OFFERING CIRCULAR DATED 16 JANUARY 2024

BANCO COMERCIAL PORTUGUÊS, S.A.

(incorporated with limited liability in Portugal)

€400,000,000
Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes
Issue Price: 100%

The €400,000,000 Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes (the "**Notes**") will constitute undated, direct, unsecured and subordinated obligations of Banco Comercial Português, S.A. (the "**Issuer**", the "**Bank**" or "**BCP**"), a limited liability listed company organised under the laws of the Portuguese Republic, and will be issued in accordance with the Terms and Conditions of the Notes set out herein (the "**Conditions**").

The Notes will be denominated in euro and will bear interest on their Outstanding Principal Amount (each capitalised term as defined in the Conditions insofar as the context so permits) (i) from (and including) 18 January 2024 (the "**Issue Date**") to (but excluding) 18 July 2029 (the "**First Reset Date**" at a fixed rate of 8.125% per annum and (ii) in respect of each period from (and including) the First Reset Date and every fifth anniversary thereof (each a "**Reset Date**") to (but excluding) the next succeeding Reset Date, at a rate per annum, equal to the aggregate of 5.78% and the 5-year Mid-Swap Rate (as defined in the Conditions). Interest will be payable quarterly in arrear on 18 January, 18 April, 18 July and 18 October in each year from (and including) 18 April 2024 (each an "**Interest Payment Date**"), provided that any payment of interest may be cancelled, in whole or in part, in the sole and full discretion of the Issuer, and shall be cancelled (in whole or in part) in the circumstances described in Condition 6 (*Interest Cancellation*) or following the occurrence of a Trigger Event (as further described in Condition 7 (*Loss Absorption Following a Trigger Event*)). The European Central Bank (the "**ECB**"), Banco de Portugal, or such other or successor authority having primary responsibility for prudential supervision of the Issuer and/or its consolidated subsidiaries (the Issuer together with its consolidated subsidiaries, the "**Group**") (such authority, the "**Competent Authority**") may also direct the Issuer to exercise its discretion to cancel interest scheduled to be paid on any Interest Payment Date. Interest which has been cancelled in accordance with the Conditions will not accumulate, and holders of the Notes ("**Holders**") will not at any time be entitled to any such cancelled interest.

If at any time the CET1 Ratio of the Issuer and/or the Group falls below 5.125%, the Outstanding Principal Amount of the Notes will be Written Down by the Write Down Amount, as further provided in Condition 7 (*Loss Absorption Following a Trigger Event*). The Outstanding Principal Amount may, in the sole and absolute discretion of the Issuer and subject to certain conditions, be subsequently reinstated (in whole or in part) if each of the Issuer and the Group records a positive Net Profit, as further described in Condition 8 (*Discretionary Reinstatement of the Notes*).

The Notes will be perpetual with no fixed maturity date. The Issuer may, in its sole discretion but subject to the approval of the Competent Authority, if applicable, and to compliance with the Conditions and with the Capital Regulations, elect to redeem the Notes (in whole but not in part) (i) on any day falling in the period commencing on (and including) 18 January 2029 (the "**First Call Date**") and ending on (and including) the First Reset Date or any Interest Payment Date thereafter or (ii) at any time following the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions) or following an event as described in Condition 9.4 (*Clean-up Call Option*). In any such case, the Notes will be redeemed at their relevant Redemption Amount (which may be lower than the Original Principal Amount of the Notes).

If at any time a Tax Event or a Capital Event occurs and is continuing, the Issuer may, instead of redeeming the Notes as aforesaid, subject to the approval of the Competent Authority, if applicable, and to compliance with the Conditions and the Capital Regulations, elect in its sole discretion either to substitute all (but not some only) of the Notes for, or to vary the terms of the Notes provided that they remain or become, Qualifying Additional Tier 1 Notes.

If at any time an Alignment Event occurs and is continuing, the Issuer may, subject to the approval of the Competent Authority, if applicable, and to compliance with the Conditions and the Capital Regulations, elect in its sole discretion either to substitute all (but not some only) of the Notes for, or to vary the terms of the Notes provided that they remain or become, Qualifying Additional Tier 1 Notes.

The Notes are expected on issue to be rated B+ by Fitch Ratings Limited ("**Fitch**").

Fitch is established in the UK and is registered in accordance with the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**"). Fitch is not established in the EEA and has not applied for registration under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Accordingly, the ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited ("**FRIL**") in accordance with the CRA Regulation and have not been withdrawn. FRIL is established in the EEA and registered under the CRA Regulation. As such FRIL is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

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.

Investing in the Notes involves significant risks. Please review carefully the section entitled "*Risk Factors*" in this Offering Circular.

This Offering Circular does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the official list and trading on the Global Exchange Market of Euronext Dublin (the "**GEM**"). The GEM is not a regulated market for the purposes of Directive 2014/65/EU (as amended) ("**MiFID II**"). This Offering Circular constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). For a description of these and certain further restrictions on offers, sales and deliveries of the Notes and on distribution of this Offering Circular and other offering materials relating to the Notes, see "*Subscription and Sale*".

