximately 6.2 per cent. (5.8 per cent. in 2019) were contributions from the Issuer.

In relation to the contributions from the Portuguese banking sector, in accordance with the available data, in 2020 it amounted to €177.7 million (€179.2 million in 2019), of which approximately 6.1 per cent. (5.5 per cent. in 2019) was paid by the Issuer.

In 2020 the periodic contribution created within the scope of BRRD transposition amounted to €128.2 million (€124.0 million in 2019), of which approximately 4.8 per cent. (5.3 per cent. in 2019) 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 4 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 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.

New requirements related to liquidity ratios may affect profitability

The Basel III recommendations endorse the implementation of liquidity coverage ratios for short and medium/long-term liabilities, known as the Liquidity Coverage Ratio ("**LCR**") and **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.

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, Banco de Portugal, the European Banking Authority ("**EBA**"), the European and Securities Markets Authority ("**ESMA**") and the Portuguese Securities Market Commission ("**CMVM**", *Comissão do Mercado de Valores Mobiliários*), as well as other supervisory authorities from the EU and the countries in which the 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.

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. 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 Banco de 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.

CRD V and CRR II introduce a new approach for the measurement of counterparty credit risk, the implementation of the 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.

Most of the provisions of CRD V were required to be transposed into national law by 28 December 2020, with application immediately thereafter. Although the transposition deadline has passed, CRD V has still not been implemented in Portugal. Banco de Portugal, as the Portuguese local regulator, has launched a public consultation regarding the draft legal instrument that aims to transpose CRD V into national law (*Código da Atividade Bancária*). As at the date of this Base Prospectus, the public consultation has concluded and the Banco de Portugal prepared a proposal for the new law, which has yet to be approved.

CRR II applied from 28 June 2021 subject to certain applications and exemptions, such as those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments.

The November 2016 Proposals also include phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework. 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. For more information, see risk factor headed "*Basel Committee: potential impact of Basel IV requirements*".

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 (including but not limited to Subordinated Notes and Senior Non-Preferred Notes).

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

Risks related to the structure of a particular issue of Notes

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

Risks relating to Floating Rate Notes

Floating Rate Notes (as defined in the Conditions) 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 Notes in advance. Interest on Floating Rate Notes may be payable plus or minus a margin.

Risks relating to Reset Notes

The interest rate on Reset Notes (as defined in the Conditions) will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes.

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date and with such sum converted as described in the definition of First Reset Rate of

Interest or Subsequent Reset Rate of Interest (as applicable) (each such interest rate, a "**Subsequent Reset Rate**"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

If the Notes 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 Notes concerned

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

Notes subject to optional redemption by the Issuer

Notes may, subject as provided in the Conditions, be redeemed before their Maturity Date (i) at any time for taxation reasons in accordance with Condition 5(c); (ii) if Call Option is specified in the applicable Final Terms, at the sole discretion of the Issuer on any Optional Redemption Date; or (iii) in respect of (a) Subordinated Notes only, at any time following the occurrence of a Capital Event, and (b) Senior Non Preferred Notes or certain Ordinary Senior Notes, at any time following the occurrence of an MREL Event, in each case at their Early Redemption Amount or Optional Redemption Amount, as applicable, together with interest accrued (but unpaid) to the date fixed for redemption in accordance with the Conditions. An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect, or is perceived to be able to elect, to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

The Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, provide for limited events of default. Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under the RGICSF

Noteholders have a very limited ability to accelerate the maturity of their Subordinated Notes, Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes. The terms and conditions of the Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes do not provide for any events of default, except in the case that (i) an order is made by any competent court commencing bankruptcy or insolvency proceedings against the Issuer or for its winding up or dissolution, or the Issuer institutes such proceedings, suspends payments or makes a general arrangement for the benefit of its creditors or (ii) an order is made or an effective resolution is passed by the Issuer's shareholders for the winding-up of the Issuer.

As mentioned above, the Issuer may be subject to a procedure of early intervention or resolution pursuant to the RGICSF. The adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to the RGICSF.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD in relation to the exercise of the relevant measures and powers pursuant to such procedure. Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of the RGICSF. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a Noteholders of any rights it may otherwise have on the occurrence of any event of default may be limited in these circumstances.

The Subordinated Notes, Senior Non Preferred Notes and/or certain Ordinary Senior Notes may be redeemed prior to maturity upon a Capital Event or upon the occurrence of an MREL Event, as applicable

The Issuer may, at its option, redeem all, but not some only, of the Subordinated Notes, or Senior Non Preferred Notes and/or certain Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as "Applicable" in the relevant Final Terms, at any time (if the Note is not a Floating Rate Note) or on any Interest Payment Date (if the Note is a Floating Rate Note), on giving an irrevocable notice to Noteholders at their Early Redemption Amount, together with accrued but unpaid interest up to (but excluding) the date of redemption, upon a Capital Event (in the case of Subordinated Notes only) or following the occurrence of an MREL Event (in the case of Senior Non Preferred Notes and/or certain Ordinary Senior Notes).

The early redemption of the Subordinated Notes, the Senior Non Preferred Notes or the Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as "Applicable" in the relevant Final Terms upon a Capital Event (in the case of Subordinated Notes) or upon an MREL Event (in the case of Senior Non Preferred Notes or certain Ordinary Senior Notes), as applicable, will be subject to the prior consent of the Competent Authority (as defined in the Conditions) if and as required therefor under Applicable Banking Regulations (as defined in the Conditions) and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

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

It is not possible to predict whether or not Senior Non Preferred Notes or certain Ordinary Senior Notes will or may qualify as MREL-Eligible Instruments (see "*–The qualification of Senior Non Preferred Notes and certain Ordinary Senior Notes as MREL-Eligible Instruments is subject to uncertainty*") or if any further change in the laws or regulations of Portugal, the Applicable Banking Regulations, the MREL Requirements or in the application or official interpretation thereof will occur and whether such change may lead to the circumstances in which the Issuer is able to elect to redeem such Senior Non Preferred Notes or Ordinary Senior Notes, and if so whether or not the Issuer will elect to exercise such option to redeem such Notes or if any prior consent of the Competent Authority, if required, will be given.

Early redemption features (including any redemption of the Notes pursuant to Condition 5(e) (*Redemption due to a Capital Event*) or pursuant to Condition 5(f) (*Redemption due to an MREL Event*) are likely to limit the market value of the Notes. During any period when the Issuer may redeem the Notes or is perceived to be able to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period or at any time where there is any actual increase in the likelihood that the Issuer will be able to redeem the Notes early. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The qualification of Senior Non Preferred Notes and certain Ordinary Senior Notes as MREL-Eligible Instruments is subject to uncertainty

The Senior Non Preferred Notes and certain Ordinary Senior Notes may be intended to be MREL-Eligible Instruments (as defined in the Conditions) under the MREL Requirements. However, there is uncertainty regarding how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot

provide any assurance that the Senior Non Preferred Notes and certain Ordinary Senior Notes will or may be (or thereafter remain) MREL-Eligible Instruments.

If for any reasons the Senior Non Preferred Notes and the Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as "Applicable" in the relevant Final Terms are not MREL-Eligible Instruments or if they initially are MREL-Eligible Instruments and subsequently become ineligible due to a change in Portuguese law or the MREL Requirements, then an MREL Event (as defined in the Conditions) will occur, with the consequences indicated in the Conditions. See "*— The Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes may be redeemed prior to maturity upon a Capital Event or upon the occurrence of an MREL Event*".

Notes issued at a substantial discount or premium

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

The regulation and reform of "benchmarks" may adversely affect the value of Floating Rate Notes or Reset Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (such as the Reference Rate) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these 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 Floating Rate Notes or Reset Notes linked to or referencing such a "benchmark".

The Benchmarks Regulation could have a material impact on any Floating Rate Notes or Reset Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the relevant "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 or otherwise affecting the volatility of the published rate or level of the relevant "benchmark".

More broadly, any of the international or national reforms, 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 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 Floating Rate Notes or Reset Notes linked to or referencing a "benchmark".

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

The Issuer may issue Floating Rate Notes, the interest rate on which fluctuates according to fluctuations in a specified interest rate benchmark. Reference rates and indices, including interest rate benchmarks, such as EURIBOR, which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

(i) Temporary unavailability of the Relevant Screen Page

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide

that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent,

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date or Reset Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued, may adversely affect the value of, and return on, the Floating Rate Notes or Reset Notes.

(ii) Benchmark Events

Benchmark Events include (amongst other events) permanent discontinuation of an Original Reference Rate. If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate, failing which an Alternative Rate to be used in place of the Original Reference Rate and, in each case, an Adjustment Spread and any Benchmark Amendments (as defined in the Conditions). If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed is unable to determine a Successor Rate or Alternative Rate, the Issuer, acting in good faith and in a commercially reasonable manner, may determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser or the Issuer, as the case may be, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser or the Issuer, as the case may be, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser or the Issuer, as the case may be, and applied to such Successor Rate or Alternative Rate in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof). If the Independent Adviser 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 without an Adjustment Spread.

The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest and the application of any Adjustment Spread may result in Notes initially linked to or referencing the Original Reference Rate 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 apply in its current form.

(iii) Potential for a fixed rate return

The Issuer may be unable to appoint an Independent Adviser or each of the Independent Adviser and the Issuer may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner or the Independent Adviser (failing which, the Issuer) is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date or Reset Determination Date, as applicable, the Rate of Interest for the next succeeding Interest Accrual Period or Reset Period, respectively, will be the Rate of Interest applicable as at the last preceding Interest Determination Date or Reset Determination Date, as applicable, before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date or Reset Determination Date, as applicable, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or the Independent Adviser (failing which, the Issuer) has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Accrual Period or Reset Period, as applicable, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date or Reset Determination Date, respectively, and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods or Reset Periods, as necessary.

Applying the Initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date or Reset Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser (and the Issuer, as the case may be) fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. Further, the Conditions provide that no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes:

(A) in the case of Subordinated Notes, as Tier 2 Capital; and/or

(B) in the case of Senior Notes, as MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations,

or, in the case of Ordinary Senior Notes and Senior Non Preferred Notes only, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Competent Authority treating a future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date for the purposes of qualification of the Notes as MREL-Eligible Instruments of the Issuer. This also risks the Floating Rate Notes in effect becoming Fixed Rate Notes.

(iv) ISDA Determination

Where ISDA determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is EURIBOR, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If EURIBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return of the Floating Rate Notes.

Holders of the Subordinated Notes will have limited remedies

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

Limitation on gross-up obligation under the Subordinated Notes, Senior Non Preferred Notes and the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance)

The Issuer's obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of Portuguese taxes on any payments under the terms of the Subordinated Notes, the Senior Non Preferred Notes or the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) applies only to payments of interest and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Subordinated Notes, the Senior Non Preferred Notes or the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Subordinated Notes, the Senior Non Preferred Notes or the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance), Noteholders may receive less than the full amount of principal due under the Subordinated Notes, the Senior Non Preferred Notes or the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) upon redemption, and the market value of the Subordinated Notes, Senior Non Preferred Notes or the Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) may be adversely affected.

Unless otherwise specified in the relevant Final Terms, the Terms and Conditions of the Notes contain a waiver of set-off, netting and compensation rights

Subject to applicable law, no holder of a Subordinated Note, a Senior Non Preferred Note or an Ordinary Senior Note (unless "Ordinary Senior Notes: Waiver of Set Off" is specified in the relevant Final Terms as "Not Applicable") may exercise or claim any set-off, netting or compensation right in respect of any amount owned by it to the Issuer arising under or in connection with the Subordinated Note, the Senior Non Preferred Note or the Ordinary Senior Note, as the case may be, and each holder of a Subordinated Note, a Senior Non Preferred Note or an Ordinary Senior Note (unless "Ordinary Senior Note Waiver of Set Off" is specified in the relevant Final Terms as Not Applicable), as the case may be, shall, by virtue of its subscription, purchase or holding of any such Note, be deemed to have waived all such rights of set off.

Notwithstanding the preceding paragraph, if any of the amounts owing to any holder by the Issuer in respect of, or arising under or in connection with the relevant Notes is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

The Notes may be subject to substitution and/or variation without Noteholder consent

Subject as provided herein, in particular to the provisions of Condition 5(j), if a Capital Event or a MREL Event occurs, the Issuer may (subject to (a) the Issuer giving not less than 30 nor more than 60 calendar days' notice to the Noteholders and the Agents in accordance with Condition 12, which notice shall be irrevocable (i) that the relevant securities will be Compliant Securities and (ii) that such securities will not have terms materially less favourable to Noteholders than the terms of the relevant Notes) at its option and without the consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the relevant Notes for, or (ii) vary the terms of the relevant Notes such that they remain or, as appropriate, become, Compliant Securities (as defined in Condition 5(j)). While Compliant Securities generally must contain terms that are materially no less favourable to Noteholders as the original terms of the relevant Notes, there can be no assurance that the terms of any Compliant Securities will be viewed by the market as equally favourable, or that the Compliant Securities will trade at prices that are equal to the prices at which the relevant Notes would have traded on the basis of their original terms.

Risk relating to Subordinated Notes and Senior Non Preferred Notes

The risk factors relating to Subordinated Notes and Senior Non Preferred Notes described below should be read together with the general risk factors relating to the Notes described above.

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency or resolution

The Issuer's obligations under the Subordinated Notes (as defined in the relevant Conditions) will be unsecured and subordinated obligations of the Issuer and will rank junior to all unsubordinated obligations of the Issuer (including any Senior Non Preferred Liabilities (as defined in the Conditions)). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented in Portugal through Law No. 23-A/2015 of, 26 March 2015, (which amended the RGICSF)) and the Subordinated Notes become subject to the application of the Portuguese Bail-In Power, as defined below, (and, in case they constitute Tier 2 instruments, the Non-viability Loss Absorption Measure (as defined below)) or (ii) insolvent.

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

In the case of any exercise of the Portuguese Bail-In Power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD provides for the principal amount of Tier 2 instruments (such as the Subordinated Notes if they qualify as such as it is expected) to be written-down or converted into equity or other securities or obligations prior to the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 instruments (Instruments) in accordance with the hierarchy of claims provided in the applicable insolvency legislation and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any other eligible liabilities (such as the Ordinary Senior Notes and Senior Non Preferred Notes), in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Subordinated Notes which constitute Tier 2 instruments may be subject to the Non-viability Loss Absorption Measure (as defined below), which may be imposed prior to or in combination with any exercise of the Portuguese Bail-In Power Measure.

The RGICSF provides for the resolution authorities having the power to permanently write down, or convert into equity (common equity tier 1 instruments), capital instruments such as Tier 2 instruments and Additional Tier 1 capital instruments at the point of non-viability of an institution or such institution's group and before any other resolution action has been taken (the "**Non-viability Loss Absorption Measure**").

An investor in Senior Non Preferred Notes assumes an enhanced risk of loss compared to creditors of the Issuer's Senior Higher Priority Liabilities

The Senior Non Preferred Notes are senior non preferred obligations and are junior to the Issuer's unsubordinated obligations including the Ordinary Senior Notes and deposits which provide a preferential claim over the claim of holders of Senior Non Preferred Notes and Ordinary Senior Notes.

The Senior Non Preferred Notes constitute direct, unconditional, unsubordinated and unsecured senior non preferred obligations of the Issuer in accordance with Article 8-A of Decree Law No. 199/2006, of 25 October 2006, as amended or superseded (including by Law 23/2019, of 13 March 2019, which implemented Directive 2017/2399, of 12 December 2017 ("**Article 8-A**")). Upon the insolvency of the Issuer, the payment obligations of the Issuer in respect of rights of the holders of any Senior Non Preferred Notes rank, subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), (a) *pari passu* among themselves and with any Senior Non Preferred Liabilities (as defined in the Conditions), (b) junior to any present or future claims of depositors of the Issuer and to any Senior Higher Priority Liabilities (as defined in the Conditions) and, accordingly, upon the insolvency of the Issuer, the claims in respect of the Senior Non Preferred Notes will be met after payment in full of the claims of depositors of the Issuer and the Senior Higher Priority Liabilities, and (c) senior to all present and future

subordinated obligations of the Issuer (including, for the avoidance of doubt, all Subordinated Notes) in accordance with Article 8-A.

The Issuer's Senior Higher Priority Liabilities would include, among other liabilities, its obligations in respect of unsecured derivatives and other unsecured financial contracts and its unsubordinated and unsecured debt securities other than the Senior Non Preferred Liabilities. Law No. 23/2019, of 13 March 2019, confers a preferential claim for generally all bank deposits (including all corporate bank deposits) over both Senior Non Preferred Notes and Ordinary Senior Notes. If the Issuer were wound up, liquidated or dissolved, the liquidator would apply the available assets to satisfy all claims in respect of its unsubordinated liabilities, first to satisfy claims of all other creditors (including depositors and secured creditors in respect of their security) ranking ahead of holders of Senior Higher Priority Liabilities, and then to satisfy claims of the Senior Higher Priority Liabilities and then the Senior Non Preferred Notes (and other Senior Non Preferred Liabilities). If the Issuer does not have sufficient assets to settle the claims of higher ranking creditors (including depositors) in full, the claims of the Noteholders under Notes will not be satisfied. Noteholders will share equally in any distribution of assets available to satisfy all claims in respect of equal-ranking liabilities if the Issuer does not have sufficient funds to make full payment to all of them.

In addition, if the Issuer enters into resolution, its liabilities under the Notes may be subject to bail-in, meaning potential write-down or conversion into equity securities or other securities. The sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD provides for claims to be written-down or converted into equity in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Because the Senior Non Preferred Notes are Senior Non Preferred Liabilities, the Issuer expects them to be written down or converted in full after any subordinated obligations of the Issuer and before any of the Issuer's Senior Higher Priority Liabilities are written down or converted.

As a consequence, holders of the Senior Non Preferred Notes would bear significantly more risk than creditors of the Issuer's Senior Higher Priority Liabilities and could lose all or a significant part of their investment if the Issuer were to become (i) subject to resolution under the BRRD and the Senior Non Preferred Notes were to become subject to the application of the Portuguese Bail-In Power or (ii) insolvent.

Senior Non Preferred Notes are new types of instruments for which there is little trading history

On 14 March 2019, Law No. 23/2019 of 13 March 2019 entered into force. This legislation implements Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 and provides for the legal recognition of unsubordinated and unsecured senior non preferred obligations in Portugal. It also confers a preferential claim to generally all bank deposits *vis-à-vis* senior unsecured debt (including the Senior Non Preferred Notes and the Ordinary Senior Notes). There is little trading history for senior non preferred securities of Portuguese financial institutions. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non preferred securities. The credit ratings assigned to senior non preferred securities such as the Senior Non Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non preferred securities such as the Senior Non Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non Preferred Notes. If so, Noteholders may incur losses in respect of their investments in the Senior Non Preferred Notes.

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, operations 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 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, is a new strain that has not been previously identified in humans.

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. As at the date of this Base Prospectus, given the uncertainty of the lasting effect of the COVID-19 outbreak, the financial impact on the global economy cannot be determined. 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, 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 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. For more information, please refer to the risk factor headed "*The potential impacts of the COVID-19 pandemic and similar future outbreaks*" and the section headed "*The Portuguese Economy*".

Although COVID-19 is still spreading and the final implications of this pandemic remain difficult to estimate, it will have significant consequences and will have a substantial worldwide negative effect. As such, the Issuer may be adversely affected by the wider macroeconomic effects of the ongoing COVID-19 pandemic and any potential similar future outbreaks, given the likeliness of a substantial negative effect on Portugal and the Portuguese economy.

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 results, operations or prospects of Banco Montepio.

United Kingdom's Exit from the European Union

The UK left the EU as of 31 January 2020 ("**Brexit**") and the transition period ended on 31 December 2020. Therefore, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK.

The Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community dated 24 January 2020 provided the UK with a transitional period until 31 December 2020, during which the UK was bound by EU rules despite not being a member state thereof and remained in the single market area, while the future terms of the UK's relationship with the EU were being negotiated. On 24 December 2020, the EU and the UK agreed on the Trade and Cooperation Agreement (the "**Trade and Cooperation Agreement**"), which sets out the principles of the relationship between the EU and the UK following the end of the transitional period. The European Parliament ratified the Trade and Cooperation Agreement on 28 April 2021. According to the European Commission, the Trade and Cooperation Agreement "sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes". However, the Trade and Cooperation Agreement does not cover financial services, other than through a general undertaking to ensure the implementation and application of internationally agreed standards in the financial services sector for regulation and supervision, leaving the decisions of "equivalence" and "adequacy" to be determined by each side unilaterally in due course. The Trade and Cooperation Agreement does provide for potential future agreements to supplement the Trade and Cooperation Agreement and to cover further issues including financial services. There is, however, no guarantee that such equivalence decisions will be issued by the EU or the UK in the future, or that any extensions or renewals of temporary equivalence decisions or similar transitional arrangements will be made by the EU or the UK in the future.