FCA CoCo Restriction / MiFID II professionals/ECPs-only / No UK/EU PRIIPs KID – 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 in the EEA or the UK, where "**retail clients**" is defined in the rules set out in MiFID II and Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA). Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" hereunder for further information.

The Notes will be represented in book entry (*forma escritural*) form, in denominations of €200,000, and 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 the entity responsible for the management and operation of the Central de Valores Mobiliários, a Portuguese Securities Centralised System (the "**CVM**"). At the Issuer's request, Interbolsa can ask the relevant Affiliate Member of Interbolsa information regarding the identity of the Holders ("*valores mobiliários nominativos*"). The CVM currently has links in place with Euroclear Bank, S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") through securities accounts held by Euroclear and Clearstream, Luxembourg with Affiliate Members of Interbolsa (as described herein).

In respect of any interest period after the First Reset Date, interest payable under the Notes shall be calculated by reference to the mid-swap rate for euro swaps with a term of five years which appears at the relevant time on the Bloomberg screen "ICAP".

Joint Lead Managers

Barclays | **BNP Paribas**
BofA Securities | **Deutsche Bank**
Millennium bcp

IMPORTANT INFORMATION

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

This Offering Circular is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular and references herein to "this Offering Circular" shall be construed accordingly.

No Joint Lead Manager has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Joint Lead Manager as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Notes.

No person has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers.

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

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuer or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Issuer nor any Joint Lead Manager undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the Notes for the benefit of any investor in the Notes. Prospective investors should review, *inter alia*, the documents deemed to be incorporated herein by reference when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose

possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States (Regulation S), the European Economic Area (the "**EEA**"), the UK, Portugal, Italy, France, Hong Kong and Singapore. For a further description of certain restrictions on offers and sales of the Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions (including the UK), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors (as defined below).

FCA CoCo restriction: In the UK, the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**UK retail client**") in the UK.

PRIIPs Regulation: 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 (the "**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (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.

UK PRIIPs Regulation: The Notes are not intended to be, 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 both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement the Directive 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 UK domestic law by virtue of the EUWA. No key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") has been or will be prepared for the Notes, and making the Notes available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance: Solely for the purposes of the manufacturers' 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 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

Representations, Warranties and Agreements

Together, COBS, the PRIIPs Regulation, the UK PRIIPs Regulation and MiFID II are referred to as the "Regulations".

As used in this section "*Representations, Warranties and Agreements*", "**retail client**" means any of (i) a retail client as defined in MiFID II; (ii) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; and (iii) a UK retail client.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Each of the Issuer and the Joint Lead Managers is required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any of the Joint Lead Managers, you will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

(a) you are not a retail client;

(b) whether or not you are subject to the Regulations, you will not:

> (i) sell or offer the Notes (or any beneficial interest therein) to retail clients; or
>
> (ii) communicate (including by the distribution of the Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client. In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS; and

(c) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) the Regulations (as applicable) and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

You further acknowledge that:

(a) the identified target market for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients (each as defined in MiFID II);

(b) all channels for distribution to eligible counterparties and professional clients are appropriate; and

(c) no key information document (KID) under the PRIIPs Regulation or the UK PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation or the UK PRIIPs Regulation (as applicable).

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

SUITABILITY OF INVESTMENT

The Notes are complex financial instruments that involve a high degree of risk. 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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

(iii) understands thoroughly the terms of the Notes, such as the provisions governing Write Downs and situations in which interest payments may be cancelled or deemed cancelled, and is familiar with the behaviour of financial markets;

(iv) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the euro is not the potential investor's currency and the possibility that substantially the entire principal amount of the Notes could be lost in the event of a Write Down or other write down of the Notes; and

(v) is 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.

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

The Notes may be considered by eligible investors who are in a position to give the representations, warranties, agreements and undertakings outlined in "*Restrictions on Marketing and Sales to Retail Investors*" above, and to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Websites

In this Offering Circular, references to websites or uniform resource locators ("**URLs**") are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Offering Circular.

Definitions, interpretation and rounding

In this Offering Circular, references to:

- "**€**", "**euro**" and "**EUR**" are to the lawful currency of the member states of the EU that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended;

- the "**Conditions**" are to the Terms and Conditions of the Notes (and reference to a numbered Condition shall be construed accordingly).

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

STABILISATION

In connection with the issue of the Notes, Deutsche Bank Aktiengesellschaft acting as the Stabilisation Manager (the "Stabilisation Manager") or any person acting on its behalf 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular and certain documents incorporated by reference herein may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "Risk Factors" and "Description of the Issuer" and other sections of this Offering Circular. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Offering Circular, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

– the Issuer's ability to achieve and manage the growth of its business;

– the performance of the markets in Portugal and the wider region in which the Issuer operates;

- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;

- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;

- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and

- actions taken by the Issuer's joint venture partners that may not be in accordance with its policies and objectives.

Any forward looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to the Issuer's obligations under applicable laws and regulations in relation to disclosure and ongoing information, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular or incorporated by reference herein and reach their own views prior to making any investment decision. Capitalised terms used but not otherwise defined in this risk factor section shall have the meanings given to them under "Terms and Conditions of the Notes".

INTRODUCTION

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 its obligations under the Notes. The risk factors have been organised into the following categories:

1. Risks relating to the Issuer
    - 1.1 Risks relating to the Economic and Financial Environment
    - 1.2 Legal and Regulatory Risks
    - 1.3 Risks relating to Acquisitions
    - 1.4 Risks relating to the Bank's Business
2. Risks relating to the Notes
    - 2.1 Risks relating to the Structure of the Notes
    - 2.2 Risks relating to Tax and Legal Regimes
    - 2.3 Risks relating to the Market generally

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

1. RISKS RELATING TO THE ISSUER

1.1 Risks relating to the Economic and Financial Environment

Portuguese economy

In 2022, gross domestic product ("**GDP**") grew 6.8%, which represented an acceleration compared to the 5.7% growth recorded in the preceding year. The performance of the Portuguese activity benefited from the dynamism of the private consumption and tourism, in a context of high levels of accumulated savings by the families and the strength of the labour market, while the investment decelerated strongly, hampered by the global supply chain disruptions and the strong rise of commodities prices. The annual average inflation rate

increased to 8.1%, driven by the surge of energy and food prices. The strong nominal growth of the Portuguese economy contributed to a reduction of the Portuguese public debt as a percentage of GDP, from 124.5% to 112.4% of GDP in 2022.

In the first half of 2023 the Portuguese economic growth remained robust. However, since the third quarter the economic activity has slowed down hindered by lower external demand and higher financing costs. Banco de Portugal projects a GDP growth rate of 2.1% for the whole year, whilst it is projected to slow to 1.2% in 2024. According to the Banco de Portugal, in 2024 exports are expected to grow at slower pace and the private consumption should remain subdued. Lower growth levels could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks of recession and/or slowdown of the Portuguese economy

The materialisation of the risks related to (i) higher inflation; (ii) tighter financial costs; (iii) the slowdown of the Portuguese main trade partners; (iv) tensions on the geopolitical front; (v) instability in the financial markets; and (vi) political instability at domestic level may negatively impact the Portuguese economy and lead to a recession in 2024 and/or to a slower growth pace.

Any limitation to the growth of the Portuguese economy would likely result in the fall of credit demand, increase of funding costs and deterioration of the loans' portfolio credit quality and other segments of the asset side of the Bank's balance sheet.

Dramatic tightening in global financial market conditions

The surge of global inflation and the tightening of monetary policy has led to a deterioration of the global financial market conditions. The possibility of aggravation or persistence of adverse financial conditions could further weigh in on economic conditions, hindering the evolution of the banking business and, consequently, its profitability.

Monetary policy risks

The Bank is exposed to risks associated with tighter monetary and liquidity conditions from the European Central Bank. A restrictive monetary policy could have a substantial downward impact on the valuation of the Portuguese government's debt directly, or indirectly via contagion through the loss in value of the public debt securities of other countries in the European Monetary Union, which would in turn negatively impact the Bank directly through its investment book and indirectly by affecting the price and availability of the Bank's funding in the market and also by potentially lowering the demand for loans from households and corporations. On the contrary, any substantial decline of European Central Bank's reference interest rates would negatively affect the Bank's ability to generate net interest margin.

Risks related to high levels of indebtedness

The high levels of both corporate and households' debt increase the risks of widespread defaults in case of worsening of the economic condition and tightening of the financial conditions. Any deterioration in households' and companies' financial condition could lead to a fall in the demand for credit, and to a deterioration of the credit quality of the loans' portfolio and other segments of the asset side of the Bank's balance sheet.

Moreover, the high level of Portuguese government debt could lead to relevant limitations on the ability of the Portuguese government to stimulate growth in response to a downturn. The high public-sector indebtedness is therefore an important factor of vulnerability, as any change in investors' perception of the sustainability of Portuguese debt may contribute to raise the Bank's cost of funding and to weaken the performance of the financial assets held in the Bank's portfolio – in particular, the Portuguese public debt securities.

Domestic political risks

The resignation of the Prime-Minister on 7 November 2023 could translate into high political instability until a new government is appointed (snap legislative elections will take place on 10 March 2024). This could add to the current economic uncertainty and lead to a broad deterioration of the economic and financial conditions and impact adversely the economic activity and the Portuguese Republic's credit profile. Any of these outcomes could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks related to the European Union

The Russia-Ukraine war underlines the need to strengthen coordination and cooperation in Europe, notably in the defense and energy sectors. In this context, any unforeseen political and/or legal obstacles to the implementation of policies and actions enacted by the European Union to support the European economy and ensure its territorial defense and energy and food supply could materially impact the integrity of the European Union. Any such outcome may affect the Portuguese sovereign credit profile, which may lead to concerns relating to the capacity of the Portuguese Republic to meet its funding needs. Any deterioration could have a direct impact on the value of the Bank's portfolio of public debt. Any permanent reduction of the value of public debt would be reflected in the Bank's equity position.