Given the above, the Trade and Cooperation Agreement has removed some degree of uncertainty and downside risk for the Portuguese economy. Nonetheless, this free trade agreement involves far weaker ties between the EU and the UK compared to the Single Market and Customs Union. There remains a risk that Brexit could negatively impact the Issuer's performance or operations, though such risks are lower than the time prior to the Trade and Cooperation Agreement being reached. Trade in both goods and services between the EU and the UK is no longer frictionless and will be more costly.

The Portuguese economy could be adversely affected given the importance of the UK as an export market and as a source of tourism. Given the current uncertainties there can be no assurance that the Issuer's

business, reputation, financial condition and results, operations or prospects will not be affected by market developments, notably the depreciation of the exchange rate of GBP against the euro and higher financial market volatility in general due to increased uncertainty surrounding the aforementioned factors. Furthermore, no assurance can be given that the matters described above would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Any of these effects of Brexit, and others which cannot be anticipated, could adversely affect the Issuer's business, results, operations, financial condition and cash flows, and could negatively impact the value of the Notes.

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 (such as in the UK and the US). 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 impacting global economy and markets*".

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. There is no obligation on the Issuer to maintain any rating for itself or for the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A 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 Notes 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 Notes.

The ratings assigned to the Notes assess the likelihood of full and timely payment of interest due on each Interest Payment Date to holders of the Notes, and the likelihood of ultimate payment of principal in relation to the Notes on the Maturity Date. 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 Notes.

If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced.

Legal considerations may restrict certain investments

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

Relationship with the Dealers

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 Notes issued under the Programme.

The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Any of the aforementioned positions or actions could adversely affect future trading prices of the Notes issued under the Programme.

Appointment of a Dealer as Calculation Agent

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Risks related to Notes generally

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

Credit Rating Agency Regulation requirements

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or by a credit rating agency which is certified under the CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restrictions will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Modification and waiver

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

The Terms and Conditions of the Notes also provide that the Agent and the Issuer may agree, without the consent of the Noteholders (and by acquiring the Notes, the Noteholders agree that the Agent and the Issuer may, without the consent of the Noteholders), to make any modification to the provisions of the Conditions or the Instrument which: (i) is not prejudicial to the interests of the Noteholders; (ii) is of a formal, minor or technical nature; (iii) is made to correct a manifest or proven error; or (iv) is to comply with mandatory provisions of any applicable law or regulation. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable.

Change of law

The Terms and Conditions of the Notes and any non-contractual obligations arising out of or in connection with them are governed by English law, save that Conditions 2 and 15 and the provisions relating to the form (*representação formal*) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, Portuguese law, in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or Portuguese law or administrative practice in either of those jurisdictions after the date of issue of the relevant Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

The Notes are unsecured and therefore subject to the resolution regime

The Notes are unsecured and therefore subject to the resolution regime, including the bail-in tool (see further "*Legislation on Bank Recovery and Resolution*" above). The impact on investors, in a resolution scenario, depends crucially on the rank of the liability in the resolution creditor hierarchy. In the event of resolution, *inter alia*: (i) the outstanding amount of the Notes may be reduced to zero or the Notes may be converted into ordinary shares of the Issuer or other instruments of ownership; (ii) a transfer of assets (*e.g.* to a bridge bank) or a sale of business may limit the capacity of the Issuer to meet its repayment obligations; and (iii) the maturity of any Notes or the interest rate under such Notes can be altered and the payments may be suspended for a certain period. When a resolution measure is applied no shareholder or creditor of the institution (including the Noteholders) subject to resolution may have losses greater than it would have if the institution had entered into liquidation. Noteholders may have a right to compensation if the treatment they receive in resolution is less favourable than the treatment they would have received under normal liquidation proceedings ("no creditor worse off"). This assessment must be based on an independent valuation of the firm. Completion of this assessment, as well as payment of any potential consideration, may be delayed and occur considerably later than contractual payment dates.

The taking of any such actions could adversely affect the rights of Noteholders, including the write-down or conversion (in whole or in part) of their Notes. Any such actions or the perceived likelihood of any such actions being taken may adversely impact the price or value of their investment in the Notes.

Risks related to procedures for collection of Noteholders' details

It is expected that the direct registering entities *(entidades registadoras directas),* the participants and the clearing systems will follow certain procedures to facilitate the collection from the effective beneficiary of the Notes (the "**beneficial owner**") of the information referred to in "*Risks related to withholding tax*" above required to comply with the procedures and certifications required by Decree-Law no. 193/2005, of 7 November (as amended). Under Decree-Law no. 193/2005, of 7 November (as amended), 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 Tax Regime for Debt Securities (Decree-Law 193/2005)*". Such procedures may be revised from time to time in accordance with applicable Portuguese laws and regulations, further clarification from the Portuguese tax authorities, regarding such laws and regulations, and the operational procedures of the clearing systems. While the Notes are registered by Interbolsa. Beneficiaries must comply with such procedures in order to receive payments under the Notes free of any withholding, if applicable. Beneficiaries must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Arranger, the Dealers, the agents or the clearing systems assume any responsibility therefor.

Reliance upon Interbolsa procedures

Investments in Notes will be subject to Interbolsa procedures and Portuguese law with respect to the following:

(a) *Form and Transfer of the Notes*

Notes held through accounts of affiliate members of Interbolsa will be represented in dematerialised book-entry form (*forma escritural*) and are registered Notes (*nominativas*).

Notes will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the affiliate members of Interbolsa on behalf of the relevant holders. Such control accounts will reflect at all times the aggregate number of Notes held in the individual securities accounts opened by the clients of the affiliate members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg, thus becoming indirect Participants in Interbolsa). The transfer of Notes and their beneficial interests will be made through Interbolsa.

(b) *Payments on Notes*

All payments on Notes (including without limitation the payment of accrued interest and/or principal) will be (i) made by the Issuer to the Agent, (ii) transferred, in accordance with the procedures and regulations of Interbolsa, from the account held by the Agent with Banco de Portugal to the accounts of the affiliate members of Interbolsa who hold control accounts on behalf of the Noteholders and, thereafter, (iii) transferred by the affiliate members of Interbolsa from their accounts to the accounts of their clients (which may include Euroclear Bank and Clearstream, Luxembourg).

The Noteholders must rely on the procedures of Interbolsa to receive payment under the Notes. The records relating to payments made in respect of beneficial interests in the Notes are maintained by the affiliate members of Interbolsa and the Issuer accepts no responsibility for, and will not be liable in respect of, the maintenance of such records.

(c) *Risks related to withholding tax applicable on the Notes*

Pursuant to Decree-Law 193/2005, of 7 November 2005, as amended, investment income paid to non-resident beneficial owners of Notes, and capital gains derived from a sale or other disposition of such Bonds, will be exempt from Portuguese income tax only if certain documentation requirements are duly complied with.

It is expected that the direct registering entities (*entidades registadoras directas*), the participants and the clearing systems will follow certain procedures to facilitate the collection from the effective beneficiary of the Notes (the "**beneficial owner**") of the information required to comply with the procedures and certifications required by Decree-Law no. 193/2005, of 7 November (as amended). Under Decree-Law no. 193/2005, of 7 November (as amended), 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 "Special Tax Regime for Debt Securities (Decree-Law 193/2005" as amended, under the "Taxation" chapter. Such procedures may be revised from time to time in accordance with applicable Portuguese laws and regulations, further clarification from the Portuguese tax authorities, regarding such laws and regulations, and the operational procedures of the clearing systems. While the Notes are registered by Interbolsa, beneficiaries must comply with such procedures in order to receive payments under the Notes free of any withholding tax, if applicable.

Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding tax rate (see "*Special Tax Regime for Debt Securities (Decree-Law 193/2005)"*) as amended. The Issuer will not gross up payments in respect of any such withholding tax in case the conditions described in detail in Taxation below are not fully met, including failure to deliver or incorrect filling of the certificate or declaration referred to above. Accordingly, beneficial owners of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuer, the Arranger, the Dealers, the agents or the clearing systems assume any responsibility therefore.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with:

1. the earnings release of the Issuer for the first three months of 2022 (available at https://www.bancomontepio.pt/resources/SiteMontepio/documentos/en_GB/banco-montepio-consolidated-results-1-quarter-2022.pdf) including the information set out at the following pages in particular:

1Q2022 EARNINGS RELEASE	
Key Indicators	15
Consolidated Income Statement	16
Consolidated Balance Sheet	17

2. 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), 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

3. 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), 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

4. the terms and conditions of the Notes set out on pages 55-80 (inclusive) of the base prospectus dated 7 June 2018 relating to the Programme (the "**2018 Base Prospectus**") under the heading "*Terms and Conditions of the Notes*" (the "**2018 Conditions**") (available at: https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/programa-obrigacoes-caixa/EMTN-Base-Prospectus-2018-06-07.pdf); and

5. the terms and conditions of the Notes set out on pages 47-79 (inclusive) of the base prospectus dated 31 October 2019 relating to the Programme (the "**2019 Base Prospectus**") under the heading "*Terms and Conditions of the Notes*" (the "**2019 Conditions**") (available at: https://www.bancomontepio.pt/iwov-resources/SitePublico/documentos/pt_PT/informacao-financeira-montepio/funding-programes/programa-obrigacoes-caixa/base-prospectus-31-october-2019.pdf).

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the Prospectus Regulation. For the avoidance of doubt, no other part of the 2018 Base Prospectus or the 2019 Base Prospectus is incorporated by reference into this Base Prospectus (other than (i) the 2018 Conditions contained on pages 55-80 (inclusive) of the 2018 Base Prospectus; and (ii) the 2019 Conditions contained on pages 47-79 (inclusive) of the 2019 Base Prospectus).

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

The documents listed above have been previously published or are published simultaneously with this Base Prospectus and have been filed with the CSSF. Such documents shall be incorporated by reference in, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated herein by reference may be obtained free of charge at the specified offices of the Issuer and the Agent and will also be available to view on the website of the Luxembourg Stock Exchange *(www.bourse.lu).*

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus, unless they are incorporated separately elsewhere in the Base Prospectus, shall not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by registration in the Interbolsa book-entry system and governed by these terms and conditions and by a deed poll given by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (in its capacity as issuer, the "**Issuer**") in favour of the Noteholders as amended and restated on 24 June 2022 (the "**Instrument**"), which includes the form of the Notes referred to below. Agency terms dated 24 June 2022 (as amended and/or supplemented and/or restated as at the date of issue of the Notes (the "**Issue Date**"), the "**Agency Terms**") has been entered into in relation to the Notes by Caixa Económica Montepio Geral, caixa económica bancária, S.A. in its capacity as Issuer and in its capacity as agent (in such capacity, the "**Agent**"). Copies of the Agency Terms are available for inspection during usual business hours at the registered office of the Agent (presently at Rua Castilho 5, 1250-066 Lisbon, Portugal).

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Instrument, and are deemed to have notice of those provisions of the Agency Terms applicable to them.

1. Form, Denomination and Title

Notes are issued in dematerialised book-entry (*forma escritural*) and registered nominative (*nominativas*) form, in the Specified Denomination as specified in the applicable Final Terms **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, the minimum Specified Denomination shall be €100,000 (or its equivalent in other currencies as at the date of issue of the relevant Notes) as specified in the applicable Final Terms.

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

The Notes shall be issued in registered nominative form (*nominativas*), not bearer form, whether in definitive bearer form or otherwise.

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

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

The Notes are Ordinary Senior Notes, Senior Non Preferred Notes or Subordinated Notes as specified in the applicable Final Terms.

The Notes are Fixed Rate Notes, Reset Notes, Floating Rate Notes, Zero Coupon Notes, a combination of any of the foregoing or any other kind of Notes, depending upon the Interest and Redemption/Payment Basis specified in the applicable Final Terms.

In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the relevant individual securities account held with an affiliated member of Interbolsa.

2. **Status**

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

The obligations of the Issuer under the Ordinary Senior Notes and the Senior Non Preferred Notes (together, the "**Senior Notes**") are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and, subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), in the event of the winding up of the Issuer, such obligations rank and will rank:

(i) in the case of Ordinary Senior Notes:

(a) *pari passu* among themselves and with any other Senior Higher Priority Liabilities; and

(b) senior to (i) Senior Non Preferred Liabilities and (ii) all present and future subordinated obligations of the Issuer (including, for the avoidance of doubt, all Subordinated Notes); and

(ii) in the case of Senior Non Preferred Notes:

(a) *pari passu* among themselves and with any other Senior Non Preferred Liabilities;

(b) junior to any present or future claims of depositors of the Issuer and to any Senior Higher Priority Liabilities (and, accordingly, upon the insolvency of the Issuer, the claims in respect of Senior Non Preferred Notes will be met after payment in full of the claims of depositors of the Issuer and the Senior Higher Priority Liabilities) in accordance with Article 8-A; and

(c) senior to all present and future subordinated obligations of the Issuer (including, for the avoidance of doubt, all Subordinated Notes) in accordance with Article 8-A.

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

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

The claims of the holders of the Subordinated Notes against the Issuer in respect of payments pursuant to the Subordinated Notes will, in the event of the bankruptcy or winding up of the Issuer, (to the extent permitted by Portuguese law) be subordinated in right of payment in the manner provided in this Condition 2(b) and the Instrument, to the claims of all Senior Creditors of the Issuer but shall rank (a) at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and all obligations of the Issuer which rank, or are expressed to rank, *pari passu* therewith and (b) in priority to any present or future claims of holders of (1) all share capital of the Issuer, (2) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital of the Issuer, and (3) all other obligations of the Issuer which rank, or are expressed to rank, junior to the Subordinated Notes or Tier 2 Capital of the Issuer.

For the purposes of these Conditions:

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, minimum requirements for eligible liabilities, resolution and/or solvency then in effect in Portugal and applicable to the Issuer, including, without limitation to the generality of the foregoing, CRD, the BRRD, the SRM Regulation and those regulations, requirements, guidelines and policies relating to capital adequacy, minimum requirements for eligible liabilities, resolution and/or solvency in each case to the extent then in effect of the Competent Authority and/or any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union (including, for the avoidance of doubt the CRD Regulation);

"**Article 8-A**" means Article 8-A of Decree-Law 199/2006 of 25 October 2006, as amended or superseded (including by Law 23/2019 of 13 March 2019, which implemented Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017);

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions, as the same may be amended or superseded from time to time (including by BRRD II);

"**BRRD II**" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998, as the same may be amended or superseded from time to time;

"**Competent Authority**" means Banco de Portugal, the European Central Bank or such other or successor authority (whether in Portugal or elsewhere) having primary responsibility for prudential supervision, resolution matters and/or empowered by national law to supervise the Issuer as part of the supervisory system in operation in Portugal (and which may be the Relevant Resolution Authority (as defined below) where the context so requires);

"**CRD**" means any of, or any combination of, the CRD Directive, the CRR and any CRD Implementing Measures;

"**CRD Directive**" means Directive (EU) 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 of the European Parliament and of the Council of 16 December 2002 and repealing Directives 2006/48/EC of the European Parliament and of the Council of 14 June 2006 and 2006/49/EC of the European Parliament and of the Council of 14 June 2006, as the same may be amended or superseded from time to time (including by the CRD V Directive);

"**CRD Implementing Measures**" means any rules implementing the CRD Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital or the minimum requirement for own funds and eligible liabilities, as the case may be, of the Issuer (on a stand alone basis) or the Group (on a consolidated basis);

"**CRD V Directive**" means Directive 2019/878 (EU) of the European Parliament and of the Council of 20 May 2019 as regards exempted entities, financial holding companies,

mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures of the European Parliament and of the Council of 20 May 2019 amending the CRD, as the same may be amended or superseded from time to time;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (as the same may be amended or superseded from time to time, including by CRR II);

"**CRR II**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 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 of the European Parliament and of the Council of 20 May 2019 amending the CRR, and Regulation (EU) No 648/2012, as the same may be amended or superseded from time to time;

"**Senior Creditors**" means (a) creditors of the Issuer whose claims are admitted to proof in the winding-up of the Issuer and who are depositors and/or other unsubordinated creditors (*credores comuns*) of the Issuer (including, without limitation, holders of Senior Notes) and (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital or Tier 2 Capital of the Issuer, or whose claims otherwise rank or are expressed to rank *pari passu* with, or junior to, the claims of holders of the Subordinated Notes);

"**Senior Higher Priority Liabilities**" means any obligations of the Issuer under any Ordinary Senior Notes and any other unsecured and unsubordinated obligations of the Issuer other than Senior Non Preferred Liabilities;

"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations of the Issuer under Article 8-A (including any Senior Non Preferred Notes) and any other obligations which, by law and/or by their terms, and to the extent permitted by Portuguese law, rank *pari passu* with the Senior Non Preferred Notes; and

"**Tier 1 Capital**" and "**Tier 2 Capital**" each have the respective meanings given to such terms by the Applicable Banking Regulations from time to time.

(c) ***Waiver of Set-Off***

This Condition 2(c) applies to: (i) Subordinated Notes; (ii) Senior Non Preferred Notes; and (iii) Ordinary Senior Notes unless "Ordinary Senior Notes: Waiver of Set-Off" is expressly specified to be "Not Applicable" in the relevant Final Terms for such Ordinary Senior Notes.

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

Notwithstanding the preceding sentence, if any of the amounts owing to any holder of a relevant Note by the Issuer in respect of, or arising under or in connection with the relevant Notes are discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

3. **Negative Pledge in relation to certain of the Ordinary Senior Notes**

(a) ***Restriction***

This Condition 3(a) applies to Ordinary Senior Notes unless "Ordinary Senior Notes: Negative Pledge" is expressly specified to be "Not Applicable" in the relevant Final Terms for such Ordinary Senior Notes.

So long as any of the Ordinary Senior Notes remains outstanding (as defined in the Instrument) neither the Issuer nor any of its Subsidiaries (as defined in Condition 9) shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Ordinary Senior Notes (A) are secured equally and rateably therewith in the same manner or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Ordinary Senior Noteholders.

(b) ***Relevant Indebtedness***

For the purposes of this Condition, "**Relevant Indebtedness**" means any present or future (actual or contingent) indebtedness for money borrowed or raised in the form of, or represented by, bonds, notes, debentures, debenture stock, loan stock, certificates or other instruments that are, or are capable of being, quoted, listed or traded on any stock exchange, or other securities market (including, without limitation, any over-the-counter market) (other than an issue which is placed in Portugal in an amount greater than 50 per cent. of its aggregate principal amount). For the avoidance of doubt, "**indebtedness for money borrowed or raised**", for the purpose of this definition, does not include preference shares or any other equity securities or Covered Bonds (as defined below).

"**Covered Bonds**" means any mortgage-backed bonds and/or covered bonds or notes (*Obrigações Cobertas*) issued by the Issuer, the obligations of which benefit from a special creditor privilege (*privilégio creditório especial*) as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation, in particular, Decree-Law no. 31/2022, of 6 May.

4. **Interest and other Calculations**

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

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(g).

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

(i) *Rates of Interest and Interest Payment Dates*

Each Reset Note bears interest:

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

(B) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable

Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

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

payable, in each case, in arrear on the date(s) so specified in the applicable Final Terms on which interest is payable in each year (each, an "**Interest Payment Date**") and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the amount of interest (the "**Interest Amount**") payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount, in accordance with the provisions for calculating amounts of interest in Condition 4(g) and, for such purposes, references in Condition 4(a) to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and Condition 4(a) shall be construed accordingly.

(ii) *Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, subject to Condition 4(j), the Calculation Agent shall request each of the Mid-Swap Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

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

If on any Reset Determination Date only one or none of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4(b)(ii), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, an amount set out in the relevant Final Terms as the "**First Reset Period Fallback**".

For the purposes of this Condition 4(b)(ii), "**Mid-Swap Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

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

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Agent and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day (where

a "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter. So long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg Stock Exchange of any reset Rate of Interest and relevant Interest Amount(s) no later than the first day of each Reset Period.

(iv) *Determination or Calculation*

If for any reason the Calculation Agent defaults in its obligation to determine the First Reset Rate of Interest, a Subsequent Reset Rate of Interest or to calculate any Interest Amount in accordance with this Condition 4(b), the Issuer (or an agent appointed by it on its behalf) shall determine the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4 and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Issuer (or its agent) shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

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

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(g). Such Interest Payment Date(s) is/are either specified in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the applicable Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

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

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

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and, subject to Condition 4(j), the provisions below relating to either ISDA

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

(x) 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 Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)),

(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) on the Interest Determination Date in question as determined by the Calculation Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 4(c)(iii)(B) to "**Calculation Agent**" shall be construed accordingly).

If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than EURIBOR, the Rate of Interest in respect of such

Notes will be determined as specified in the applicable Final Terms.

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

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

(C) Linear Interpolation

Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant

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

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

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

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

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

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

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

(i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

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

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

(g) ***Calculations***

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is

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

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

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any Rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Issuer, the Agent, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. All certificates, communications, opinions, determinations, calculations and quotations given, expressed, made or obtained for the purposes of the provisions of Conditions 4(b) and 4(c) by the Calculation Agent shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent, the Calculation Agent and all Noteholders and (in the absence of bad faith and wilful default) no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers and duties pursuant to such provisions.

(i) ***Determination or Calculation***

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

(j) ***Benchmark Discontinuation***

(i) *Independent Adviser*

Notwithstanding the provisions above in Conditions 4(b) and 4(c), 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, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable and at its own cost (**provided that**, in the case of Reset Notes, such appointment need not be made earlier than 30 days prior to the first date on which the Original Reference Rate is to be used to determine any Rate of Interest (or any component part thereof)), to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(j)(iv)) and, in each case, an Adjustment Spread and any Benchmark Amendments (in accordance with Conditions 4(j)(v) and 4(j)(vi)). In making such determination, the Independent Adviser appointed pursuant to this Condition 4(j)(i) shall be required to act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agent or the Noteholders for any determination made by it, pursuant to this Condition 4(j)(i).

(ii) *Issuer Determination*

If (a) the Issuer is unable to appoint an Independent Adviser or (b) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 4(j)(i) prior to the relevant Interest Determination Date or Reset Determination Date, as applicable, the Issuer, acting in good faith and in a commercially reasonable manner, may itself determine (but shall not be obliged to determine) (i) a Successor Rate or Alternative Rate and (ii) in either case, an Adjustment Spread (if any) and/or any Benchmark Amendments in accordance with this Condition 4(j) (with the relevant provisions in this Condition 4(j) applying *mutatis mutandis* to allow such determinations to be made by the Issuer without consultation with an Independent Adviser). In the event the Issuer decides to make a determination in accordance with this Condition 4(j), without prejudice to the definitions hereof, for the purposes of determining any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Amendments (as the case may be), the Issuer shall take into account any relevant and applicable market precedents and customary market usage 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.

(iii) *Issuer's failure to determine a Successor Rate or Alternative Rate*

If the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate, or otherwise decides not to determine a Successor Rate or Alternative Rate in accordance with this Condition 4(j), the Rate of Interest applicable to the next succeeding Interest Accrual Period or Reset Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or Reset Period, respectively. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin, First Margin, Subsequent Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period or Reset Period, as applicable, from that which applied to the last preceding Interest Accrual Period or Reset Period, the Margin, First Margin, Subsequent Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period or Reset Period, as applicable, shall be substituted in place of the Margin, First Margin, Subsequent Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period or Reset Period, respectively. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period or Reset Period only

and any subsequent Interest Accrual Periods or Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(j)(i).

(iv) *Successor Rate or Alternative Rate*

If the Independent Adviser (failing which, the Issuer) determines that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4(j)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4(j)).

(v) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(vi) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (if any) is determined in accordance with this Condition 4(j) and the Independent Adviser (or Issuer, as the case may be) determines (a) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or the applicable Adjustment Spread (if any) (such amendments, the "**Benchmark Amendments**") and (b) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(j)(vii), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4(j)(vi), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(j), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes:

(A) in the case of Subordinated Notes, as Tier 2 Capital; and/or

(B) in the case of Senior Notes, as MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations,

or, in the case of Ordinary Senior Notes and Senior Non Preferred Notes only, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Competent Authority treating a future Interest Payment Date as the effective maturity of the Notes, rather than the

relevant Maturity Date for the purposes of qualification of the Notes as MREL-Eligible Instruments of the Issuer.

(vii) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(j) will be notified promptly by the Issuer to the Calculation Agent, the Agent and, in accordance with Condition 12, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Agent of the same, the Issuer shall deliver to the Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) (subject to Condition 4(j)(v) above) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(j); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (if any).

The Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Agent, the Calculation Agent and the Noteholders.

(viii) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under this Condition 4(j), the Original Reference Rate and the fallback provisions provided for in Condition 4(b)(ii) or 4(c), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

(k) ***Definitions***

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

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) 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 (if no such recommendation has been made, or in the case of an Alternative Rate)

(ii) the Independent Adviser (failing which, the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser (failing which, the Issuer) determines that no such spread is customarily applied)

(iii) the Independent Adviser (failing which, the Issuer) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be)

(iv) if the Independent Adviser determines that no such industry standard is recognised or acknowledged, the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser (failing which, the Issuer) determines in accordance with Condition 4(j)(iv) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 4(j)(vi).

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing 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); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used, either generally or in respect of the Notes; or

(v) it has become unlawful for the Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate; or

(vi) the making of a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used,

provided that in the case of (ii), (iii) and (iv), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Business Day**" means:

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

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

(iii) in the case of a currency and/or one or more Additional Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign

exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

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

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

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

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

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

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

where:

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

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D2 will be 30; and

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

"**EURIBOR**" means the euro interbank offered rate administered by the European Money Markets Institute.

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

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

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

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

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 4(b)(ii), 4(b)(iv) and (if applicable) Condition 4(j), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the First Reset Period (such calculation to be made by the Calculation Agent).

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(j)(i).

"**Fixed Leg Frequency**" means the frequency specified as such in the applicable Final Terms.

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

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

"**Interest Amount**" means:

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

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

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

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

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended, supplemented and/or updated as at the Issue Date of the first Tranche of the Notes, unless otherwise specified in the applicable Final Terms.

"**Mid-Market Swap Rate**" means, subject to Condition 4(b)(ii) and (if applicable) Condition 4(j), for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Frequency (as specified in the applicable Final Terms) (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Swap Rate Period (as specified in the relevant Final Terms) and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Floating Leg Frequency (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent).

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

"**Mid-Swap Floating Leg Benchmark Rate**" means, subject as set out in the Final Terms and to Condition 4(j), if applicable, EURIBOR.

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 4(b)(ii) and (if applicable) Condition 4(j), either:

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

(A) with a term equal to the relevant Swap Rate Period (if specified in the relevant Final Terms); and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

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

(A) with a term equal to the relevant Swap Rate Period (if specified in the relevant Final Terms); and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

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

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

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

"**Reference Banks**" means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms.

"**Reference Rate**" means EURIBOR.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) 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 benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory bodies or (d) the Financial Stability Board or any part thereof.

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

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the applicable Final Terms) in accordance with Condition 4(a) as if the relevant Reset Date was an Interest Payment Date.

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

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

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

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

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

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

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

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 4(b)(ii) and (if applicable) Condition 4(j), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the Subsequent Reset Period (such calculation to be made by the Calculation Agent)).

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

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

(l) ***Calculation Agent***

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

5. **Redemption, Purchase and Options**

(a) ***Final Redemption***

(i) Unless previously redeemed, purchased and cancelled as provided below, each Senior Note or Subordinated Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which is its nominal amount). Senior Non Preferred Notes and Ordinary Senior Notes intended by the Issuer to be MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations will have an original maturity of at least one year or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations. Subordinated Notes will have a minimum maturity of at least five years or as otherwise permitted or required in accordance with Applicable Banking Regulations from time to time. For the

avoidance of doubt, no payments of principal under the Notes will be made in instalments.

(b) ***Early Redemption***

(i) *Zero Coupon Notes*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.

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

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such subparagraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. In the case of Subordinated Notes, such redemption is also subject to the provisions of Condition 2(b) and Condition 5(k). The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(e).

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

(ii) *Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount (together with any accrued interest).

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

The Senior Notes and Subordinated Notes may, subject to the provisions of Condition 5(k), be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 15 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued (but unpaid) to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as described under Condition 7 as a result of any change in, or amendment to, the laws or regulations of Portugal or any political subdivision or any authority thereof or therein

having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(d) ***Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(c). Redemption at the Option of the Issuer***

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

In the case of Subordinated Notes, such redemption cannot occur earlier than five years from the Issue Date of the relevant Subordinated Notes and its exercise is subject to the provisions of Condition 5(k).

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

In the case of a partial redemption, the notice to Noteholders shall also contain the information required for compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption due to a Capital Event***

Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to Condition 5(k)) at any time (if this Subordinated Note is not a Floating Rate Note) or on any Interest Payment Date (if this Subordinated Note is a Floating Rate Note), on giving not less than 15 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (together with interest accrued (but unpaid) to the date fixed for redemption) if, at any time, the Issuer determines that a Capital Event has occurred.

For the purposes of these Conditions:

"**Capital Event**" means the determination by the Issuer after consultation with the Competent Authority that all or any part of the Notes are not eligible for inclusion in the Tier 2 capital of the Issuer or the Group pursuant to Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer or the Group, as the case may be). For the avoidance of doubt, any amortisation of the Notes pursuant to the CRR shall not constitute a Capital Event; and

"**Group**" means the Issuer and its subsidiaries taken as a whole.

(f) ***Redemption due to an MREL Event***

If, in the case of Senior Non Preferred Notes and Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as "Applicable" in the relevant Final Terms only, following the MREL Requirement Date, an MREL Event has occurred and is continuing, then the Issuer may at its option, subject to the provisions of Condition 5(k), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in

accordance with these Conditions all, but not some only, of the relevant Notes. The Issuer shall redeem the relevant Notes on the date specified for redemption in such notice.

Notes redeemed early pursuant to this Condition 5(f) will be redeemed at their early redemption amount (the "**Early Redemption Amount (MREL Event)**") (which shall be the principal amount or such other Early Redemption Amount (MREL Event) as may be specified in or determined in accordance with the relevant Final Terms) together (if appropriate) with interest accrued (but unpaid) to the date fixed for redemption.

For the purposes of these Conditions:

"**MREL**" means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in Portugal), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing the BRRD, or any successor requirement under EU legislation and relevant implementing legislation and regulation in Portugal;

"**MREL Event**" means, if as a result of any amendment to, or change in, the Applicable Banking Regulations, or in the application or official interpretation thereof, in any case becoming effective after the Issue Date, that at any time, on or following the MREL Requirement Date, all or part of the outstanding nominal amount of the Senior Non Preferred Notes or the Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as applicable in the relevant Final Terms does not fully qualify or ceases to qualify as MREL-Eligible Instruments of the Issuer and/or the Group, except where such non-qualification (i) is due solely to the remaining maturity of the relevant Notes being less than any period prescribed for MREL-Eligible Instruments by the Applicable Banking Regulations or (ii) is as a result of the relevant Notes being bought back by or on behalf of the Issuer or a buy-back of the relevant Notes which is funded by or on behalf of the Issuer or (iii) in the case of Ordinary Senior Notes where "Ordinary Senior Notes - MREL Event" has been specified as applicable in the relevant Final Terms, is due to the relevant Ordinary Senior Notes not meeting any requirement in connection to their ranking upon insolvency of the Issuer or any limitation on the amount of such Notes that may be eligible for inclusion in the amount of MREL- Eligible Instruments of the Issuer and/or the Group;

"**MREL-Eligible Instrument**" means an instrument that complies with the MREL Requirements;

"**MREL Requirement Date**" means the date from which the Issuer and/or the Group is obliged to meet any MREL Requirements; and

"**MREL Requirements**" means minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under the Applicable Banking Regulations.

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

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

To exercise such option the holder must deliver a notice to the Agent in accordance with the standard procedures of Interbolsa stating the principal amount of the Notes in respect of which such option is exercised (a "**Put Notice**") to the specified office of the Agent at any time within the notice period during normal business hours of the Agent. In the Put Notice the relevant Noteholder must specify a bank account to which payment is to be made under this Condition 5.

(h) ***Purchases***

The Issuer and any of its Subsidiaries (but subject to Condition 5(k) in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes intended by the Issuer to be MREL-Eligible Instruments) may purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, or the relevant Subsidiary cancelled.

(i) ***Cancellation***

All Notes which are redeemed will forthwith be cancelled in accordance with the applicable regulations of Interbolsa. All Notes so cancelled shall not be capable of being reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged upon cancellation thereof.

(j) ***Substitution and Variation of Notes***

If (i) "Capital Event – Substitution and Variation" or "MREL Event – Substitution and Variation", as the case may be, is specified as "Applicable" in the relevant Final Terms and the Issuer is satisfied that a Capital Event (as defined in Condition 5(e)) or, as the case may be, an MREL Event (as defined in Condition 5(f)), has occurred and is continuing, or (ii) if required to ensure the effectiveness and enforceability of Condition 15, the Issuer may, subject to the provisions of Condition 5(k) and the notice requirements below but without any requirement for the consent or approval of the Noteholders or the Agent, either substitute all (but not some only) of the relevant Notes for, or vary the terms of the relevant Notes such that they remain or, as appropriate, become, Compliant Securities. Upon the expiry of the notice required by this Condition 5(j), the Issuer shall either vary the terms of, or substitute, the relevant Notes in accordance with this Condition 5(j), as the case may be and, subject as set out below, the Agent shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this Condition 5(j), the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this Condition 5(j) is subject to the Issuer giving not less than 15 nor more than 60 calendar days' notice to the Noteholders and the Agent in accordance with Condition 12, which notice shall be irrevocable.

Any substitution or variation in accordance with this Condition 5(j) shall not give the Issuer an option to redeem the relevant Notes under the Conditions.

For the purposes of this Condition 5(j):

"**Compliant Securities**" means securities that:

(a) are issued by the Issuer;

(b) rank equally with the ranking of the relevant Notes;

(c) save in respect of the effectiveness and enforceability of Condition 15, have terms not materially less favourable to Noteholders than the terms of the relevant Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing), **provided that** such securities:

(1) contain terms such that they qualify as Tier 2 Capital or MREL-Eligible Instruments, as the case may be; and

(2) include terms which provide for the same (or, from a Noteholder's perspective, more favourable) Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Notes immediately prior to such substitution or variation; and

(3) shall preserve any existing rights under the Conditions to any accrued interest, principal and/or premium which has not been satisfied; and

(4) do not contain terms providing for the mandatory or voluntary deferral of payments of principal and/or interest; and

(5) do not contain terms providing for loss absorption through principal write down, write-off or conversion to ordinary shares, other than through the application of statutory powers pursuant to the Applicable Banking Regulations; and

(6) do not contain terms such that redemption pursuant to any one or more of Conditions 5(c), 5(e) or 5(f) could occur upon, or be foreseeable as a result of, such substitution or variation;

(d) are listed on (i) the regulated market of the Luxembourg Stock Exchange or (ii) such other EEA regulated market as selected by the Issuer; and

(e) where the relevant Notes which have been substituted or varied had a published rating solicited by the Issuer from a Rating Agency immediately prior to their substitution or variation (a "**Published Rating**") each such Rating Agency has ascribed, or announced its intention to ascribe, (i) an equal or higher Published Rating to the relevant Notes as substituted or varied or (ii) where the Published Rating was, as a result of Condition 15 becoming ineffective and/or unenforceable, amended prior to such substitution or variation, the Published Rating immediately prior to such amendment.

"**Rating Agency**" means Moody's Investor Service España, S.A., Fitch Ratings Ireland Limited and DBRS Ratings GmbH or their respective successors.

(k) ***Pre-conditions to Redemption, Purchase, Substitution or Variation of Notes***

Any redemption, purchase, substitution or variation of Notes in accordance with Conditions 5(c), 5(d), 5(e), 5(f), 5(g), 5(h) and 5(j) is subject to:

(i) the Issuer having obtained the Competent Authority's prior consent or permission if and to the extent required therefor under the Applicable Banking Regulations in force at the relevant time;

(ii) the Issuer having complied with any other pre-conditions to, or requirements applicable to, such redemption, purchase, substitution or variation as may be required by the Competent Authority or the Applicable Banking Regulations in force at the relevant time;

(iii) in the case of early redemption of Notes pursuant to Condition 5(c) only, before the publication of any notice of redemption, the Issuer shall deliver to the Agent (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment;

(iv) in the case of the early redemption of Subordinated Notes pursuant to Condition 5(c) only, the Issuer having demonstrated to the satisfaction of the Competent Authority that (a) the change in the applicable tax treatment is material and was not reasonably foreseeable as at the Issue Date of the most recent Tranche of the Notes and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and

(v) in the case of early redemption of Subordinated Notes pursuant to Condition 5(e) only, the Issuer having demonstrated to the satisfaction of the Competent

Authority that (a) the circumstances giving rise to a Capital Event were not reasonably foreseeable as at the Issue Date of the most recent Tranche of the Subordinated Notes and (b) the change in the applicable regulatory classification is sufficiently certain.

6. **Payments**

(a) ***Payments of Principal and Interest***

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

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

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

(b) is a TARGET Business Day.

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

Without prejudice to the provisions of Condition 7, all payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment or other laws to which the Issuer or its agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof (without prejudice to the provisions of Condition 7), or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Appointment of Agents***

The Issuer reserves the right at any time to vary or terminate the appointment of the Agent or the Calculation Agent(s) and to appoint additional or other Agents, **provided that** the Issuer shall at all times maintain (i) an Agent, (ii) one or more Calculation Agent(s) where the Conditions so require and (iii) such other agents as may be required by the rules of any stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 12.

(d) ***Non-Business Days***

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Portugal, in such jurisdictions as shall be specified as "Financial Centres" in the applicable Final Terms and:

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

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

7. **Taxation**

(a) ***Withholding***

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall (subject to the conditions and limitations set out below) be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Portugal or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Payments of interest and other types of remuneration on the Notes will be made without withholding or deduction for or on account of taxes imposed or levied by the Portuguese Republic where the relevant proof of non-residence status has been provided by the Noteholders to the direct registration entities prior to the Relevant Date.

In the event that any withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Portugal or any political subdivision or any authority therein or thereof having power to tax is required by law, the Issuer shall pay in respect of payments of principal and interest in the case of Ordinary Senior Notes (with characteristics such that they are not capable of qualifying as MREL-Eligible Instruments upon issuance), and interest only in the case of Senior Non Preferred Notes, Subordinated Notes and Ordinary Senior Notes (with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them (in respect of payments of interest only, in the case of Senior Non Preferred Notes, Subordinated Notes and Ordinary Senior Notes with characteristics such that they are capable of qualifying as MREL-Eligible Instruments upon issuance) had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

(i) *Other connection*

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

(ii) *Lawful avoidance of withholding*

(A) to, or to a third party on behalf of, the beneficial owner of the Notes in respect of whom the information (which may include certificates) required in order to comply with Decree-Law no. 193/2005, of 7 November 2005 (as amended), and any implementing legislation, is not received; or (B) to, or to a third party on behalf of, the beneficial owner of the Notes (i) in respect of whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received before the Relevant Date, and (ii) who is resident in one of the states which is party to any such applicable tax treaty; or (C) to, or to a third party on behalf of, the beneficial owner of the Notes resident in a country, territory or region subject to a clearly more favourable tax regime as defined in Ministerial order (*Portaria*) no. 150/2004 of 13 February 2004 (as amended or superseded from time to time), with the exception of central banks and governmental agencies, international bodies recognised by Portugal or 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) to, or to a third party on behalf of (i) an effective beneficiary of the Notes who is a Portuguese resident subject to Portuguese corporation tax with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal acting in respect of the holding of the Notes through a permanent establishment in Portugal except whenever it benefits from a Portuguese withholding tax waiver; or

(iii) *Undisclosed beneficial owners*

presented for payment into an account held on behalf of undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment and such disclosure is required by law.

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

(b) ***Definitions***

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

8. **Prescription**

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

9. **Events of Default**

(a) ***Ordinary Senior Notes***

This Condition 9(a) applies to Ordinary Senior Notes unless the relevant Final Terms expressly specify Condition 9(a) as being "Not Applicable".