Risks to the real estate market

The current context of greater uncertainty and higher financing costs, along with severe restrictions on the housing market, driven by supply constraints increases the risk of a significant devaluation of Portuguese real estate prices, including, without limitation, through a fall of demand both by residents and non-residents, which may lead to an increase in impairment losses in the assets held directly by the Bank as well as in the participating units of the restructuring funds held by the Bank, and to increased exposure in counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank.

External-trade channel risk

The deterioration of economic activity of the main trading partners of Portugal, along with global supply disruptions, rising commodity prices, the risk of protectionist policies and the possible behavioural changes in Portuguese trading partners could impact negatively the performance of the Portuguese economy and lead to economic and financial difficulties, which could have a material adverse effect on the Bank's business, financial condition, results of operations or its prospects.

Geopolitical risks

On 24 February 2022, Russia invaded Ukraine and launched a full-scale military attack against Ukraine. The war caused increased market volatility and may negatively affect the world’s economy in general even further, and in particular the economy of the countries where the Millennium bcp Group (the "**Group**") operates. The war has already caused a significant increase in prices of commodities and fuel and supply disruptions. The continuing conflict and/or its escalation may impose an additional financial strain on the Group’s customers and affect their ability to perform their obligations towards the Group. The sanctions imposed on Russia may also negatively affect the financial condition of the Group’s customers who conducted business in Russia or with Russian counterparts and who will not be able to sell their products and services in alternative markets.

On 7 October 2023, Hamas launched an unprecedented attack on Israel. The fallout from the Hamas attack and Israel's response could put additional pressure on the increasing geopolitical risks which may impact confidence, economic activity and energy prices.

Any of these factors, among other adverse factors, such as the escalation of protectionism and trade wars among the major world economic blocs and/or the intensification of other potential military conflicts, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks related to financial markets instability

Significant factors affecting the operations of the Issuer and the Group include macroeconomic conditions and the situation on international financial markets, which have direct and indirect impact on the financial position of the Issuer and the Group. Possible disturbances in the economy or on international financial markets, which may have different sources, including situations involving events such as terrorist attacks, acts of war or hostile actions, catastrophes, states of epidemic and other similar events of an unpredictable nature could potentially lead to negative consequences for the Issuer, such as reduced ability to obtain financing, increase of its costs and difficult access to capital. Possible problems on the market and economic downturn may adversely affect the Issuer's operations, including: i) the level of significant parameters, such as market interest rates or exchange rate, ii) demand for products and services offered by the Issuer and the Group, iii) the situation of borrowers, which would lead to the deterioration of the quality of the loan portfolio and an increase in the cost of risk), iv) valuation of financial assets constituting individual assets. Such events may be a source of economic or political uncertainty and have a negative impact on the economic situation and the activities of the Issuer and the Group. Such events may also have a negative impact on the Group's financial standing.

Global health crisis

Portugal remains vulnerable to COVID-19 pandemic-related uncertainty, mainly as a result of new and reportedly more contagious variants of the coronavirus. If this risk materialises constraints related to supply shortages could increase, resulting in lower economic activity and additional inflationary pressure.

The uncertainty related to the unpredictability of the pandemic evolution could continue to affect, the behaviour and financial position of the Bank's customers and, therefore, the supply and demand of the products and services offered by the Bank and its risk costs.

Other economies where the Bank operates

Poland

Economic and geopolitical risks

The economic situation in Poland depends on a number of factors, including measures by which a government attempts to influence the economy, such as setting levels of taxation, expenditures or other regulations. The economic situation in Poland is also influenced by the decisions of the relevant regulatory bodies setting the reference rates and other regulatory ratios concerning the financial sector as well as economic decisions made by the authorities of other countries which are Poland’s key trade partners or the pace and scale of inflow of funds from the European Union. These factors might affect the economic growth in Poland, situation on the labour market and financial results of corporate sector.

The Bank's business, as well as the successful implementation of its strategy, is highly dependent on the financial situation of its customers and their ability to repay existing loans, make deposits and acquire new financial products offered by the Bank. The financial situation of Polish households, including the Bank's customers, is highly correlated with the unemployment rate. An increase in the unemployment rate in Poland could cause an increase in the Bank's expected credit losses or hinder the growth of the Bank's loans and advances portfolio. High inflation may also have a negative impact on the creditworthiness of households, which, if prolonged, might trigger a significant increase in central banks’ interest rates, an increase of financial costs, and hence lower disposable income.

The outbreak of the war in Ukraine has significantly affected the Polish economy in 2022 and 2023. The economic sanctions imposed on Russia and Belarus as well as severe disruptions to the commodities' supply chains triggered a rapid increase in inflation. In February 2023, consumer price inflation in Poland reached 18.4% year-on-year, its highest level since 1996. To limit inflation, the Monetary Policy Council increased the NBP's reference rate to 6.75%, the highest level since 2002. High inflation accompanied by tight monetary conditions has reduced households' real income and therefore private consumption. As a consequence, economic growth decelerated. The tightening of the monetary policy led to a decrease in demand for loans, both from households and non-financial companies. Labour market was resilient to the economic downturn and unemployment rate remained at low levels.

The Polish economy started to recover in the middle of 2023 and the GDP dynamics returned into positive territory in the third quarter of 2023. The Bank expects the economy to continue recovery through 2024. Low unemployment, solid growth of wages (including minimum wage), social transfers paid by the government and a decrease in inflation should support the rebound in consumption. Inflation is expected to go down but should remain above the central bank's target till late mid-2025. Lower inflation opened a room for the monetary policy easing in September 2023 and the Bank expects it will continue in 2024, but at a gradual pace.

A potential prolonged economic slowdown in Poland would materially affect the Bank's operations. Higher unemployment and lower consumption, as well as fluctuations in the financial markets (including the currency markets), may adversely affect the financial condition of the Bank's customers, which could, in turn, impair the quality and volume of the Bank's loans and advances portfolios and other financial assets and result in decreased demand for the Bank's products. In addition, in volatile market conditions, the value of assets securing loans already granted or to be granted by the Bank, including real estate, may decline significantly.

Domestic political risks

The Issuer operates in Poland, therefore the macroeconomic, political and social situation in this country is significant for the business, financial position and operating result of the Issuer. Domestic political risk might be influenced by the results of upcoming local elections and elections to European Parliament in 2024 but also results of general elections in October 2023 and the policy of the new government. At the same time, bearing in mind the close connection between the Polish economy and the global economy, the Issuer's situation is also influenced by events in the global economy, in particular those relating to monetary policy, geopolitics, socio-political processes or global economic situation.

Risks related to banking system policy and legislation

Risks related to the implementation of economic policy decisions, in particular on the tax front, targeting the banking system by Polish authorities, could negatively affect investors' confidence and the economic activity and, consequently, negatively impact the profitability of the Polish banking sector.

On 7 July 2022, the Parliament approved a bill on crowdfunding for business ventures and assistance to borrowers (the "**Act**"). The Act, among others, introduces credit holidays for PLN mortgage borrowers (possibility of not paying interest and principal up to 8 months in 2022-2023 for PLN mortgage eligible borrowers). Costs of these credit holidays were the direct reason for the significant net loss of Bank Millennium S.A. ("**Bank Millennium**") in Poland in the third quarter of 2022 and consequently a temporary breach of the regulatory minimum capital and minimum eligible liabilities requirements. As a result, Bank Millennium launched a recovery plan and filed a capital protection plan with competent authorities. According to recent statements of Poland's officials in the media, the government of Poland is mulling an extension of this credit holiday scheme to a part or full 2024.

Although already in the fourth quarter of 2022 Bank Millennium improved its capital ratios above regulatory minimums, has since been profitable and continued to organically improve its capital ratios and intends

continue this, further alterations to the bill or introduction of any other equally significant customer oriented regulations by the lawmakers/regulators or additional potential losses from current of future litigation processes, like litigation on CHF mortgage loans, may result in further losses and a result in a continuation of the breach of regulatory minimum capital and minimum eligible liabilities requirements in the future.

Mozambique

Commodity prices risks

Mozambique is an important exporter of aluminium and coal and has also important projects in progress related to natural gas. As weaker global demand drives down commodity prices, the Mozambican economy could face significant pressure on its public finances, on real economic activity and on its exchange rate, which could negatively impact the reform efforts that Mozambican authorities have been implementing in the last years in order to address the sovereign debt crisis. Any deterioration of economic and financial conditions could result in additional negotiations with the IMF and international creditors. In such circumstances, the Bank's business, financial condition, results of operations and prospects could be negatively affected.

Domestic political risks

Any deterioration of the economic and financial situation may contribute to the rise of political tensions (Frelimo and Renamo, the two main political parties in Mozambique, have been holding start-stop talks aimed at ending a military conflict that was resumed in 2013), which could negatively affect the Bank's business, financial condition, results of operations and prospects.

Separately, the natural gas industry in Mozambique has been crucial to both the expansion of economic growth and social change. Since 2017, the country has been struggling to control an insurgency orchestrated by militants linked to the Islamic State. This has contributed to exacerbate the levels of social vulnerability in Cabo Delgado. The progress of the LNG projects, crucial to the recovery of economic growth, has been affected as attacks have occurred in areas closer to the projects operations site. In this context, if the scale and frequency of attacks in gas-rich Cabo Delgado Province intensifies it could hinder the natural gas industry activity and thereby the expansion of economic activity and social progress. Any of these factors could negatively affect the Bank's business, financial condition, results of operations and prospects.

Angola

Commodity prices risks

Given the reliance of Angolan economy on oil exports, any risks of global economic slowdown could create significant pressure on Angola's public finances, on the real economic activity and on its exchange rate, which could negatively impact the reform efforts that Angolan authorities have been implementing in the previous years in order to address economic and structural imbalances. In such circumstances, the Bank's business, financial condition, results of operations and prospects could be negatively affected.

1.2 Legal and Regulatory Risks

The Bank is subject to complex regulation that could increase regulatory (among which capital and liquidity) requirements.