In the case of Ordinary Senior Notes to which this Condition 9(a) applies, if any of the following events ("**Events of Default**") occurs and is continuing, any Noteholder may give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

(i) *Non-Payment*

Default is made for more than 10 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(ii) *Breach of Other Obligations*

The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Instrument and such default is incapable of remedy

or is not remedied within 30 days after written notice of such default shall have been given to the Issuer by a Noteholder; or

(iii) *Cross-Default*

(A) any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined below) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** the amount of the relevant indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred, individually or in the aggregate, exceeds €10,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1 per cent. of the Issuer's total equity; or

(iv) *Enforcement Proceedings*

One or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer or any of its Subsidiaries or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and in any of the above cases, is not discharged or stayed within 60 days or, if later, the date specified therein for payment; or

(v) *Security Enforced*

Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(vi) *Insolvency*

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

(vii) *Winding-up*

An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved by an Extraordinary Resolution (as defined in the Instrument) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(viii) *Authorisation and Consents*

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

(ix) *Illegality*

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

(x) *Analogous Events*

Any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs **provided that** except in the case of paragraphs (i) and (vii) such event is materially prejudicial to the interests of the Noteholders.

For the purpose of these Conditions:

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

(b) ***Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes***

This Condition 9(b) only applies if the Note is (i) a Senior Non Preferred Note, (ii) a Subordinated Note or (iii) an Ordinary Senior Note where the applicable Final Terms expressly specify Condition 9(a) as being "Not Applicable" and references in this Condition 9(b) to Notes shall be construed accordingly.

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

(i) bankruptcy or insolvency proceedings are commenced by a court against the Issuer or the Issuer institutes such proceedings or suspends payments or makes a general arrangement for the benefit of its creditors; or

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

any Noteholder may give notice to the Issuer that the relevant Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount together with accrued interest. For the avoidance of doubt, no Noteholder may give notice that the Notes shall become immediately due and payable other than in the circumstances described in paragraphs (i) and (ii) above and the Issuer shall not be obliged to pay any sum or sums sooner than such sum or sums would otherwise have been payable by it (other than as described in paragraphs (i) and (ii) above).

Without prejudice to Conditions 9(b)(i) and 9(b)(ii) above, if the Issuer breaches any of its obligations under the Instrument or the relevant Notes (other than any payment obligation of the Issuer under or arising from the Instrument or such Notes, including, without limitation, payment of any principal or interest in respect of such Notes and any

damages awarded for breach of any obligations), then any Noteholder may bring such proceedings as it may think fit to enforce the obligation in question **provided that** the Issuer shall not, as a result of the bringing of any such proceeding, be obliged to pay any sum sooner than the same would otherwise have been payable by it. However, nothing in this Condition 9(b) shall prevent any Noteholder instituting proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer in respect of any payment obligations of the Issuer arising from the Subordinated Notes or the Instrument (including any damages awarded for breach of any such obligation), subject to a grace period of 10 days (in the case of interest) or seven days (in the case of principal).For the purpose of this Condition 9(b) only, the Issuer may only redeem such Notes prior to maturity with the prior consent or approval of the Competent Authority (if and to the extent such prior consent is required by the Applicable Banking Regulations at the relevant time).

10. Meetings of Noteholders and Modification

(a) *Meetings of Noteholders*

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

(b) *Modification*

The Agent and the Issuer may agree, without the consent of the Noteholders (and by acquiring the Notes, the Noteholders agree that the Agent and the Issuer may, without the consent of the Noteholders), to make any modification to the provisions of the Conditions or the Instrument which: (i) is not prejudicial to the interests of the Noteholders; (ii) is of a formal, minor or technical nature; (iii) is made to correct a manifest or proven error; or (iv) is to comply with mandatory provisions of any applicable law or regulation. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable.

(c) *Compliance with Applicable Banking Regulations*

The Issuer shall comply with Applicable Banking Regulations in connection with any modification or proposed modification of these Conditions.

11. **Further Issues**

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

12. **Notices**

Notices to the holders of Notes shall be valid (i) if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*); or (ii) so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

The Issuer shall also comply with Portuguese law in respect of Notices.

13. **Contracts (Rights of Third Parties) Act 1999**

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

14. **Governing Law and Jurisdiction**

(a) ***Governing Law***

The Notes and the Instrument and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that Conditions 2 and 15 and the provisions relating to the form (*representação formal*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, and Clauses 5, 6, 7 and 12 of the Instrument, and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, Portuguese law.

(b) ***Jurisdiction***

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

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

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

15. **Statutory Loss Absorption Powers**

Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 15 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Loss Absorption Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due on a permanent basis; or

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Noteholder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person; or

(C) the cancellation of the Notes or Amounts Due; or

(D) the amendment or alteration of the maturity of the Notes or amendment of the Interest Amount payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) that the terms of the Notes are subject to, and may be varied, if deemed necessary by the Relevant Resolution Authority, to give effect to, the exercise of the Loss Absorption Power by the Relevant Resolution Authority.

No repayment or payment of Amounts Due will become due and payable or be paid after the exercise of any Loss Absorption Power if and to the extent that such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.

Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of any Loss Absorption Power with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Loss Absorption Power nor the effects on the Notes described in this Condition 15.

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

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

The exercise of the Loss Absorption Power by the Relevant Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in the Portuguese Republic is not dependent on the application of this Condition 15.

In these Conditions:

"**Amounts Due**" means the principal amount, together with any accrued but unpaid interest, and any additional amounts referred to in Condition 7, if any, due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Loss Absorption Power by the Relevant Resolution Authority;

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

"**Loss Absorption Power**" means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Portugal, relating to (i) the transposition of the BRRD (including, but not limited to, Law No. 23-A/2015 of 26 March 2015, which amended the RGICSF), (ii) the SRM Regulation and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of certain entities as set out in such law, regulation, rules or requirements can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations;

"**Relevant Resolution Authority**" means any authority lawfully entitled to exercise or participate in the exercise of any Loss Absorption Power from time to time; and

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

FORM OF THE NOTES

General

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

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

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

Notes held through Interbolsa will be attributed an International Securities Identification Number ("**ISIN**") code through the codification system of Interbolsa and will be settled by Interbolsa's settlement system. Under the procedures of Interbolsa's settlement system, settlement takes place on the third business day after the trade date and is provisional until the financial settlement that takes place at Banco de Portugal (or at Caixa Geral de Depósitos, if denominated in currencies other than euro) on the settlement date.

Form of the Notes

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

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

Each person shown in the individual securities account held with an Interbolsa Participant as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

Payment of principal and interest in respect of Notes held through Interbolsa

Whilst the Notes are held through Interbolsa, (I) payment of principal and interest in euros in respect of the Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant paying agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of Banco de Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Notes and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (II) payment of principal and interest in currencies other than euros in respect of the Notes will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant paying agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter (b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the

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

Transfer of Notes held through Interbolsa

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

USE OF PROCEEDS

The net proceeds from each issue of Notes by the Issuer under the Programme will be applied by the Issuer for its general corporate purposes or as otherwise stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

Introduction to Banco Montepio

Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("**Banco Montepio**" or the "**Issuer**") was created on 24 March 1844 for an indefinite period and as at 31 December 2021, Banco Montepio had 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**"). Banco Montepio, together with its subsidiaries, are referred to in this Base Prospectus as "**Banco Montepio Group**". 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 Banco de 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 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.

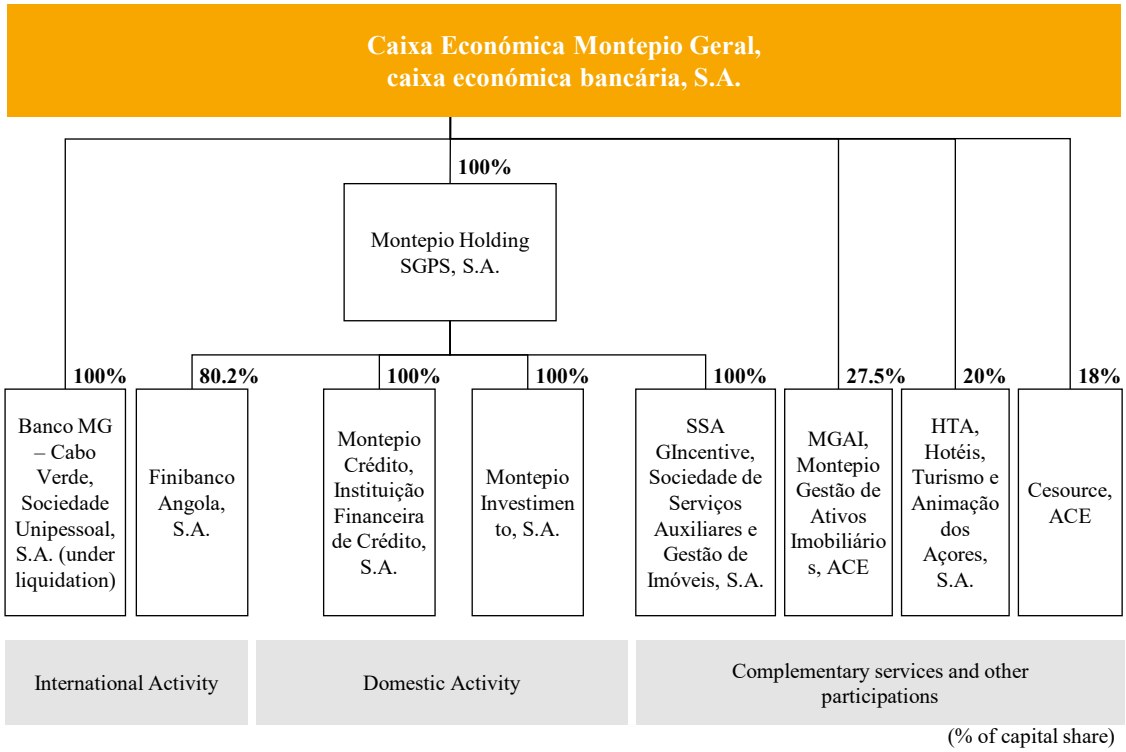
Banco Montepio is a credit institution, authorised to operate as a full service savings bank (*caixa económica bancária*) to pursue all the businesses permitted to banks in Portugal. As at 30 June 2021, it ranked seventh in the Portuguese banking system on the basis of total net assets (source: *Associação 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 of the identity of the Issuer and reflects its new vision: an independent Portuguese bank which is 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:



(% of capital share)

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 and with a view to refocusing the approach to the African market, Banco Montepio continues to develop initiatives to deconsolidate Finibanco Angola, S.A., in which, at 31 December 2021, the Group had control and an effective participation of 80.2 per cent.. 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 it was changed 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 no. 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 Azores Autonomous Region.

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 securities (*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 new savings banks act by Decree-Law no. 190/2015, of 10 September ("**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 beneficence 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 Banco de Portugal pursuant to paragraph 2 of the Savings Bank Act (which provides that, unless otherwise determined at any time by Banco de 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 the knowledge of 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.

Strategy

The Issuer's Strategy 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, which took up office on 21 March 2018, are committed to enhancing the efficiency, profitability and adequacy of Banco Montepio's business model so that it meets demanding contemporary 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:

(a) 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;

(b) 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;

(c) 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;

(d) increasing the efficiency and efficacy of the commercial, service and group support structures, using new technologies and new ways of working;

(e) 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

(f) 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 activity sectors of construction and real estate development.

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 Government 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 reduce 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 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 the 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, with ongoing efforts to deconsolidate Finibanco Angola, S.A.. 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.

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 promote 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) 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 the 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)

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	*%*
Other	925	834	(91)	(9.8)
Total assets	**17,941**	**19,713**	**1,772**	**9.9**
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)
Total liabilities	**16,614**	**18,350**	**1,736**	**10.5**
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)
Total Shareholder's equity	**1,327**	**1,363**	**36**	**2.7**
Total liabilities and Shareholder's equity	**17,941**	**19,713**	**1,772**	**9.9**

* 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 the balance sheet through divestment in non-performing or non-strategic assets, focusing on the growth of the core business of lending in segments with lower risk, and 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, in particular the 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 CET1 and Total Capital ratios of Banco Montepio, pursuant to the phasing-in rules, amounted to 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)	*%*
Total own funds (€ millions)				
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
Risk-weighted assets	**9,577**	**8,800**	**(777)**	**(8.1)**
Phasing-in ratios				
Common Equity Tier 1	11.6%	12.7%	110	bp
Tier 1	11.6%	12.7%	110	bp
Total Capital	**13.8%**	**15.1%**	**130**	**bp**
Fully implemented ratios				
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
Leverage ratios				
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)	
Common Equity Tier 1 Capital		
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)
	1,114,188	**1,121,521**
Tier 1 Capital		
Non-controlling interests eligible for Tier 1	225	199
	1,114,413	**1,121,720**
Tier 2 Capital		
Subordinated debt	206,323	206,323
Non-controlling interests eligible for Tier 2	225	199
	206,548	206,522
Total own funds	**1,320,961**	**1,328,242**
Own funds' requirements		
Credit risk	667,306	606,992
Market risk	4,402	0
Operational risk	55,046	50,841

	31 December 2020	31 December 2021
	(€ thousand)	
Other requirements	39,401	46,165
	766,155	**703,998**
Prudential ratios		
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 amounted to €1,045 million as at 31 December 2021, compared to €844 million 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)	*%*
Deposits from customers	**12,502**	**12,787**	**285**	**2.3**
Sight Deposits[1]	5,482	6,428	946	17.3
Term Deposits[2]	7,020	6,359	(662)	(9.4)
Securities placed with Customers	210	209	(1)	(0.7)
Total On-Balance sheet resources	**12,712**	**12,996**	**284**	**2.2**
Off-Balance sheet resources	844	1,045	201	23.8
Total Customers' resources	**13,556**	**14,041**	**485**	**3.6**

(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 amounted to €1,834 million representing a year-on-year increase of €318 million (an increase of 21.0 per cent.), compared to €1,516 million as at 31 December 2020). The year-on-year increase is due to the increase of €317.9 million in Debt securities issued. The change 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). The 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.

This resulted in the Liquidity Coverage Ratio ("**LCR**") amounting to 264.1 per cent., increasing in comparison to the ratio of 200.7 per cent. as at 31 December 2020, and amounting to 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 Loans to deposits ratio, calculated in accordance with Banco de Portugal Instruction number 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 loan to deposit 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 [(a)]	92.6	91.2	(1.4) p.p.
Loans and advances to customers / Total on-balance sheet customers' resources [(b)]	83.9	81.0	(2.9) p.p.

[(a)] In compliance with Instruction of the Banco de Portugal No. 16/2004, as amended.
[(b)] 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 Banco de 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 Banco de 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 in 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 [(a)]	3,113	3,808	695	22.33
Use of the pool[(b)]	1,408	2,958	1,550	>100
Pool of available assets	**1,705**	**850**	**(855)**	**(50.1)**

(a) Includes eligible assets, free of onus, for operations in the Collateralised Interbank Market.
(b) 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, having already occurred the respective financial settlement 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 that have been 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 were 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 high 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) and social economy entities.

The table below sets out the Issuer's loans and advances to customers 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)	*%*
Individuals	**6,377**	**6,451**	**74**	**1.2**
Housing loans	5,636	5,685	49	0.9
Others	740	766	26	3.5
Corporate	**5,980**	**5,739**	**(241)**	**(4.0)**
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
Gross loans and advances to customers	**12,357**	**12,189**	**(168)**	**(1.4)**
Impairment for credit risks	**780**	**522**	**(258)**	**(33.1)**
Loans and advances to customers	**11,578**	**11,668**	**90**	**0.8**

On 18 December 2020, Banco Montepio executed an operation that consists in a synthetic securitisation structure, which is based on a portfolio of Small and Medium 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 the synthetic securitisation, bearing respectively a commission of 0.3 per cent. and 4.0 per cent. 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 €2,740 million 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 that the Group granted 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[*]	627	361	(265)	(42.3)
Impairment for credit risks	780	522	(258)	(33.1)
Ratios (%)				
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) [(a)] / Gross loans and advances to customers	10.4	8.0	(2.4)	p.p.
Forborne exposures [(a)] / Gross loans and advances to customers	6.6	5.1	(1.5)	p.p.
Coverage by Impairments for credit risks (%)				
Loans and interest overdue by more than 90 days	124.4	144.4	20.0	p.p.
Non-performing exposures (NPE) [(a)]	60.4	53.5	(6.9)	p.p.
Non-performing exposures (NPE), also including associated collaterals and financial guarantees [(a)]	93.0	96.0	3.0	p.p.

[(a)] 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)	
Corporate		
Construction/Production	136,990	55,818
Investment	285,173	190,187
Working capital[(1)]	144,853	88,822
Other	22,743	17,667
Retail		
Mortgage loans	45,058	27,587
Consumer credit	22,322	16,366
Other	15,183	6,475
	672,322	**402,922**

[(1)] 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 31 December 2021:

	31 December 2020	31 December 2021
	(€ thousand)	
Past due loans and advances and interest		
Less than 90 days	45,538	41,504
More than 90 days	626,784	361,418
	672,322	**402,922**

As part of Banco Montepio's strategy of rebalancing its asset structure, in 2021, Banco Montepio proceeded with the identification and implementation of measures aimed at enhancing the levels of liquidity 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 increase in the portfolio of securities and other instruments was due to the increase in the portfolio Other financial assets at amortised cost by €642 million due to the investment in public debt securities, 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
	16,551,756	**17,188,088**

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 compared to the previous year, essentially in staff costs, 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 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)	
Net interest income (1)	**242.8**	**243.5**	**0.7**	**0.3**
Net fee and commission income (2)	115.3	116.3	1.0	0.9
Core total operating income ((1)+(2))	**358.1**	**359.8**	**1.7**	**0.5**
Dividends from equity instruments	3.1	1.8	(1.3)	(41.0)

	31 December 2020	31 December 2021	Change 2021/2020	
			Amount (€ million)	*%*
Results from financial operations	17.9	10.8	(7.1)	(39.7)
Other results[(a)]	14.7	6.6	(8.1)	(54.9)
Total operating income (3)	**393.7**	**379.0**	**(14.7)**	**(3.7)**
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
Operating costs (4)	**291.4**	**264.1**	**(27.2)**	**(9.3)**
Operating costs, excluding specific impacts[(b)]	**261.9**	**249.4**	**(12.5)**	**(4.8)**
Net operating income before provisions and impairments ((3)-(4))	**102.4**	**114.9**	**12.5**	**12.2**
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)
Net provisions and impairments ((5)+(6)+(7)+(8))	**220.8**	**80.5**	**(140.3)**	**(63.5)**
Share of profits/(losses) booked under the equity method	(0.7)	0.0	0.7	(100.4)
Profit/(loss) before income tax	**(119.1)**	**34.4**	**153.5**	**(128.9)**
Income tax	(42.2)	25.3	67.5	(159.8)
Profit / (loss) after income tax from continuing operations	**(76.9)**	**9.2**	**86.0**	**(111.9)**
Profit/(loss) from discontinued operations	(1.9)	(1.5)	0.5	(24.6)
Non-controlling interests	1.9	1.1	(0.8)	(40.2)
Consolidated net income for the period attributable for the shareholder	**(80.7)**	**6.6**	**87.3**	**(108.1)**

(a) Other results is comprised by "Net gains/ (losses) arising from sale of other financial assets" and "Other operating income / (expense)"

(b) Excluding the amount related to the increase in staff costs and general administrative expenses arising from the operational adjustment measures (€29.5M in 2020 and €14.7Mn in 2021).

Total operating income amounted to €379.0 million in the year ended 31 December 2021, compared to the value of €393.7 million in the year ended 31 December 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 in 2020 it was accounted gains with the sale of public debt securities, 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 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 year 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

in interest paid of €1.8 million 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
	(€ million)	
Interest and similar income		
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
	303,680	306,685
Interest and similar expense		
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
	60,886	63,182
Net interest income	**242,794**	**243,503**

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 as at 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)*		
Interest – generating assets						
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[(1)]	2,680	0.6	15.1	3,105	0.3	11.0
Other assets at fair value[(2)]	10	1.5	0.2	9	1.1	0.1
Other (includes derivatives)[(3)]			14.2			14.6
Interest and similar income	16,299	1.8	297.2	17,974	1.5	275.6
Interest – generating liabilities						
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)[(4)]			11.7			16.4
Interest and similar expense	15,909	0.3	54.4	17,530	0.2	32.1
Net interest income		**1.47**	**242.8**		**1.34**	**243.5**

(1) Securities portfolio corresponds to the sum of Financial assets held for trading and Financial assets at fair value through other comprehensive income.