The Bank conducts its business in accordance with applicable regulations and is subject to related regulatory risks, including the effects of amendments to laws, regulations and policies applicable in Portugal and in other countries where the Bank operates. Regulatory entities, including the European Commission, the European Banking Authority ("**EBA**"), the European Securities Market Authority ("**ESMA**"), the Single Resolution Board ("**SRB**"), the European Central Bank ("**ECB**"), Banco de Portugal as well as Comissão do

Mercado de Valores Mobiliários ("**CMVM**"), Autoridade de Supervisão de Seguros e Fundos de Pensões ("**ASF**"), and other national competent authorities and regulators in countries where the Bank's subsidiaries and branches are located, under their respective competencies, have implemented significant changes to the Bank's regulatory framework, particularly in relation to capital and liquidity adequacy and the scope of the Bank's operations. These changes are continuously being updated and revised, adjusting to past experience or to new business trends and other changes may be implemented in the future. Consequently, the Bank could face diverse, additional and/or more intense regulation that could adversely and significantly impact the results of its operations.

In May 2019, the Council adopted a comprehensive legislative package (the "**Banking Package**") implementing some of the final elements of the Basel III framework ("**Basel III**") at the European level by way of amendments to Regulation No. 575/2013/EU of the European Parliament and of the Council, of 26 June 2013, as amended (the "**Capital Requirements Regulation**" or "**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, as amended (the "Capital Requirements Directive" or "**CRD IV**"), that together establish the basis for the prudential regulatory framework for credit institutions, and on the framework for the recovery and resolution of banks in difficulty, notably Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, as amended (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") and Regulation No. 806/2014/EU of the European Parliament and of the Council, of 15 July 2014 (the "**SRM Regulation**").

Some of these changes have already been enacted (and some have been brought forward as a response to the COVID-19 pandemic), while others will enter into force in the coming years together with changes stemming from the adoption of the Basel III reforms. On 27 October 2021, the European Commission published a proposal aiming to finalise the EU’s implementation of this framework. Amendments to existing framework comprise, among others, fit and proper requirements, the application of output floors on risk weighted assets ("**RWA**") for internal ratings-based ("**IRB**") banks, possibility to revert from internal ratings-based approach to standardised, higher risk weights for equity exposures, changes on the market risk and operational risk and requirements to identify and manage environmental, social and governance risks. The new rules amending the CRR are expected to apply from 1 January 2025, with certain elements of the regulation phasing in over the coming years. On 11 December 2023, the EU co-legislators announced their final agreement on the revision of the CRR. The plenary session for final approval in the European Parliament is expected to take place in April 2024.

The Bank also operates under Decree-Law No. 298/92, of 31 December 1992 (as amended) (the "**Banking Law**"), applicable to credit institutions in Portugal. At the end of 2022, Law No. 23-A/2022, of 9 December was published, which implemented the Capital Requirements Directive V (Directive (EU) 2019/878 ("**CRD V**")) and Directive 2014/59/EU (as amended, the "**Bank Recovery and Resolution Directive**" or "**BRRD II**") on access to banking and prudential supervision and the recovery and resolution of credit institutions and investment firms, respectively.

The macroprudential toolkit for banks has been applicable since 2014, mostly comprising a set of prudential tools designed to limit systemic risks and safeguard financial stability. The European Commission has been working on improving the EU macroprudential framework for the banking sector, namely on a legislative proposal that may introduce changes to the banks' capital buffers framework in place.

Changes to RWA could come from adjustments on internal models, such as those associated with changes to calibration or further to supervisory requirements and recommendations.

Furthermore, a global systemically important institution ("**G-SII**") could face additional requirements. Although it is currently not anticipated that Portuguese banks may be classified as G-SIIs, there is no assurance that this will not change in the future. The Bank is currently classified as an "other systemically important institution" ("**O-SII**"), and as such it is subject to concurrent additional capital requirements, which could increase and lead to lower returns on equity.

Also to be highlighted, the European Green Deal as the EU's growth agenda hallmark, comprising an ambitious green transformation plan (climate-neutrality, circular economy and a net-zero economy by 2050) with implications on banks' business and ESG supervision and regulation (including disclosure, sustainable finance, ESG rating transparency and information to customers), and the growing attention to innovation and fintech, encompassing regulation and supervisory focus on technological financial innovation, digital assets, decentralised finance and ICT services operational resilience.

The implementation of new or revised regulations may increase capital, liquidity or operational requirements and could result in additional preparatory work, disclosure needs, restrictions on certain types of transactions and exposures, limitations to the Bank's strategy, the need to take strategic actions, which may include raising additional capital, issuing funding instruments, and/or limitations to, or modification of, the Bank's earnings derived from margin, fees, capital gains or other sources of income. Any of the above may reduce the business volume and the yield of the Bank's investments, assets or holdings, increase operational costs, all of which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. For further details on banking regulation please see "*Description of the Business of the Group – Recent developments on the banking regulation*".

The Banking Union may impose additional regulatory requirements that may impact the Bank's results.

The European Commission established a common regulation (the Single Rule Book) and a common supervisory architecture which comprises the Single Supervisory Mechanism ("**SSM**"), the Single Resolution Mechanism ("**SRM**") and the European Deposits Insurance Scheme ("**EDIS**"). The regulatory framework under the Banking Union and future modifications to it may result in, or require changes to, the strategic positioning of financial institutions, including their business model and risk exposure, and could result in additional costs in order to ensure compliance with the new requirements and may potentially restrict the Bank's ability to comply with its financial undertakings regarding debt and equity instruments. See further "*Description of the Business of the Group – Recent developments on the banking regulation*".

Single Supervisory Mechanism

The Banking Union assigned the role of direct banking supervisor to the European Central Bank (the "**ECB**") to ensure that the largest banks in the Euro zone and in each Member State, which includes the Bank, are independently supervised under common rules. The Bank is currently in compliance with Supervisory Review and Evaluation Process ("**SREP**") requirements. If the Bank's regulatory ratios (capital and/or liquidity) fall below the thresholds specified or guided by the relevant regulatory entities (including pursuant to the SREP) the Bank may need to adopt additional measures to strengthen those regulatory ratios (including at unfavourable terms), such as an acceleration of deleveraging, the reduction of RWA, divestments, issuance of liabilities and other measures that may include rights issues. Furthermore, any additional capital adequacy requirements imposed on the Bank may result in the need to increase its capital buffers in order to fulfil more demanding capital or liabilities ratio requirements, thereby increasing the costs to the Bank and reducing the return on equity. Any of the aforementioned situations could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

During the SREP, the supervisor not only defines banks' capital and liquidity requirements (e.g. Pillar 2 capital requirements ("**P2R**") and Pillar 2 capital guidance ("**P2G**")) but may also decide to impose additional measures on banks, including liquidity and qualitative measures, including deductions to regulatory capital.

As of June 2021, CRD V and the CRR II introduced additional own funds requirements for the leverage ratio for which competent authorities are obliged to assess the risk of excessive leverage and potentially impose a P2R-LR on top of the P1R-LR if the risk of excessive leverage is not covered or not sufficiently covered by P1R-LR. Similarly, to the P2G, the P2G-LR is based on the outcomes of the adverse scenario of the relevant supervisory stress tests. See further "*Description of the Business of the Group – Recent developments on the banking regulation*".

A change in the prudential supervision framework or stemming from the regular supervisory review and evaluation process or macroprudential risks assessment may:

- impose additional capitalisation demands on the Bank, in particular if the SSM requires the reclassification of assets and/or a revision of coverage levels for impairment, backstop provisions, more demanding internal model parameters which could result in the Bank being subject to additional capital requirements, or to any future stress tests;

- given the classification of the Bank as an O-SII, lead to higher combined capital buffer requirements; and

- lead to higher capital buffers.

If, following a capital requirement exercise, such as a stress test, capital quality or risk management assurance exercise or equivalent exercise, a capital deficit is identified, it could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects.

The Bank is also currently compliant with the CRD required liquidity related ratios, i.e., the liquidity coverage ratio ("**LCR**") which requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario, and the net stable funding ratio ("**NSFR**") reflecting the amount available of stable funding to its amount of required stable funding.

These requirements may change in the future, a scenario which could have an impact on the Bank's capital and liquidity needs and adversely affect the Bank's business, financial condition, results of operations and prospects. For more information on the topics above see further "*The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group" and "Description of the Business of the Group – Recent developments on the banking regulation*".

Single Resolution Mechanism

- The BRRD (which implementation into Portuguese law was completed by Law No. 23-A/2015, of 26 March, as amended) establishes a framework for the recovery and resolution of credit institutions and investment companies which contemplates that capital instruments may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool (which may apply to any of the Notes). As such, the use of resolution tools and powers provided for by the Banking Union may disrupt the rights of shareholders and creditors. In particular, the power of the authorities to transfer the shares or all or part of the assets of an institution to a private purchaser without the consent of shareholders affects the property rights of shareholders. In addition, the power to decide which liabilities to transfer out of a failing institution based upon the objectives of ensuring the continuity of services and avoiding adverse effects on financial stability may affect the equal treatment of creditors. For further details please see "*Description of the Business of the Group – Recent developments on the banking regulation*".

- Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 (regarding the ranking of unsecured debt instruments in insolvency hierarchy), which amended BRRD, was implemented in Portugal through Law No. 23/2019, of 13 March 2019, creating a new asset class of “non-preferred” senior debt that ranks in insolvency above own-funds instruments and subordinated liabilities that do not qualify as own funds, but below other senior liabilities. Further, it confers a preferential claim to generally all deposits vis-à-vis unsecured senior debt. Additionally, under the final rules to be implemented following the European Commission’s recent proposal to adjust and further strengthen the existing EU bank crisis management and deposit insurance ("**CMDI**") framework, the ranking in insolvency of depositors may be further changed

or enhanced. For further details please see "*Description of the Business of the Group – Recent developments on the banking regulation*".