(2) 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.
(3) Other (includes derivatives) corresponds to the sum of Hedging derivatives and Other financial assets at amortised cost.
(4) 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 which was 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)
Results from financial operations	**17.9**	**10.8**	**(7.1)**	**(39.7)**
of which: net capital gains obtained on the results from sales of Portuguese sovereign bonds	*13.1*	*1.5*	*(11.6)*	*(88.5)*

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 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
Operating costs	**291.4**	**264.1**	**(27.2)**	**(9.3)**
Operating costs (comparable)[a]	**261.9**	**249.4**	**(12.5)**	**(4.8)**
Efficiency ratios				
Cost-to-income (Operating costs (comparable) / Total operating income) [a]	66.5%	65.8%	(0.7)	p.p.
Cost-to-income (Operating costs / Total operating income) [b]	74.0%	69.7%	(4.3)	p.p.
Cost-to-income, excluding specific impacts [c]	80.7%	73.0%	(7.6)	p.p.
Cost-to-income, excluding specific impacts and adjustment costs [d]	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 Banco de Portugal Instruction No. 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 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 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)
Net provisions and impairment	**220.8**	**80.5**	**(140.3)**	**(63.5)**

International activity

The international activity of the Banco Montepio Group has been conducted by its subsidiaries Finibanco Angola, 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) that seeks to ensure the Issuer's presence with 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. of voting rights, and a series of steps are underway for the deconsolidation of this subsidiary.

In a public announcement on 10 May 2019, Banco Montepio announced that its subsidiary Montepio Holding, SGPS, S.A. started negotiations with shareholders of Banco de Negócios Internacional, S.A. (Angola) with a view to a merger between Finibanco Angola and Banco de Negócios Internacional, S.A. (Angola). It is the intention of the parties to attract the participation of international strategic partners for this operation, thus contributing to the consolidation, strengthening and opening up of the Angolan banking and financial system. The Angolan and Portuguese regulatory authorities were informed about this negotiation process. The development and conclusion of the negotiations are dependent on the necessary procedures with the shareholders and the Angolan authorities. The National Bank of Angola conducted a review of the quality of the assets of the commercial banks in Angola with a view to learn about the financial health of these institutions. The move was part of the recommendation of the International Monetary Fund, under the agreement signed with the Angolan government, which also entailed assessment of the credits granted by commercial banks, in order to obtain an accurate assessment of the country's banking sector. The asset quality review was completed on 31 December 2019 and found that a small number of banks (mainly Banco de Poupança e Crédito, S.A. and Banco Económico S.A., which accounted for about 96 per cent. of the total recapitalisation needs) would need to adjust their capital structure in order to comply with minimum regulatory capital requirements, with reference to 31 December 2018.

Banco Montepio is closely monitoring the banking consolidation process in Angola and continues to work towards the deconsolidation of its share in Finibanco Angola. Banco Montepio will provide the necessary information relating to the outcome of this process and the potential execution of the transfer of Finibanco Angola's shares under the agreement signed in 2015, when appropriate, by way of a press release published on CMVM's website.

Finibanco Angola, in which, as at 31 December 2021, Banco Montepio held 80.2 per cent. of the voting rights, 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 prepare 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)

	31 December 2020	31 December 2021	2021 / 2020 Change	
			Amount (€ million)	*%*
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.

The 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 at 31 December 2021, representing an increase of 29.6 per cent. from €32.3 million at 31 December 2020. Customer deposits, at 31 December 2021, stood at €140.7 million, compared to €163.2 million 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 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 the 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 the 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 as at 31 December 2020 and 31 December 2021.

	31 December 2020	31 December 2021	Change 2021 / 2020
		(€ million)	
ACTIVITY AND RESULTS			
Total assets	17,941	19,713	9.9%
Gross loans and advances to customers[a]	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)
SOLVENCY [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%)
LOAN TO DEPOSIT RATIOS			
Loans and advances to customers / Deposits from customers [c]	92.6%	91.2%	(1.4) p.p.
Loans and advances to customers / On-balance sheet customer resources [d]	83.9%	81.0%	(2.9) p.p.
CREDIT QUALITY			
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) [e] / Gross loans and advances to customers	10.4%	8.0%	(2.4) p.p.
Coverage of Non-performing exposures (NPE) [e] by Impairment for credit risks	60.4%	53.5%	(6.9) p.p.
Coverage of Non-performing exposures (NPE) [e] by Impairment for credit risks and associated collaterals and financial guarantees	93.0%	96.0%	3.0 p.p.
Forborne exposures [e] / Gross loans and advances to customers	6.6%	5.1%	(1.5) p.p.

	31 December 2020	31 December 2021	Change 2021 / 2020
		(€ million)	
PROFITABILITY AND EFFICIENCY			
Total operating income / Average total assets [c]	2.2%	2.0%	(0.2) p.p.
Profit before income tax / Average total assets [c]	-0.7%	0.2%	0.9 p.p.
Profit before income tax / Average total equity [c]	-8.8%	2.4%	11.2 p.p.
Cost-to-income (Operating costs / Total operating income) [c]	74.0%	69.7%	(4.3) p.p.
Cost-to-Income, excluding specific impacts and adjustment costs [f] [g]	72.5%	69.0%	(3.5) p.p.
Staff costs / Total operating income [c]	48.1%	43.3%	(4.8) p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
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 [h]	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 Banco de Portugal Instruction No. 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 31 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).

1Q2022 consolidated activity and results (unaudited)

In the first quarter of 2022, Banco Montepio's consolidated net income reached €11.4 million, which compares with -€15.9 million in the same period of 2021, mainly due to the positive contributions of net operating income, operating costs and also the lower allocations to impairments and provisions, in particular those related to credit risk.

Core operating income for the first quarter of 2022, comprising net interest income and commissions, evolved favourably as compared to the first quarter of 2021, rising by 3.4 per cent.

Loans and advances to customers (net of impairment) totalled €11,796 million at 31 March 2022, showing an increase of €128 million compared to the amount recorded at the end of 2021.

Customer deposits totalled €12,842 million in 31 March 2022, showing an increase of €302 million (+2.4 per cent.) over the €12,540 million recorded at the end of 31 March 2021, despite the maintenance of low interest rate levels.

The aggregate of the balance sheet item Cash and Deposits at Central Banks and the market value of assets eligible to obtain liquidity from the ECB, resulting in the liquidity buffer, stood at €3.9 billion as at 31 March 2022.

The quality of the loan portfolio, assessed by the ratio of non-performing exposures (NPE) to total Gross loans, evolved favourably, with the NPE ratio standing at 7.8 per cent. at the end of March 2022, compared to 10.7 per cent. as at 31 March 2021, reflecting the favourable impact of the measures that have been implemented in the area of loan recovery and the sale of portfolios.

At the end of March 2022, the Common Equity Tier 1 (CET1) ratio stood at 12.7 per cent., in line with the ratio reported at the end of 2021, on a phasing-in basis, and at 12.2 per cent. (11.8 per cent. at the end of 2021) according to the fully implemented rules, comfortably above the minimum regulatory requirements of 9.08 per cent..

The Total Capital ratio (phasing-in) moved to 15.0 per cent. (compared to 15.1 per cent. at the end of 2021) and the fully implemented ratio increased to 14.6 per cent. (14.2 per cent. at the end of 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 19 classes, of which the first 15 classes correspond to performing risk classes, classes 16 to 18 to credit incidents and class 19 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 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 have to 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 Department of Specialised Credit Analysis (independent body of the commercial structure) as well as the Risk Division, which is responsible for the development of credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

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).

The 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 ≥€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 ≥ €0.1 million being selected;

2. Customers holding stage 2 operations with an exposure amount ≥ €1.0 million and customers with an exposure amount ≥ €1.0 million that are part of the same Economic Group;

3. Customers holding stage 1 operations with an exposure amount ≥ €2.5 million;

4. Customers corresponding to Shareholding Management Companies ("**SGPS**") and/or Customers holding loans under Project Finance with an exposure amount ≥ €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 Department 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 according to 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 done of 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.

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 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 no. 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.

As at the date of this Base Prospectus, Banco Montepio is implementing external servicing of insolvency portfolios by specialised law firms. Additionally, it is engaging servicers (with an end-to-end strategy) for the 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) that, given the 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:

	31 December 2020	**31 December 2021**
	(€ thousand)	
Corporate		
Loans	175,732	104,069
Current account loans	9,669	3,241
Finance leases	1,276	3,503
Other loans	949	5,137
Retail		
Mortgage loans	2,778	11,602
Consumer credit and other loans	6,993	17,598
	197,397	145,150

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, 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 the 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:

	31 December 2020	**31 December 2021**
	(€ thousand)	
(a) Stock of Non-performing exposures	1,289,555	975,302

	31 December 2020	31 December 2021
	(€ thousand)	
(b) Gross loans and advances to customers	12,357,216	12,189,465
Non-performing exposures / Gross loans and advances to customers (a / b)	**10.4%**	**8.0%**

	31 December 2020	31 December 2021
	(€ thousand)	
(a) Impairment for credit risks	779,514	521,777
(b) Stock of Non-performing exposures	1,289,555	975,302
Coverage of Non-performing exposures by Impairment for credit risks (a / b)	**60.4%**	**53.5%**

Risk Management

The Banco Montepio Group is exposed to several risks the most relevant of which in the financial component being 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 of same, 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 assure 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

	Maturity periods				
Position reference date + forecast amount	**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., an increase in comparison to the ratio of 200.7 per cent. as at 31 December 2020, and 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 the 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	Pound Sterling	Other foreign currencies	Total amount
				(€ thousand)			
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	
Stress Test		**333**	**(19,341)**	**8**	**12**	**(53)**	

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 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 Banco de Portugal Instruction number 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 mounths to 1 year	1 to 5 years	More than 5 years
			(€ thousand)		
31 December 2021					
Assets					
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

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
			(€ thousand)		
Off-balance sheet	1,041	0	756,654	25,018	0
Total	**6,566,843**	**3,092,369**	**2,108,371**	**2,130,787**	**2,316,187**
Liabilities					
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
Total	**3,022,216**	**1,107,354**	**2,282,857**	**5,653,971**	**312,048**
GAP (Assets - Liabilities)	**3,544,627**	**1,985,015**	**(174,486)**	**(3,523,184)**	**2,004,139**

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
			(€ thousand)		
31 December 2020					
Assets					
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
Total	**6,919,888**	**3,298,564**	**1,237,752**	**2,452,288**	**1,513,477**
Liabilities					
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
Total	**4,022,528**	**1,546,680**	**2,191,538**	**3,739,004**	**321,789**
GAP (Assets - Liabilities)	**2,897,360**	**1,751,884**	**(953,786)**	**(1,286,716)**	**1,191,688**

	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 31 December 2021.

Regarding the credit quality of the debt securities portfolio, approximately 97.8 per cent. is rated as investment grade (31 December 2019: 96.8 per cent.). Of note are the Spanish, Portuguese and Italian sovereign bonds with a rating of BBB+, 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[(1) (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 30 June 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: *Banco de 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: Banco de 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: Banco de 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 NetScalar" 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 the 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 Banco de 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 Banco de 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 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 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 Banco de 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 no. 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 Banco de Portugal that determined that Banco Montepio had committed 16 administrative offenses, instead of the 142 administrative offenses that were originally alleged. The Banco de Portugal issued a single fine of €400,000. Banco Montepio challenged Banco de 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 Banco de 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 Banco de Portugal on 7 March 2017, is null and void, and annulled the initial ruling whereby Banco de 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 Banco de Portugal so that a new valid decision could be issued. Banco de 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 no. 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 Banco de 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, Banco de 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 governance 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 exists a core of shared strategic principles.

In the General Meeting held on 30 April 2015 and 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. Pursuant to the amended by-laws, as approved in the said General Meeting of MGAM held on 25 June 2015, all governing bodies began to be 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 the 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 Banco de 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 amending 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 No. 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 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 has 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 new corporate bodies were elected and the new Articles of Association were approved. The new corporate bodies and the respective members were approved by the Banco de Portugal on 4 April 2018.

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 day-to-day management of the Issuer to an Executive Committee, appointing its members and defining their respective competencies, operating rules and the limits of its power, and shall appoint a Chief Executive Officer, who shall not be the Chairperson of the Board of Directors.

Some of the non-executive members of the board that also 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 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. 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 on 5 December 2019, Banco Montepio's Governing Bodies are:

(a) the General Meeting of Shareholders;

(b) the Board of Directors, which includes an Audit Committee; and

(c) the 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.

The members of the governing bodies are elected at an Extraordinary General Meeting, in accordance with Article 9 and Article 11 of the new by-laws.

The elected governing bodies took office on 21 March 2018 and Carlos Manuel Tavares da Silva carried out the duties of Chief Executive Officer and, temporarily, Chairperson of the Board of Directors under the terms authorised by the Banco de Portugal.

The Corporate and Governing Bodies of the Issuer and the relevant members for the mandate March 2018-2021 are set out below.

Board of Directors

The current members of the Board of Directors were elected at the Extraordinary General Meeting held on 16 March 2018 and each such member started their respective role on 21 March 2018, with the appointment lasting until 2021. As at the date hereof, the following remain as the current members of the Board of Directors of the Issuer in their respective positions until the Banco de Portugal Fit & Proper assessment of the members of the Board of Directors elected at the General Meeting held on 29 April 2022, which is currently ongoing, is concluded. For the avoidance of doubt, such members shall only take office upon the relevant authorisation from Banco de Portugal.

Name		**Other positions**
Carlos Manuel Tavares da Silva	President of the Board of Directors (Chairman)	President of the Board of Directors of Montepio Investimento, S.A. President of the Board of Directors of Montepio Holding, SGPS, S.A.
Manuel Ferreira Teixeira	Non-executive member	No other positions
Amadeu Ferreira de Paiva	Non-executive member	No other positions
Carlos Francisco Ferreira Alves[1]	Non-executive member	No other positions
José da Cunha Nunes Pereira[2]	Non-executive member	No other positions
Pedro Jorge Gouveia Alves[3]	Non-executive member	President of the Board of Directors of Montepio Crédito, Instituição Financeira de Crédito, S.A.
Vitor Manuel do Carmo Martins	Non-executive member	No other positions
Pedro Manuel Moreira Leitão[4]	President of the Executive Committee (CEO)	No other positions
Dulce Maria Pereira Cardoso Mota Jorge Jacinto[5]	Vice-President of the Executive Committee	No other positions
Helena Catarina Gomes Soares de Moura Costa Pina	Executive member	No other positions
Jorge Paulo Almeida e Silva Baião[7]	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. Member of the Board of Directors of Banco Montepio Geral Cabo Verde, Soc. Unip. S.A.

Name		Other positions
Leandro Rodrigues da Graça Silva[6]	Executive member	No other positions
Nuno Cardoso Correia da Mota Pinto	Executive member	Member of the Board of Directors of Montepio Holding, SGPS, S.A. Member of the Board of Directors of Montepio Investimento, S.A. Member of the Board of Directors of Montepio Crédito, Instituição Financeira de Crédito, S.A., S.A. President of the Board of Directors of Finibanco Angola, S.A.
Pedro Miguel Nunes Ventaneira	Executive member	Member of the Board of Directors of Montepio Investimento, S.A. Member of the Board of Directors of Finibanco Angola, S.A.

1 Carlos Francisco Ferreira Alves took up his duties as non-executive member of the Board of Directors on 15 January 2019.
2 José da Cunha Nunes Pereira took up his duties as non-executive member of the Board of Directors on 1 April 2020.
3 Pedro Jorge Gouveia Alves took up his duties as non-executive member of the Board of Directors on 23 August 2018.
4 Pedro Manuel Moreira Leitão took up his duties as executive member of the Board of Directors on 6 January 2020.
5 Dulce Maria Pereira Cardoso Mota Jorge Jacinto took up his duties as executive member of the Board of Directors on 9 January 2019.
6 Leandro Rodrigues da Graça Silva took up his duties as executive member of the Board of Directors on 9 November 2018.
7 Jorge Paulo Almeida e Silva Baião was appointed by the Board of Directors on 18 February 2021.

Areas of responsibility of the Board of Directors' Chairman and each executive member of the Board of Directors:

Area of Responsibility	
Carlos Tavares President of the Board of Directors (Chairman)	Corporate Office of the Board (GCA) General Secretariat of the Society (SGS) Economic and Financial Studies Office (GEEF) Audit and Inspection Directorate (DAI)
Pedro Leitão President of The Executive Board (CEO)	People Management Directorate (DGP) (1) Strategic Marketing Directorate (DME) Operational Marketing Directorate (DMO) Directorate of Communication and Brand (DCM) Investor Relations Office (GRM)
Dulce Mota Vice-President of The Executive Board	North and Center Commercial Directorate (DCNC) South and Islands Commercial Directorate (DCSI) Commercial Dynamisation Directorate (DDC)
Nuno Mota Pinto	Corporate Banking Directorate (DBE)

Area of Responsibility	
Executive Member	Commercial Directorate of the Social Economy and the Public Sector (DCESSP)
José Carlos Mateus Executive Member	Financial and International Directorate (DFI) Financial Assets Monitoring Office (GAAF) Strategy, Planning and Control Directorate (DPEC) Credit Analysis Directorate (DAC)
Pedro Ventaneira Executive Member	Risk Directorate (DRI) Specialised Credit Analysis Directorate (DAEC) Model Validation Office (GVM) Accounting and Financial Reporting Directorate (DCRF) Information Management Office (GGI)
Helena Soares de Moura Executive Member	People Management Directorate (DGP)[1] Legal Advisory Directorate (DJ) Litigation Directorate (DCONT) Compliance Directorate (DCOMP) Data Protection Office (GPD) Customer and Quality Office (GC)
Leandro Graça Silva Executive Member	Credit Recovery Directorate (DRC) Real Estate Office (MGAI)[2]
Jorge Baião Executive Member	Transformation and Innovation Office (CTI) Information Systems Directorate (DSI) Services and Operations Directorate (DSO) Shared Services Office (USP)[2] Procurement Directorate (CCOMP)[2]

(1) With accompanying delegation by Helena Soares de Moura
(2) 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 Extraordinary General Meeting held on 16 March 2018 and each such member started their role on 21 March 2018, with the appointment lasting until 2021.

The following are the current members of the General Meeting Board of the Issuer:

Name		Other positions
António Manuel Lopes Tavares	Chairperson	Not applicable

Name		Other positions
Cassiano da Cunha Calvão	Secretary	Not applicable

Audit Committee

The current members of the Audit Committee were elected at the Extraordinary General Meeting held on 16 March 2018 and each such member started their role on 21 March 2018, with the appointment lasting until 2021. The following are the members of the Audit Committee of the Issuer:

Name		Other positions
Manuel Ferreira Teixeira[1]	Chairperson	No other position
Amadeu Ferreira de Paiva	Member	No other positions
Carlos Francisco Ferreira Alves	Member	No other positions
José da Cunha Nunes Pereira[2]	Member	No other positions
Vítor Manuel do Carmo Martins	Member	No other positions

[1] Manuel Ferreira Teixeira was appointed Chairman of the Audit Committee with effect from 1 October 2019, following the resignation of Luis Eduardo Henriques Guimarães, Non-Executive member, who served as Chairman of the Audit Committee until and including 30 September 2019.

[2] Designated on 1 April 2020

Remuneration, Appointments and Evaluations Committee[1]

Name	
José da Cunha Nunes	Chairperson
Amadeu Ferreira de Paiva	Member
Carlos Francisco Ferreira Alves	Member
Manuel Ferreira Teixeira	Substitute Member

[1] By resolution of the Board of Directors of 29 October 2020, the composition of the Remuneration, Appointments and Evaluations Committee was approved, which was previously composed of: Manuel Ferreira Teixeira (Chairperson designated on 22 August 2019), Amadeu Ferreira de Paiva (Member) and Carlos Francisco Ferreira Alves (Member).

Risk Committee[1]

Name	
Vítor Manuel do Carmo Martins	Chairperson
Carlos Francisco Ferreira Alves	Vice-President
Amadeu Ferreira de Paiva	Member
Manuel Ferreira Teixeira	Member

[1] By resolution of the Board of Directors of 29 October 2020, the recomposition of Risk Committee was approved, which was previously composed of: Vitor Manuel do Carmo Martins (Chairperson designated on 3 October 2019), Manuel Ferreira Teixeira (Member) and Rui Pedro Brás de Matos Heitor (Member)

Corporate Governance, Ethics and Sustainability Committee[1]

Name	
Carlos Manuel Tavares da Silva	Chairperson
Carlos Francisco Ferreira Alves	Member
José da Cunha Nunes Pereira	Member
Pedro Jorge Gouveia Alves	Member

[1] By resolution of the Board of Directors of 29 October 2020, the recomposition of the Corporate Governance, Ethics and Sustainability Committee was approved, which was previously composed of: Carlos Manuel Tavares da Silva (Chairperson), Carlos Francisco Ferreira Alves (Member) and Rui Pedro Brás de Matos Heitor (Member).

Statutory Auditor

The following is the Statutory Auditor for the period 2019-2021:

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), and was elected for the term 2019-2021 in the General meeting held on 27 May 2019.

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.

Recent developments

At the General Meeting held on 29 April 2022, the Shareholders approved, among other items, the election of the Governing Bodies for the four-year period 2022/2025, as detailed below:

General Meeting Board

Name	
António Manuel Lopes Tavares	Chairperson
Cassiano da Cunha Calvão	Secretary

Board of Directors

Name	
Manuel Ferreira Teixeira	Chairperson
Ângela Isabel Sancho Barros	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member
Eugénio Luis Correia Martins Baptista	Member
Florbela dos Anjos Frescata Lima	Member
Helena Catarina Gomes Soares de Moura Costa Pina	Member
Isabel Cristina dos Santos Pereira da Silva	Member

Name	
Jorge Paulo Almeida e Silva Baião	Member
José Carlos Sequeira Mateus	Member
Maria Cândida de Carvalho Peixoto	Member
Maria Lúcia Ramos Bica	Member
Pedro Manuel Moreira Leitão	Member

Pursuant to the applicable laws and regulations, the members of the Board of Directors (including the Audit Committee) will only take office after granted authorisation by Banco de Portugal.

With the proposed changes, Banco Montepio reinforces its commitment to gender equality and to the strategy adopted, aiming to improve efficiency, profitability and reducing exposure to risk.

Additionally, at the same General Meeting held on 29 April 2022, the Shareholders approved, among other items, 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:

Name	
Paulo Câmara Pires dos Santos	Chairperson
Rui Manuel Leão Martinho	Member
Antonio Miguel Lino Pereira Gaio	Member

Moreover, 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), was elected for the year 2022 in the General meeting held on 29 April 2022.

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

A General Meeting of Banco Montepio shall consist of shareholders who have voting rights. Each share shall represent one vote. Only those shareholders with voting rights may attend, speak and vote at a General Meeting, in person or through a representative, who at the registration date, which is equal to zero hours (GMT) on the fifth working day prior to the holding of the Meeting ("**Registration Date**"), are the owners of at least one share.

The General Meeting Board shall consist of a Chair and a Secretary, elected at a 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.

An ordinary General Meeting shall discuss the matters submitted to the Annual General Meeting, under article 376, no.1 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), plus any other matters included on the agenda, and an extraordinary meeting shall be held whenever one is convened in accordance with the law and these Articles of Association.

General Meeting decisions shall be 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, a merger, splits, transformation or winding-up of the Company shall only be valid if they are approved by a 2/3 (two-thirds) of the votes cast.

General Meetings of Banco Montepio shall take decisions on the matters assigned 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, no.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 laid down 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 and an executive Vice-Chair, all of whom shall be elected at a General Meeting.

The Board of Directors shall act 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 on the basis of the majority of votes cast by the members present, and the Chair shall have 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 annual drawing up of the management report, the individual and consolidated accounts for the year and the proposed profit distribution, to be 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. drawing up mergers, split and transformation proposals;

13. setting up the committees and commissions it deems necessary to fulfil its duties, including a Remuneration, Appointments and Evaluations Committee and a Risk Committee, 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 day-to-day 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 make-up, operating rules and the powers of the Executive Committee, and shall appoint its chair, who shall be the Board of Directors vice-chair, and it may appoint a vice-chair.

In addition to the committees referred to in the Articles of Association, the Board of Directors may also approve the setting up 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 shall be comprised of at least 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. draw up 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 a particular 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 shall have 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 persons belonging to the Banco Montepio 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 shall keep a written record of all checks, audits and complaints received and action taken, and the respective outcomes.

Remuneration, Appointments and Evaluations Committee

The Remuneration, Appointments and Evaluations Committee shall be comprised of three members, including a Chair appointed by the Board of Directors from among its nonexecutive members or from among the members of the Audit Committee, and a majority of them, including the Chair, shall have the status of independent.

Members of the Remuneration, Appointments and Evaluations Committee shall be duly qualified to discuss the subjects they deal with, and at least one member shall have knowledge and experience of remuneration policy matters.

The Remuneration, Appointments and Evaluations Committee shall perform the legal duties relating to remuneration policy in keeping with the law.

The Remuneration, Appointments and Evaluations Committee shall also state its opinion as to the suitability of the proposed supplementary retirement pension, for old age or disability, schemes for directors, to be approved by way of specific regulations at a General Meeting, pursuant to article 402 of the Portuguese Companies Code (*Código das Sociedades Comerciais*).

At least one member of the Remuneration, Appointments and Evaluations Committee shall be present at General Meetings that discuss matters falling within its mandate.

The Remuneration, Appointments and Evaluations Committee shall draw up minutes of its meetings.

Remuneration Committee

The Remuneration Committee is empowered to set the remuneration of the Governing Bodies members, pursuant to article 399(1) of the Commercial Companies Code (*Código das Sociedades Comerciais*),

following preparation of the decisions by the Remuneration, Appointments and Evaluations Committee, foreseen in article 19 of the Banco Montepio's Articles of Association, in accordance with the remuneration policy approved at a General Meeting.

Risk Committee

The Risk Committee shall consist of three members, including a Chair, appointed by the Board of Directors from among its non-executive members or from among Audit Committee members, who possess the knowledge, skills and experience required by law. A majority of Risk Committee members, including the Chair, shall have the status of independent.

The Risk Committee is charged with 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 its supervision of 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.

The Committee shall draw up minutes of its meetings.

Corporate Governance, Ethics and Sustainability Committee

The Corporate Governance, Ethics and Sustainability Committee shall be comprised of three members, including a Chair appointed by the Board of Directors from among its non-executive members or from among the members of the Audit Committee, and shall possess the knowledge, experience, skills, understanding and personal qualities for the proper performance of their duties.

The Corporate Governance, Ethics and Sustainability Committee is responsible, among others, to support the Board of Directors in promoting a healthy governance culture within Banco Montepio and its subsidiaries; propose the adoption of a corporate governance code or the adoption of appropriate governance guidelines; support the Board of Directors in particular by reviewing existing documents and proposing amendments; analyse corporate governance and propose changes that improve the decision-making process and improve the performance of the inherent functions; analyse the typology of committees and propose changes that will improve the efficiency of corporate governance; oversee the preparation of the Annual Corporate Governance Report; issue an opinion on the Conflict of Interest Policy, Code of Conduct and other documents that define ethical principles for doing business, when requested by the Board of Directors, or taking the initiative to review existing documents and propose amendments; assess mechanisms for monitoring compliance with sustainability policy, with particular attention to the impact on the social economy.

This Committee shall draw up minutes of its meetings.

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*). 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.

Banco Montepio 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 Notes 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 Banco de 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 Notes 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. an *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*). 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.

Outline of the performance of the Banco Montepio Group's domestic companies

Montepio Holding, SGPS, S.A.

In June 2013, Finibanco Holding, SGPS, S.A. changed its corporate name to Montepio Holding, SGPS, S.A.

Montepio Holding, SGPS, S.A. is a holding company, with a 100 per cent. stake in Montepio Investimento S.A., Montepio Crédito, Instituição Financeira de Crédito, S.A., SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A., and an 80.2 per cent. stake of voting rights in Finibanco Angola, S.A.

Until 30 December 2021, Montepio Holding, SGPS, S.A. also held 100 per cent. of the capital and voting rights of Montepio Valor - SGOIC, S.A., which were sold to Montepio Geral Associação Mutualista. This simplified the corporate structure of Banco Montepio Group.

The companies that Montepio Holding has a stake carry out a range of diversified activities, including banking, the provision of complementary financial services in the area of insurance, specialised consumer credit and long-term rentals.

Montepio Investimento, S.A.

Montepio Investimento, S.A., a bank 100 per cent. controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., adopted the trade name of Banco de Empresas Montepio ("**BEM**") on 4 June 2019, henceforth developing, in an integrated and multidisciplinary manner, Commercial Banking and Investment Banking activities, aimed at placing on the market a complete, integrated and global offer of services.

Underlying the creation of BEM was the contribution that the new model would bring in terms of incremental business to the Banco Montepio Group. Thus, the launch of BEM was accompanied by the creation of the Corporate Banking Division, with the mission of managing the loans to the Companies and Institutional segments (excluding financial sector entities) with an annual turnover equal to or more than €20 million, an area particularly well suited to the development of the activity of BEM. The business developed and monitored by the Corporate Banking Division is accounted in Banco Montepio and BEM as follows, the medium and long-term loans, as well as those represented by financial instruments are registered in BEM's balance sheet; and the remaining operations carried out with BEM's corporate clients are registered in Banco Montepio's balance sheet.

The Corporate Banking area supports its customers throughout all the stages of their business cycle, with specific solutions for every need, namely in areas related to international trade, factoring and treasury management. The Investment Banking area (which incorporates the areas of Corporate Finance, Capital Market, Advisory Services, Financial Structuring, and Debt and Equity Distribution) supports restructuring, capitalisation and enhancement of the robustness of companies, thus contributing to investment and sustainable growth of the Portuguese private sector. For such, BEM has a team of specialised professionals working side by side in permanent coordination, to assure that the customers receive a global and personalised service.

In 2021, BEM pursued its action driven by the goal of expanding the Banco Montepio Group's offer of products and services directed to the corporate segment, especially the SME and middle market segments, and supporting their needs emerging in the context of the COVID-19 pandemic.

BEM relies on 7 Corporate Centres, distributed throughout the country, where dedicated managers receive their customers, identify their needs, present value propositions while promoting relations of proximity.

As at 31 December 2021, the Net assets of BEM amounted to €437.7 million, showing a reduction of €15.4 million (a decrease of 3.4 per cent.) compared to 31 December 2020. This reduction was in spite of the growth in loans granted as part of its objective to support the Portuguese business community (+€23.7 million). This was driven by decreases in Cash and deposits in other credit institutions (-€28.7 million) and in the Securities portfolio (-€8.3 million).

Net loans and advances to customers amounted to €340.8 million as at 31 December 2021, compared to €317.1 million as at 31 December 2020, corresponding to an increase of €23.7 million due to the performance of Loans and advances to customers and Loans represented by securities. This is also attributable to the increased use of securitised financing (bond loans and commercial paper) in line with the needs of the market, through its partial placement with institutional investors. Up to September 2019, the loan portfolio of BEM was limited to movable and immovable property leasing under amortisation. The first credit operation, under the new business model, was signed at the end of September 2019, initiating a gradual and sustained growth of the loan portfolio.

As at 31 December 2021, Equity (€180.8 million) and Resources from other credit institutions (€241.7 million) constituted the main source of funding, representing 96.5 per cent. of Total assets (compared to 97.1 per cent. at the end of 2010).

In the business model adopted for the corporate and investment banking area, BEM monitors companies with a turnover equal to or higher than €20 million in all aspects of the relationship, although the

transactionality of these companies (deposits, current accounts, cards, automatic payment terminals at point of sale, among other operations) are assured by Banco Montepio, through the same commercial agents (belonging to the two banks) allowing synergies and rationalisation of costs not only in this area, but in a transversal way in the respective organisational structures.

In 2020, the first year of activity of BEM under the new business model, which incorporates the Corporate and Investment Banking areas, as well as in 2021, the evolution of the operational component was marked by the economic and pandemic crisis seen worldwide. Nevertheless, there was an increase in the level of revenues, in line with the necessary increase in operating costs arising from the allocation of resources to the growth of the activity.

Total operating income in the year ended 31 December 2021 reached €8.7 million, representing an increase of €4.4 million compared to the year ended 31 December 2020. This increase was driven by the favourable performance in Net interest income (an increase of €1.9 million), as a result of the sharp growth in the loans and advances to customers portfolio, in net commissions (an increase of €1.0 million) and the Gains on the sale of other assets (an increase of €0.7 million). It was also driven by favourable results from financial operations, which totalled €0.3 million, compared to -€1.6 million in 2020 (a positive change of €1.9 million). However, this was offset by a decrease in participation by Restructuring Funds (*Fundos de Reestruturação Empresarial*) recorded in BEM's balance sheet inherited from Montepio Investimento's previous activity, ultimately translating into losses of €1.1 million in 2021.

Operating costs for the year ended 31 December 2021 decreased to €4.8 million, in comparison with €5.0 million recorded in 2020. This was driven by a reduction in General administrative expenses (-€1.1 million), which include expenses for consultancy services (consultants and external auditors) and staff assignment (Banco Montepio) that more than offsets the increase in Personnel costs (+€0.7 million) caused by resources assigned to new activities and increased Depreciation and amortisation (+€0.2 million).

Income before impairments and provisions in the year ended 31 December 2021 amounted to €3.9 million, compared to negative €0.7 million in the year ended 31 December 2020, reflecting the favourable change in operating income related with the decrease in operating costs.

Impairments and provisions amounted to €0.2 million (a substantial decrease from €3.1 million in 2020), reflecting the impact of the extraordinary loan impairments charges in 2020 and the improved quality of the loan portfolio.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100 per cent. controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., offers specialised credit in the automobile, home and services sectors, and equipment, complemented by a set of solutions for customers that are individuals, companies and institutions of the Social Economy sector. The specialised credit segment shows one of the vertices of the Banco Montepio Group's strategy, reflecting the focus on consumer credit.

As a result of the repositioning made in terms of the Banco Montepio Group and the strong and solid relations established with its partners, based on the experience acquired over the years, Montepio Crédito has developed a specialised offer of credit solutions in the following areas: Automobile, Health, Automobile Repair, Telecommunications and Furniture for the segment of individuals; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry for the segment of companies.

Montepio Crédito has an extensive team of professionals in the networks in which it operates, in order to provide the best service and support to its customers, through the diversity of its specialised offer in the areas of personal credit, loans linked to an asset, movable property leases and operating leases (renting). The entire team relies on the centralised support of a specialised back-office.

As at 31 December 2021, Net assets totalled €616.9 million, representing an increase of 0.5 per cent. from €613.8 million as at 31 December 2020, despite the termination of the Pelican Finance No.1 securitisation transaction. This impacted individual asset items (noting that there was no effect at the Banco Montepio Group consolidated level), with emphasis on Other financial assets at amortised cost (a decrease of €28.2 million).

Loans and advances to customers (net of impairments) reached €550.2 million as at 31 December 2021, representing an increase of €38.4 million (+7.5 per cent.) compared to 31 December 2020.

The securities portfolio totalled €55.6 million on 31 December 2021, representing a decrease of €31.0 million from 2020, attributable to the showing of the impact of the liquidation of the securitisation transaction that occurred in March 2021.

As at 31 December 2021, Equity amounted to €62.4 million, showing an increase of €5.5 million (9.7 per cent.) compared to €56.8 million as at 31 December 2020, underpinned by the increase in net income.

Total operating income reached €20.7 million in the year ended 31 December 2021, compared to €20.1 million in the year ended 31 December 2020, representing an increase of €0.6 million (3.0 per cent.) due to the increase in Net interest income by €1.7 million (an increase of 15.8 per cent.) and in net commissions by €0.2 million (an increase of 4.4 per cent.), notwithstanding the decrease in Other operating income by €1.3 million (a decrease of 704.2 per cent.).

In the year ended 31 December 2021, Operating costs amounted to €12.7 million, corresponding to an increase of €0.4 million (3.5 per cent.) compared to the year ended 31 December 2020, caused by the increase of €0.2 million (2.8 per cent.) in Staff costs, by the General administrative expenses increase by €0.1 million (an increase of 3.0 per cent.) and by €0.1 million (12.9 per cent.) in Depreciation and amortisation.

Income before impairments and provisions in the year ended 31 December 2021 rose to €8.0 million from €7.9 million in the year ended 31 December 2020, representing an increase of €0.2 million, sustained by the increase in operating income, notwithstanding the increase in operating costs.

Montepio Valor – SGOIC, S.A.

On 31 December 2020 and until 30 December 2021, the Group held 100 per cent. of Montepio Valor-SGOIC, S.A. which was sold to Montepio Geral Associação Mutualista on 30 December 2021. The main business activity of Montepio Valor - SGOIC, S.A. is the management of real estate investment funds.

SSAGIncentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

SSAGIncentive - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. ("SSAGIncentive"), is 100 per cent. controlled by Banco Montepio through Montepio Holding SGPS, S.A., with its corporate object being the real estate properties management and trading.

As at 31 December 2021, the Assets of SSAGIncentive amounted to €54.9 million, showing a 3.3 per cent. reduction in comparison to €56.7 million accounted in 2020.

The real estate properties under management are accounted as inventories and refer to the acquisitions made to Banco Montepio of immovable properties for sale, namely fractions of real estate valued at market value. On 31 December 2021 the inventories amounted to €24.3 million, of which €10.0 million refer to buildings and €14.3 million refer to land, showing a reduction of €11.8 million compared to €36.1 million recorded as at 31 December 2020, as a result of the sales throughout 2021.

Cash and bank deposits totalled €30.6 million as at 31 December 2021, representing an increase of €10.0 million compared to €20.6 million recorded at the end of 2020.

As at 31 December 2021, Equity stood at €54.6 million, compared to €56.5 million as at 31 December 2020, reflecting the unfavourable impact of the 2021 net income which was negative by €1.9 million. Equity was the main source of funding, representing 99.5 per cent. of Total assets compared to 99.6 per cent. as at 31 December 2020.

Sales and services provided amounted to €10.5 million in 2021, compared to €4.4 million in 2020, corresponding to the amounts arising from sales of inventories under SSAGIncentive's current activity.

Cost of goods sold and materials consumed reached €10.1 million in 2021, representing an increase of €5.9 million compared to 2020, and represents the acquisition cost of the properties sold, after deducting the respective.

Impairment of inventories amounted to €1.7 million in 2021 in comparison to €0.2 million in 2020 due to the increase of impairments of real estate properties for trading in 2021.

The Other income stood at €0.1 million in 2021 compared to €0.3 million in 2020 and comprised tax refunds relating to real estate sold, income obtained from real estate and other income.

Other costs and losses, which includes costs related to maintenance, legalisation and sales promotion of real estate properties, amounted to €0.6 million in 2021 compared to €1.4 million in 2020.

The operating profit in 2021 stood at negative €1.9 million, compared to negative €1.2 million recorded in 2020, mainly as a result of the higher level of inventories' impairment recorded in the year.

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 Banco de 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 Banco de Portugal.

The resolution measure applied to Banco Espírito Santo S.A. ("BES")

The Board of Directors of Banco de 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 Banco de 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. Novobanco is subject to Banco de Portugal's supervision and is obliged to comply with all legal and regulatory rules applicable to Portuguese banks.

The equity capital of Novobanco, 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 Banco de 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, Banco de 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** Banco de 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 Banco de 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, Banco de 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, Banco de 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, Banco de 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. Banco de 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, Banco de 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 State 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 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 No. 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 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, Banco de 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 Banco de 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, Banco de 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 Banco de 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 Banco de 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 Banco de 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 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 Banco de 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 "**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 2020, the Issuer's LCR was 200.7 per cent. (179.9 per cent. as at 31 December 2019), 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 2020, the Issuer's NSFR stood at 109.8 per cent. (105.8 per cent. as at 31 December 2019), 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) No 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 Banco de 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, Banco de Portugal decided that the capital conservation buffer would be phased-in. In September 2015, Banco de 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, Banco de 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.

Banco de 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 Banco de Portugal or the ECB, as applicable. Banco de Portugal will review this decision on a quarterly basis. At its most recent revision, on 29 March 2022, Banco de Portugal determined a countercyclical capital buffer rate of 0 per cent. to be in force as from 1 April 2022.

On 29 July 2016, and as subsequently confirmed on 30 November 2016, Banco de 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, Banco de 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 Banco de Portugal's powers as national macro prudential authority. For this purpose, Banco de Portugal notified the European Central Bank, in accordance with Article 5 of Council Regulation

(EU) No. 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 no. 143/2013, of 18 October 2013. Banco de 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, Banco de 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 at 1 January 2021.

On 8 May 2020 Banco de 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, Banco de 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.

Banco de 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, Banco de 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 Banco de 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, Banco de 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 Banco de 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 2019) 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 Banco de 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 no. 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 Banco de 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 no. 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 Banco de Portugal remains applicable (without prejudice to the Special Regime of Deferred Tax Assets (*Regime Especial Aplicável aos Ativos por Impostos Diferidos* ("**REAID**")) approved by Law no. 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 no. 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 Banco de 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 no. 114-A/2014, of 1 August, Decree Law no. 114-B/2014, of 4 August, and Law no. 23-A/2015, of 26 March, which have transposed the Directives 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 Banco de 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 Banco de 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 Banco de 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, Banco de 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, Banco de 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 Banco de 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 Banco de 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, Banco de 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, Banco de 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, Banco de 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).

Banco de 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 Banco de 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 Banco de Portugal. It is fully funded by the financial sector through initial and periodical contributions from member institutions, including the Issuer, whose amount shall be fixed on an annual basis, as set out in Decree Law no. 24/2013, of 19 February, 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.

Banco de 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 Banco de 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 no. 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 no. 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 no. 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 harmonised rules within the European Union and has been transposed in its principles and general rules by Law no. 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) no. 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 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 no. 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 no. 24/2013, of 19 February, and due under the transitional regime provided for in Law no. 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*) No. 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, Banco de 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 Banco de 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, Banco de 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, Banco de 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. Banco de 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 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 Banco de Portugal.

Banco Montepio has already been notified by Banco de 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 Banco de 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 Banco de 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.

Banco de 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. Banco de 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 Banco de 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 no. 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 3rd 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 Banco de 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 Banco de Portugal must be anchored. Notice 3/2020 revokes Notices nos. 5/2008 and 10/2011, as well as Instruction no. 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 May 25, 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 no. 58/2019, of 8 August.

The Law no. 23/2019 of 13 March 2019 transposed to the Portuguese law the Directive (EU) 2017/2399 of the European Parliament and of the Counsel, 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 Banco de Portugal, as a credit institution, and by the CMVM, as an issuer with outstanding listed notes. It must comply with the regulations issued by Banco de 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*).

Banco de Portugal enjoys extensive supervisory and regulatory powers in relation to all credit and deposit-taking institutions in Portugal. Banco Montepio in particular, classified as an LSI, under the current SSM arrangement, is directly supervised by Banco de Portugal.

There are specific regulations regarding regular audits by Banco de 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 Banco de Portugal.

In addition to the stress tests reported to Banco de 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 Banco de 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 no. 61/2014, of 26 August, as amended from time to time, ("**Law no. 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 no. 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 no. 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 no. 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 No. 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 no. 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 no. 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 no.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 no. 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 no. 26/2020, of 16 June, establishes that operations meeting the eligibility criteria set forth in Decree-Law no. 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 no. 27-A/2020, of 24 July, which amended Decree-Law no. 10-J/2020, extended the period to adhere to the moratorium until 30 September 2020. On 29 September 2020, Decree-Law no. 78-A/2020 further amended Decree-Law no. 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 no. 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 was amended on 3 April 2020, 8 May 2020, 29 June 2020, 13 October 2020, 28 January 2021 and 18 November 2021 in order to widen the scope of the support measures and to extend its application over time. The Temporary Framework will be in place until the end of June 2022 with targeted adjustments.

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 Banco de 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 Banco de Portugal to be applicable in phases, from 1 January 2018 onwards.

On 26 June 2020 it was published Regulation (EU) No. 2020/873 of the European Parliament and of the Council of 24 June 2020 (the "**CRR Quick Fix**"), amending Regulations (EU) No. 575/2013 and (EU) No. 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 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 Banco de 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, Banco de 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 Banco de 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 Banco de Portugal, submitting the plans and deadlines for their re-establishment. Banco de Portugal will assess this information on a case-by-case basis. Banco de 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 Banco de 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 Banco de 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 Banco de 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.

THE PORTUGUESE ECONOMY

In May 2011, the Portuguese Financial Assistance Programme ("**FAP**") was agreed between the European Central Bank ("**ECB**"), the International Monetary Fund ("**IMF**") and the European Commission ("**EC**", and together with the prior two entities, the "**Troika**") and was implemented in 2012. The FAP comprised a total funding of €78 billion to be allocated during the period from 2011 to 2014. The FAP's main objectives were to return the Portuguese economy to a path of sustained growth within a framework of financial stability and to restore the confidence of participants in the international financial markets. To this end, the FAP focused its assistance in three main areas: (i) a set of significant structural reforms to increase potential growth, create jobs and improve the economy's competitiveness; (ii) a strategy for credible fiscal consolidation, based on measures of a structural nature and greater budgetary control over all obligations of the State; and (iii) a process of orderly deleveraging of the financial sector through market mechanisms and supported by a fund to finance the recapitalisation of banks.

On 17 May 2014, the FAP came to an end, which constituted an important moment for the evolution of the Portuguese economy. During the implementation period, there was significant progress in the correction of certain macroeconomic imbalances and various structural measures were adopted where needed. Notwithstanding this progress, the return to normal market conditions in respect of funding to the Portuguese economy required sustained productivity. Such productivity was also crucial to bringing about a reduction in the high level of unemployment observed in the Portuguese economy (which in 2013 reached a maximum annual average of 16.2 per cent., having started a downward trajectory in 2014 reaching 6.6 per cent. in 2021).

Following its exit from the FAP, Portugal became subject to Post-Programme Surveillance by the EC and the ECB and to Post-Programme Monitoring by the IMF.

The gross domestic product ("**GDP**") of the Portuguese economy grew by 4.9 per cent. in 2021, thus exceeding estimates, reflecting growth higher than that expected in the last quarter of the year, but especially an upward revision of the data since the beginning of the year. This was the highest growth recorded since 1990, however, such growth took place after the historical contraction of 8.4 per cent. in 2020 following the markedly adverse effects of the COVID-19 pandemic on economic activity (worse than the accumulated recession during the intervention of the Troika).

This return to economic growth in 2021 was accompanied by:

(a) a reduction of unemployment rates (from 7.0 per cent. in 2020 to 6.6 per cent. in 2021);

(b) an exacerbation of the inflation rate (measured by the harmonised consumer prices index ("**HCPI**"), from -0.1 per cent. in 2020 to 0.9 per cent. in 2021);

(c) some public finance relief (i.e. reduction of the budget deficit, from 5.8 per cent. in 2020 to 2.8 per cent. of GDP in 2021, and of the public debt ratio, from 135.2 per cent. in 2020 to 127.4 per cent. of GDP in 2021) (although such relief was less extensive than that observed in most of the Eurozone countries), and

(d) maintenance of the current balance deficit (1.1 per cent. of GDP), with the saving rate of households to fall (from 12.6 per cent. in 2020 to 10.9 per cent. in 2021), after the marked rise observed in 2020 (from 7.21 per cent. in 2019), at that time strongly influenced by the decline of consumption arising from the pandemic context.

The Portuguese economy is expected to remain on its path of recovery during 2022, with real GDP growth being projected at 4.9 per cent, according to the most recent projections of Banco de Portugal ("**BdP**") dated March 2022 in a context in which the war in Ukraine brings in high uncertainty, with strong risks concerning the evolution of the price of oil, the effects on inflation and indirect impacts (*e.g.* on wages) of the rise of commodity prices and the duration of the war. Economic growth in 2022 will continue to benefit from the implementation of the Recovery and Resilience Plan and the maintenance of the still favourable financial conditions. According to the most recent BdP economic bulletin published, the growth of private consumption will continue to be sustained by the increase of disposable income, while exports should continue to benefit from the international flows associated with tourism, assuming limited effects of the conflict in Ukraine, with an estimated increase in exports of services of 38.5 per cent. in 2022 (in

comparison with an increase of 18.7 per cent. in 2021) – surpassing the pre-pandemic value during the first half of the year.

Note that, in the case of the Portuguese economy, the ongoing war in Ukraine has led to a downward revision of GDP growth in 2022, from the previous 5.5 per cent. Banco Montepio's forecast now ranges from 4.5 per cent. to 5.3 per cent., a revision which is only slightly less than that expected for the Eurozone, but with downward risks. Banco Montepio's forecasted growth of 4.9 per cent in 2022 is in line with the aforementioned forecast of the Banco de Portugal (carried out in March 2022), as well as with the forecast assumed by the Portuguese Government in the state budget proposal for 2022 presented by the Portuguese Government in April 2022.

The impact of the conflict on economic activity is anticipated to be experienced via net exports, reflecting the slowdown of Portugal's main economic partners which are primarily European, as well as via investment and private consumption, with enhanced uncertainty and the increased price of energy and other commodities affecting investment and consumption decisions.

The effects on private consumption may, however, be offset by the savings accumulated in 2020 and 2021 (when the use of this surplus saving was not previously considered).

The impact of the war in Ukraine on commodity prices, especially of oil and natural gas, led to an upward revision of the Banco Montepio forecast of the inflation rate (measured by the HCPI) for 2022, from 2.4 per cent. to a range from 3.9 per cent. to 4.9 per cent. with the centre of the range (+4.4 per cent.) being above the 4.0 per cent forecast by the Banco de Portugal (in March 2022) and the Portuguese Government (in April 2022).

It should be stressed that the uncertainty is very high. Forecasts remain clouded in risks and under permanent revision, and are expected to be heavily influenced by the duration and consequences of the war and by the political economical reactions.

In the World Economic Outlook dated April 2022, the IMF considered that the economic effects of the war in Ukraine are spreading far and wide. This is seen in raw material markets, international trade and financial linkages. These impacts will be greater in neighbouring countries, which receive the largest influx of refugees, thus also being more negatively impacted. The IMF says that the war arose at a time when the world economy had not yet fully recovered from the COVID-19 pandemic, with significant differences between the various countries. But the war is compounded by a second penalising factor: the frequent and wider confinements in China, which encompass key manufacturing industry hubs and which lead to the anticipation of new constraints in global supply chains. However, higher, broader and more persistent price pressures also lead to the adoption of a more restrictive monetary policy in many countries, warns the IMF. In other words, the overall risks to the economic outlook have increased exponentially. Armed conflict has a global impact and the economic damage from the conflict will contribute to a significant slowdown in world growth in 2022. Raw material markets, commercial exchanges and financial channels are the channels of contagion for the conflict. As Russia is a major supplier of oil, natural gas and metals and, along with Ukraine, of corn and wheat, the drop in the supply of these goods has already sharply increased prices. Europe, the Caucasus, Central Asia, the Middle East, North Africa and Sub-Saharan Africa are the worst affected, accordingly to the IMF. Rising food and fuel prices will affect families worldwide with the lowest incomes.

Therefore, for the Portuguese economy, risks and uncertainties remain, as for much of the world economy, dominated by the developments in the situation in Ukraine, as well as the developments of the COVID-19 pandemic, which worsened again between the end of 2021 and the beginning of 2022.

Several challenges persist as fiscal consolidation and private and public debt levels remain high. The marked increase in the public debt ratio reflects the impact of the COVID-19 pandemic on economic activity and public finances. It is still unclear whether the Portuguese economy will begin to recover in a sustainable way, particularly through an increase in investment. The continued control of the pandemic throughout the next several months will be very important for the Portuguese tourism sector to recover a portion of the lost reserves, and Portugal, due to the fact that it has been less affected by the pandemic compared to two other Southern Europe tourism destinations (Spain and Italy), expects to see a faster recovery in respect of this important sector.

TAXATION

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

Portugal

The following is a general description of certain Portuguese tax consequences of the acquisition and ownership of Notes. It does not purport to be an exhaustive description of all tax considerations that may be relevant to decide about the purchase of Notes. 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 Notes are advised to consult their own tax advisers as to the tax consequences resulting from the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents.

The economic advantages deriving from interests, redemption or reimbursement premiums and other types of remuneration arising from Notes issued by private entities are qualified as investment income for Portuguese tax purposes. In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

General tax regime on debt securities

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income (*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.

Without prejudice to the Special Tax Regime for Debt Securities (Decree-Law 193/2005) as described further below, the general tax regime on debt securities applicable to non resident individuals 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.

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are taxed at a special tax rate of 28 per cent. levied on the positive difference between 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.

Interest and other investment income derived from Notes and capital gains obtained with the transfer of Notes by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to corporate income tax at a rate of (i) 21 per cent. (14.7 per cent. in the Autonomous Region of Madeira; 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 no. 372/2007, of 6 November 2007, 17 per cent. (11.9 per cent. in the Autonomous Region of Madeira; 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 Madeira; 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. on the part of their taxable profits that exceeds €1,500,000 up to €7,500,000 (2.1 per cent. in the Autonomous Region of Madeira; 2.1 per cent. in the Autonomous Region of Azores), of 5 per cent., on the part of the taxable profits that exceeds €7,500,000 (3.5 per cent. in the Autonomous Region of Madeira; 3.5 per cent. in the Autonomous Region of Azores) and 9 per cent. on the part of the taxable profits that exceeds €35,000,000 (6.3 per cent. in the Autonomous Region of Madeira; 6.3 per cent. in the Autonomous Region of Azores).

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 beneficial owner is either a financial institution, a pension fund, a retirement or education fund, a share savings fund, a venture capital fund, a collective investment undertakings 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 or 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 individuals or legal persons resident in a country, territory or region subject to a clearly more favourable tax regime as defined by Ministerial order (*Portaria*) no. 150/2004 of 13 February 2004 (as amended or superseded from time to time).

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.

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.

Capital gains obtained on the transfer of Notes 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 favourable tax regime as defined by Ministerial order (*Portaria*) no. 150/2004 of 13 February 2004 (as amended or superseded from time to time). 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 Notes by a legal person non resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the 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 in the European Economic Area (**provided 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 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 uninterrupted; 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 as defined by Ministerial order (*Portaria*) no. 150/2004 of 13 February 2004 (as amended or superseded from time to time). 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 Tax Regime for Debt Securities (Decree-Law 193/2005)

Pursuant to Decree-law 193/2005, of 7 November 2005 as amended from time to time ("**Decree-law 193/2005**"), investment income paid on, as well as capital gains derived from a sale or other disposal of the Notes, to non-Portuguese tax 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 Government; 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 head offices, 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 Ministerial order (*Portaria*) no. 150/2004 of 13 February 2004 (as amended or superseded from time to time).

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 Notes 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.

Domestic Cleared Notes

Registration of the Notes in the exempt account is crucial for the tax exemption to apply upfront and requires evidence of the non-resident status of the beneficial owner, 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 Notes, as follows:

(i) if the beneficial owner is a central bank, an international body recognised as such by the Portuguese Government, or a public law entity and respective agencies, a declaration issued by the beneficial owner of the Notes itself duly signed and authenticated, or proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

(ii) if the beneficial owner of the Notes is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be made by means of the following: (A) its tax identification official document or (B) a certificate issued by the entity responsible for such

supervision or registration, or by tax authorities, confirming the legal existence of the beneficial owner of the Notes and its domicile; or (C) proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

(iii) if a beneficial owner of Notes is either an investment fund or a collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty or an agreement for exchange of information regarding tax matters, 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 Notes provide the confirmation referred to in paragraph (iv) below; and

(iv) in any other case, information provided in accordance with the following rules: confirmation must be made by the relevant beneficial owner of Notes 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 beneficial owner of the Notes 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 beneficial owner of the Notes must inform the direct registering entity immediately of any change in the requirement conditions that may eliminate the tax exemption.

Luxembourg

Luxembourg tax residency of the Noteholders

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

Withholding tax

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

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual resident beneficial owners are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

The Proposed Financial Transactions Tax ("FTT")

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

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

Until recently, the FTT proposal was at a standstill at the level of the European Council. Following the meeting of the Council of the EU on 14 June 2019, the FTT currently considered by the participating Member States would be levied on the acquisition of shares or similar instruments of listed companies

which have their head offices in a member state of the EU (and market capitalisation in excess of €1 billion on 1 December of the preceding year), rather than on any type of financial instrument. In order to reach a final agreement among the participating Member States, further work in the Council and its preparatory bodies will be required in order to ensure that the competencies, rights and obligations of non-participating EU member states are respected.

The proposed FTT remains subject to negotiation between participating Member States and the scope of any such tax and its adoption is uncertain and remains unclear. Additional EU member states may decide to participate.

If the proposed directive or any similar tax was adopted, and depending on the final terms and scope of the FTT, transactions on the Notes could be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Administrative cooperation in the field of taxation

The new 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 No. 61/2013 of 10 May.

Also, Council Directive 2014/107/EU was implemented through Decree-Law No. 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 above-mentioned 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 No. 302-A/2016 of 2 December 2016, Order No. 302-B/2016 of 2 December 2016, Order No. 302-C/2016 of 2 December 2016, Order No. 302-D/2016 of 2 December 2016 and Order No. 302-E/2016 of 2 December 2016.

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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply to foreign passthru payments prior to 1 January 2019 and Notes 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 notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 24 June 2022 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on their own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by an Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

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

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except 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 Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code 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, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (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 Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons of any identifiable Tranche of Notes. Term used in this paragraph have the meanings given to them by Regulations S.

In addition, until 40 days after the commencement of the offering an offer or sale of Notes within the United States by any dealer that is participating in the offering of such Notes may violate the registration requirements of the Securities Act.

Each purchaser of Notes outside the United States pursuant to Regulation S and every subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, will be deemed to have represented, agreed and acknowledged that:

(a) the Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulations S; and

(b) this Note has 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.

Prohibition of Sales to European Economic Area Retail Investors

Unless the relevant Final Terms in respect of any Notes 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 Notes 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**"); 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms in respect of any Notes 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 "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes 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 Relevant Member State except that it may make an offer of such Notes to the public in that Relevant 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 Notes 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 Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes 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 Notes 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 Notes

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 Directive (EU) 2016/97, 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the UK Prospectus Regulation

If the Final Terms in respect of any Notes 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 Notes 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 Notes 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 Notes 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 Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes 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 Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the 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 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Portuguese Republic

In relation to the Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, regarding any offer or sale of Notes by it in Portugal or to individuals resident in Portugal or having a permanent establishment located in the Portuguese territory:

(a) it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (*Código dos Valores Mobiliários*), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) (the "**CMVM**"), Commission Regulation (EC) No. 2019/979, of 14 March, and Commission Delegated Regulation (EU) No. 2019/980, of 14 March, both supplementing the Prospectus Regulation, and other than in compliance with all such laws and regulations it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; and

(b) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes under circumstances which are deemed to be a public offer under the Portuguese Securities Code.

Furthermore, if the obligation to publish a prospectus under the Prospectus Regulation is not applicable, the offer of Notes may be made through a private placement, including, if such offer is directed exclusively to qualified investors (*investidores qualificados*) within the meaning of the Prospectus Regulation.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (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.

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 Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* ("**AMF**") of approval of the prospectus in relation to those Notes, by the competent authority of a Member State of the European Economic Area, other than the AMF, 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 Notes 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 Notes 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 Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes 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 Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 Notes 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 Notes 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.

Canada

The Notes 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 Notes 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.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes 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 Notes 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 Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Republic of Italy

The offering of the Notes 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 Notes or any copy of this Base Prospectus or any other document relating to the Notes 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 Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes 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 representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or registers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms in all cases at its own expense.

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 its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities, including potentially the Notes offered hereby. Any such positions could adversely affect future trading prices of the Notes offered hereby. 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.

FORM OF FINAL TERMS

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

[**PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (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 (as amended, the "**Prospectus Regulation**". Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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) No 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 Directive (EU) 2016/97, 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. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][2]

[**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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer ['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer ['s/s'] target market assessment) and determining appropriate distribution channels.]

[**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 Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in [Regulation (EU) No 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 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product**

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[1] Include where item (vii) of Section 6 (Distribution) of Part B - Other Information of the Final Terms specifies "Applicable".

[2] Include where item (viii) of Section 6 (Distribution) of Part B - Other Information of the Final Terms specifies "Applicable".

Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore** – 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**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ['prescribed capital markets products']/[capital markets products other than 'prescribed capital markets products'] (as defined in the CMP Regulations 2018) and [Excluded]/[Specified] 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.][3]

Final Terms dated [●]

Legal entity identifier (LEI): 2138004FIUXU3B2MR537

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

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

Euro Medium Term Note Programme

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.][4]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 June 2022 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus for the purposes of [the Prospectus Regulation / Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")] (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8.2(a) the Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (at www.bourse.lu) and on the website of the Issuer (at https://www.bancomontepio.pt/institucional/investor-relations/funding-programmes).]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [7 June 2018/31 October 2019] which are incorporated by reference in the base prospectus dated 24 June 2022. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the base prospectus dated 24 June 2022 [and the supplement(s) to it dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**") in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the base prospectus

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[3] For any Notes to be offered to Singapore investors, the Issuer is to consider whether it needs to reclassify the Notes pursuant to Section 309B of the SFA prior to the launch of the Offer.

[4] Include where item (vii) of Section 6 (Distribution) of Part B - Other Information of the Final Terms specifies "Not Applicable".

dated [7 June 2018/31 October 2019]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (at www.bourse.lu) and on the website of the Issuer (at https://www.bancomontepio.pt/institucional/investor-relations/funding-programmes).]

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

1.	(i)	Series Number:	[●]
	[(ii)	Tranche Number:	[●]]
	[(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert amount, interest rate, maturity date and issue date of the Series*] on [*insert date*/the Issue Date].]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount of Notes:		[●]
	(i)	Series:	[●]
	[(ii)	Tranche:	[●]]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(i)	Specified Denominations:	[●] (*Notes will only be tradeable in the Specified Denomination*)
	(ii)	Calculation Amount:	[●]
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date	[*Specify*/Issue Date/Not Applicable]
7.	Maturity Date:		[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:		[[●] per cent. Fixed Rate] [Reset Notes] [EURIBOR] +/– [●] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
9.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [par]/[[●] per Calculation Amount] [*such amount will be no less than par*]

10.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable]
11.	[(i)]	Status of the Notes:	[Ordinary Senior Notes] [Senior Non Preferred Notes] [Subordinated Notes]
	[(ii)]	[Date [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365(fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360(ISDA)]/[Actual/Actual-ICMA]
	(vi)	Determination Dates:	*[●] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA)*
13.	**Reset Note Provisions**		[Applicable/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[●] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[+/-][●] per cent. per annum
	(iii)	Subsequent Margin:	[[+/-][●] per cent. per annum][Not Applicable]
	(iv)	Interest Payment Date(s):	[●] [and [●]] in each year up to and including the Maturity Date[[in each case,] subject to adjustment in accordance with paragraph 13(xvi)]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[●] per Calculation Amount][Not Applicable]

(vi)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
(vii)	First Reset Date:	[●][subject to adjustment in accordance with paragraph 13(xvi)]
(viii)	Second Reset Date:	[●]/[Not Applicable][subject to adjustment in accordance with paragraph 13(xvi)]
(ix)	Subsequent Reset Date(s):	[●] [and [●]] [subject to adjustment in accordance with paragraph 13(xvi)]
(x)	Relevant Screen Page:	[●]
(xi)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
(xii)	Fixed Leg Frequency:	[●]
(xiii)	Floating Leg Frequency:	[●]
(xiv)	Day Count Fraction:	[Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual – ICMA]
(xv)	Determination Dates:	[●] in each year
(xvi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention]
(xvii)	Business Centre(s):	[●]
(xviii)	Calculation Agent:	[●]
(xix)	[First Reset Period Fallback]	[●]
(xx)	[Swap Rate Period]	[●]
14.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[●]
(iii)	Interest Period Date:	[●] [Not Applicable] (*Not Applicable unless different from Interest Payment Date*)
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention]
(v)	Business Centre(s):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]

(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
(viii)	Screen Rate Determination:	
	• Reference Rate:	EURIBOR
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(ix)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(x)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual – ICMA]
15.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Amortisation Yield:	[●] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

16.	**Call Option**	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 5(k))/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	Ordinary Senior Notes – MREL Event;	[Not Applicable/The provisions in Condition 6(f) apply]]

	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(v) Notice period	[●]
17.	**Put Option**	[Applicable/Not Applicable] (*If Not Applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(a) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(b) Notice period	[●]
18.	**Final Redemption Amount**	[●] per Calculation Amount
19.	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, upon a Capital Event (in the case of Subordinated Notes) or on event of default	[●] per Calculation Amount
20.	**[Early Redemption Amount (MREL Event)** Early Redemption Amount (MREL Event) per Calculation Amount payable upon an MREL Event (in the case of Senior Non Preferred Notes and Ordinary Senior Notes where "Ordinary Senior Notes MREL Event" has been specified as "Applicable" in the Final Terms)]	[●] per Calculation Amount[5]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Financial Centre(s) or other special provisions relating to payment dates:	[*Not Applicable/give details. (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 13(xvii) relates)*]
22.	Ordinary Senior Notes: Waiver of Set-	Condition [2(c)] is [Not] Applicable][6]

[5] Include only for Senior Non Preferred Notes and Ordinary Senior Notes where "Ordinary Senior Notes – MREL Event" has been specified as "Applicable" in the Final Terms.

[6] Include for Ordinary Senior Notes only. Select "Applicable" for Ordinary Senior Notes intended to be MREL Eligible Instruments.

	Off	
23.	[Ordinary Senior Notes: Negative Pledge	Condition 3(a) is [Not] Applicable][7]
24.	[Ordinary Senior Notes: Events of Default	Condition 9(a) is [Not] Applicable][8]
25.	[Capital Event: Substitution and Variation	Condition 5(j) is Applicable/Not Applicable][9]
26.	[MREL Event: Substitution and Variation	Condition 5(j) is Applicable/Not Applicable][10]

THIRD PARTY INFORMATION

[Not Applicable][[[●] has been extracted from [●]], which, when read together with the Base Prospectus referred to above, contains all information that is material in the context of the issue of the Notes. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of Caixa Económica Montepio Geral, caixa económica bancária, S.A.:

By:.....
Duly authorised

By:.....
Duly authorised

[7] Include for Ordinary Senior Notes only.

[8] Include for Ordinary Senior Notes only. Select "Not Applicable" for Ordinary Senior Notes intended to be MREL Eligible Instruments.

[9] Include for Subordinated Notes only.

[10] Include for Senior Non Preferred Notes and Ordinary Senior Notes intended to be MREL Eligible Instruments.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

Ratings:	[The Notes to be issued [have been rated/are expected to be] rated]/[The Notes to be issued have not been rated][The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [Fitch: [●]] [Moody's: [●]] [DBRS: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) (*Include appropriate Credit Rating Agency Regulation (1060/2009) ("**CRA Regulation**") or Regulation (EU) No 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

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

[So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

[●]

(*Amend as appropriate if there are other interests*)

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.*)

4. **YIELD**

[*Include for Fixed Rate Notes only*]

Indication of yield:	[●] [Not Applicable]

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	CUSIP:	[●]
(iv)	CINS:	[●]
(v)	Any clearing system(s) other than Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., Euroclear Bank S.A./NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)]*]
(vi)	Names and addresses of initial Paying Agent(s) (if any):	[●]
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●] [Not Applicable]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]

(iii)	Date of [Subscription] Agreement:	[●]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA C Applicable/TEFRA Not Applicable]
(vii)	Prohibition of Sales to European Economic Area Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
(viii)	Prohibition of Sales to United Kingdom Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

7. **BENCHMARKS REGULATION**

Benchmarks Regulation: Article 29(2) statement on benchmarks:	[Not Applicable] [Applicable: Amounts payable under the Notes are calculated by reference to EURIBOR, which [is provided by the European Money Markets Institute ("**EMMI**").

8. **USE AND ESTIMATED NET AMOUNT OF PROCEEDS**

(xix)	Use of Proceeds:	[Per the Base Prospectus]/[*specify*]]
(xx)	Net Amount of Proceeds:	[●]

GENERAL INFORMATION

1. **Authorisation** - The Issuer has obtained all necessary consents, approvals and authorisations in the Portuguese Republic in connection with the establishment and update of the Programme. The 2022 update of the Programme was authorised by a resolution of the Executive Committee passed on 31 May 2022 and the Board of Directors of the Issuer approved on 9 June 2022.

2. **Listing** - Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

3. **No significant change in the financial position of the Issuer** - Save as otherwise disclosed in "Risk Factors – Factors which are material for the purpose of assessing the market risks associated with Notes issues under the Programme – Risks related to the market generally – COVID-19 pandemic impacting global economy and markets", "*Risk Factors – Risk factors relating to Banco Montepio's business – The potential impacts of the COVID-19 pandemic and similar future outbreaks*" and "*Risk Factors – Risk factors relating to Banco Montepio's business – The potential impacts of the end of moratoria implemented by Banco Montepio as a response to the COVID-19 pandemic*", there has been no significant change in the financial position of Banco Montepio and/or the Banco Montepio 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, 31 March 2022.

4. **Material adverse change in the prospects of the Issuer** - Save as otherwise disclosed in "*Risk Factors – Factors which are material for the purpose of assessing the market risks associated with Notes issues under the Programme – Risks related to the market generally – COVID-19 pandemic impacting global economy and markets*", "*Risk Factors – Risk factors relating to Banco Montepio's business – The potential impacts of the COVID-19 pandemic and similar future outbreaks*" and "*Risk Factors – Risk factors relating to Banco Montepio's business – The potential impacts of the end of moratoria implemented by Banco Montepio as a response to the COVID-19 pandemic*", 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 for the financial year ended 31 December 2021.

5. **Litigation** - Save as disclosed on pages 119 in "*– Description of the Issuer – Legal and arbitration proceedings*", neither Banco Montepio nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Banco Montepio is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects, in the context of the issue of the Notes, on the financial position or profitability of the Banco Montepio Group.

6. **Conditions for Determining Price** - The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.

7. **Interbolsa** - Notes have been accepted for clearance through Interbolsa. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Interbolsa is Avenida da Boavista, no. 3433, 4100-138, Porto, Portugal. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any Alternative Clearing System will be specified in the applicable Final Terms.

8. **Documents available** - For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection and, in the case of (iii), (iv), (v) and (vi) below, copies will be available free of charge, at the (a) registered office of the Issuer and at the specified office of the Agent and (b) on the website of the Issuer at https://www.bancomontepio.pt/investor-relations :

(i) the Instrument (which includes the form of the Notes);

(ii) the Agency Terms;

(iii) the Articles of Association of the Issuer;

(iv) the Annual Report 2021 and the Annual Report 2020;

(v) the earnings release of the Issuer for the first three months of 2022;

(vi) the 2018 Conditions;

(vii) the 2019 Conditions;

(viii) each set of Final Terms for Notes that are listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange or are listed or admitted to trading on any other stock exchange; and

(ix) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

In addition, a copy of the Base Prospectus, any Final Terms that are listed and admitted to trading on the regulated market of Luxembourg Stock Exchange and the documents incorporated by reference will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

9. **Copy of the Base Prospectus, latest annual report, accounts of the Issuer and latest first quarter interim accounts of the Issuer** - Copies of the Base Prospectus and the latest annual report and accounts of Banco Montepio and the latest first quarter interim accounts of Banco Montepio may be obtained at the specified offices of the Agent during normal business hours, so long as any of the Notes is outstanding.

10. **Issuer's 2019, 2020 and 2021 accounts** - Following the general meeting held on 27 May 2019, PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. replaced KPMG as auditors for the term 2019-2021 and have audited the financial statements of Banco Montepio for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

11. **Third party information** - Where information has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of such third party information is identified where used.

12. **Issuer's code** - The Legal Entity Identifier (LEI) code of the Issuer is 2138004FIUXU3B2MR537.

13. The Issuer's website is https://www.bancomontepio.pt. Unless specifically incorporated by reference into this base prospectus, information contained on the website does not form part of this Base Prospectus.

14. For the avoidance of doubt, the Issuer shall not have any obligation to supplement this Base Prospectus after the end of its 12-month validity period.

GLOSSARY - ALTERNATIVE PERFORMANCE MEASURES

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition — Sum of the items 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.

Relevance — Assess the relative weight of this item from an assets' structure perspective.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Financial assets held for trading	16,923	7,582
(b)	Financial assets at fair value through other comprehensive income	286,797	123,338
(c)	Other financial assets at amortised cost	2,362,616	3,004,196
(d)	Financial assets at fair value through profit or loss*	346,892	203,427
(e)	Securities portfolio and other financial assets (a + b + c + d)	3,013,227	3,338,543
(f)	Total assets	17,941,006	19,713,160
	% Securities portfolio and other financial assets (e / f)	**16.8%**	**16.9%**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

ISSUED DEBT

Definition — Sum of the balance sheet items 'Debt securities issued' and 'Other subordinated debt'.

Relevance — Assess the relative weight of this item from a funding structure perspective.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Debt securities issued	1,299,188	1,617,125
(b)	Other subordinated debt	216,896	217,265
(c)	Issued debt (a + b)	1,516,085	1,834,390
(d)	Total liabilities	16,613,847	18,350,027
	% of Issued debt (c / d)	**9.1%**	**10.0%**

OFF-BALANCE SHEET RESOURCES

Definition — Assets under management by the Banco Montepio Groups' subsidiaries being a constituent part of Total customers' resources.

Relevance — Contribute to the analysis of the evolution of total customers' resources.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Securities investment funds	158,724	175,839
(b)	Real estate investment funds	417,915	545,128
(c)	Pension funds	265,616	292,638
(d)	Capitalization Insurance	955	30,729
Off-balance sheet resources (a + b + c + d)		**843,210**	**1,044,334**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME

Definition — Results arising from interest and similar income on Loans and advances to customers received and interest and similar expense on Deposits from customers paid.

Relevance — Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Interest and similar income – Loans and advances to customers	267,459	254,724
(b)	Interest and similar expense – Deposits from customers	19,454	10,286
Commercial net interest income (a - b)		**248,005**	**244,438**

OPERATING COSTS

Definition — Sum of staff costs, general and administrative expenses and depreciation and amortisations.

Relevance — Assess the evolution of the operating costs underlying the banking activity.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Staff costs	189,255	164,154
(b)	General and administrative expenses	66,989	64,679
(c)	Depreciation and amortisation	*35,118*	*35,292*
Operating costs (a + b + c)		**291,363**	**264,125**

RATIOS

LOANS TO DEPOSITS RATIO (LTD): LOANS AND ADVANCES TO CUSTOMERS / ON-BALANCE SHEET CUSTOMERS' RESOURCES

Definition — Percentage of loans and advances to customers funded by the total amount of on-balance sheet customer' resources (which corresponds to the sum of deposits from customers with debt securities issued).

Relevance — Assess the leverage degree of the banking activity through the relationship between funds raised with customers and loans granted to customers.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Loans and advances to customers	11,577,702	11,667,688
(b)	Deposits from customers	12,501,973	12,786,886
(c)	Debt securities issued	1,299,188	1,617,125
Loans and advances to customers / On-balance sheet customers' resources (a / (b + c))		**83.9%**	**81.0%**

EFFICIENCY RATIO: COST-TO-INCOME, EXCLUDING SPECIFIC IMPACTS

Definition — Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).

Relevance — Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Total operating income	393,745	379,044
(b)	Results from financial operations (i + ii + iii)	17,862	10,770
(i)	Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	-18,695	-263
(ii)	Net gains / (losses) arising from financial assets at fair value through other comprehensive income	23,693	2,037
(iii)	Net gains / (losses) from foreign exchange differences[1]	12,864	8,996
(c)	Other income (i + ii)	14,726	6,635
(i)	Net gains / (losses) arising from the sale of other financial assets	43,020	29,778
(ii)	Other operating income / (expenses)	-28,295	-23,144
(d)	Operating costs	291,363	264,125
Cost-to-Income, excluding specific impacts ((d) / (a - b - c))		**80.7%**	**73.0%**

[1] Corresponds to "Net gains / (loss) from exchange differences" mentioned in Consolidated Income Statement.

EFFICIENCY RATIO: COST-TO-INCOME, EXCLUDING SPECIFIC IMPACTS AND ADJUSTMENT COSTS

Definition — Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding (i) the increase in staff costs and general administrative expenses driven by the 2020/2021 adjustment programme, and (ii).results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).

Relevance — Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses), and non-recurrent adjustment costs.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Total operating income	393,745	379,044
(b)	Results from financial operations (i + ii + iii)	17,862	10,770
(i)	Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss s	-18,695	-263
(ii)	Net gains / (losses) arising from financial assets at fair value through other comprehensive income	23,693	2,037
(iii)	Net gains / (losses) from foreign exchange differences[(1)]	12,864	8,996
(c)	Other income (i + ii)	14,726	6,635
(i)	Net gains / (losses) arising from the sale of other financial assets	43,020	29,778
(ii)	Other operating income / (expenses)	-28,295	-23,144
(d)	Operating costs (comparable basis) (i - ii)	261,861	249,439
(i)	Operating costs	291,363	264,125
(ii)	One-off costs related to adjustment programme	29,501	14,686
Cost-to-Income, excluding specific impacts and 2020/2021 adjustment costs ((d) / (a - b - c))		**72.5%**	**69.0%**

[(1)] Corresponds to "Net gains / (loss) from exchange differences" mentioned in Consolidated Income Statement.

COST OF CREDIT RISK

Definition — Ratio that measures the cost recognised in the period, recorded as impairment of loans and advances in the income statement, to cover the risk of default of loans granted to customers.

Relevance — Assess the quality of the loan portfolio given the cost borne with the risk of loan default.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Loan Impairment (annualised)[1]	185,126	54,333
(b)	Average gross loans and advances to customers[2]	12,416,390	12,364,618
Cost of credit risk (a / b)		**1.5%**	**0.4%**

1) Impairment of loans and advances annualized considering the total number of days elapsed and total days of the year.
2) Average balance for period (June 2019: 365 days / December 19: 365 days / June 2020: 365 days).

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS

Definition — Ratio that measures the quality evaluation of the loan portfolio.

Relevance — Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Past due loans and advances and interest - More than 90 days	626,784	361,418
(b)	Gross loans and advances to customers (Gross loans and advances to customers corresponds to Loans and advances to customers excluding Impairment for credit risks)	12,357,216	12,189,465
Ratio of loans and interest overdue by more than 90 days (a / b)		**5.1%**	**3.0%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS BY IMPAIRMENT FOR CREDIT RISK

Definition — Ratio that measures the proportion of impairment for credit risks in relation to the total amount of the past due loans and advances and interest - more than 90 days.

Relevance — Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Impairment for credit risks	779,514	521,777
(b)	Past due loans and advances and interest - More than 90 days	626,784	361,418
Coverage of loans and interest overdue by more than 90 days (a / b)		**124.4%**	**144.4%**

NON-PERFORMING EXPOSURES / GROSS LOANS AND ADVANCES TO CUSTOMERS

Definition — Ratio that measures the quality evaluation of the loan portfolio.

Relevance — Measure the proportion of non-performing exposures (NPE, according to EBA's definition) in relation to the total customer loan portfolio.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Stock of Non-performing exposures	1,289,555	975,302
(b)	Gross loans and advances to customers (Gross loans and advances to customers corresponds to Loans and advances to customers excluding Impairment for credit risks)	12,357,216	12,189,465
Non-performing exposures / Gross loans and advances to customers (a / b)		**10.4%**	**8.0%**

COVERAGE OF NON-PERFORMING EXPOSURES BY IMPAIRMENT FOR CREDIT RISKS

Definition — Ratio that measures the proportion of impairment for credit risks in relation to the balance of non-performing exposures (NPE, according to the EBA definition).

Relevance — Assess the institution's capacity to absorb potential losses arising from the NPE portfolio.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Impairment for credit risks	779,514	521,777
(b)	Stock of Non-performing exposures	1,289,555	975,302
Coverage of Non-performing exposures by Impairment for credit risks (a / b)		**60.4%**	**53.5%**

COVERAGE OF NON-PERFORMING EXPOSURES BY IMPAIRMENT FOR CREDIT RISKS AND ASSOCIATED COLLATERALS AND FINANCIAL GUARANTEES

Definition — Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing exposures (NPE, according to EBA's definition).

Relevance — Assess the institution's capacity to absorb the potential losses arising from the NPE portfolio.

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Impairment for credit risks	779,514	521,777
(b)	Associated collaterals and financial guarantees	420,001	414,074
(c)	Stock of Non-performing exposures	1,289,555	975,302
Coverage of Non-performing exposures by Impairment for credit risks and associated collaterals and financial guarantees ((a + b) / c)		**93.0%**	**96.0%**

FORBORNE EXPOSURES / GROSS LOANS AND ADVANCES TO CUSTOMERS

Definition — Ratio that measures the quality evaluation of the loan portfolio.

Relevance — Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio

Components and calculus

		December 20	December 21
		(€ thousand)	
(a)	Stock of Forborne exposures	815,895	623,791
(b)	Gross loans and advances to customers (Gross loans and advances to customers corresponds to Loans and advances to customers excluding Impairment for credit risks)	12,357,216	12,189,465
Forborne exposures / Gross loans and advances to customers (a / b)		**6.6%**	**5.1%**

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