- To avoid having institutions structuring their liabilities in a way that prevents the effectiveness of the bail-in or other resolution tools and to avoid the risk of contagion or a bank run, the BRRD requires that institutions meet a robust minimum requirement for own funds and eligible liabilities ("**MREL**") at all times. MREL is composed of a loss-absorption amount ("**LAA**") and a recapitalisation amount ("**RCA**"). The legal framework defines conditions under which the RCA may be adjusted upwards or downwards. In order to meet MREL requirements, the Bank 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 Bank's strategy, could increase the average cost of the Bank's liabilities, in particular, without limitation, the cost of Additional Tier 1, Tier 2 instruments and other MREL eligible instruments and thus negatively affect the Bank's earnings. These instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, given their potential convertibility features under application of a resolution or other measure or in accordance with their terms. The aforementioned instruments might be viewed by investors as riskier than other debt instruments, primarily due to the risk of capital losses, missed coupon payments, insufficient maximum distributable amount buffer ("**MDA**"), conversion into capital instruments and lack of available distributable items. As a result, investor appetite for these instruments may vary, impacting on the issuance cost or could render the Bank unable to place them in the market. In this case, the Bank would have to issue Common Equity Tier 1 ("**CET1**") capital to meet the mentioned regulatory requirements or issue Additional Tier 1, Tier 2 or other regulatory eligible instruments that would entail an associated coupon expense which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*Description of the Business of the Group – Trends Information*" for more information on MREL requirements applicable to the Issuer.

- Decree-Law No. 31-A/2012, of 10 February, which amended the Banking Law, also introduced the creation of the privileges accorded to claims associated with loans backed-up by deposits under the Deposit Guarantee Fund ("**DGF**"), as well as credit secured by the DGF, the Integrated Mutual Agricultural Scheme (which, in Portugal, is formed by the Central Mutual Agricultural Bank (Caixa Central de Crédito Agrícola Mútuo) and its associated banks) or the Portuguese Resolution Fund (Fundo de Resolução) (the "**Resolution Fund**"), arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, in each case within the limits of the applicable laws.

- Under Article 153-O of the Banking Law, 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, notably those that have been publicly mentioned as potentially arising from (i) the sale of Novo Banco, S.A. ("**Novo Banco**") (including, without limitation, the contingent capitalisation mechanism), (ii) the litigation relating to Banco Espírito Santo, S.A. ("**BES**"), (iii) the resolution process of Banco Internacional do Funchal, S.A. ("**BANIF**") and related expenses, and (iv) the amount and timing of the Bank's contributions to the Resolution Fund and the reimbursement of the loans granted by the Bank to the Resolution Fund. Thus, the impact of the BES and BANIF resolution processes on the Bank, as participant of the Resolution Fund, could depend on external factors not controlled by the Bank, including the proceeds from the Resolution Fund's assets, the future funding needs and contingent liabilities of the Resolution Fund including, without limitation, those related to the sale of Novo Banco to Lone Star. For further details on the Resolution Fund and related contributions of the Bank see "*Description of the Business of the Group – Recent developments on the banking regulation*".

- The financial resources of the Resolution Fund result essentially from the initial and periodical contributions paid by member institutions, the proceeds from the bank levy, created by Law No. 55-A/2010, of 31 December, and the returns on the investment of its financial means.

- The amount of the periodical contribution for the Resolution Fund is calculated every year pursuant to Regulation 1/2013 of Banco de Portugal, as amended by Regulations 8/2014 and 14/2014, using a base rate which is published by Banco de Portugal. There can be no assurance that in the future Banco de Portugal will maintain the current base rate. Increases in the base rate in future years may reduce the Bank's profitability. See "*Description of the Business of the Group – Recent developments on the banking regulation*".

- In the event of a shortage of funds, a negative financial impact, of an uncertain nature, on the Resolution Fund and, indirectly, on the Portuguese banking sector, could occur. The definition of the financing structure of a possible shortage (in terms of type of contribution, its distribution in time and any recourse to temporary loans) will depend on the amount of such hypothetical shortage. See "*Description of the Business of the Group – Recent developments on the banking regulation*".

- This situation has been disclosed in the financial statements of the Bank as a contingent liability, with no impacts recorded on the financials or capital ratios of the Bank. The impact of the above is uncertain and the Bank can give no assurance that the current understanding, framework, accounting treatment and related contributions will not change in the future (including that recourse to special contributions may occur) and as such there is no guarantee that the Bank's business, financial condition, results of operations, prospects and capital ratios will not be affected by the factors described above.

European Deposit Insurance Scheme

The establishment of EDIS is contingent on certain political decisions, in particular as to whether it should be a system based on the reinsurance between the several national deposit guarantee funds or a mutualisation mechanism at European level. The decision and implementation processes of the guarantee scheme may have material adverse effects on the Bank's business activity, liquidity, financial condition, results of operations and prospects.

Directive 2014/49/EU of the European Parliament and of the Council, of 16 April 2014, concerning the deposit guarantee systems carried the harmonisation of the deposit guarantee system in force in each of the Member States, including Portugal. The changes contemplate the introduction of size and risk-based contributions by entity and harmonisation of products and depositors covered, maintaining, however, the principle of a harmonised limit per depositor and not per deposit.

According to the BRRD, and consequently the Banking Law, as amended, including, without limitation, the amendments of Law No.23-A/2015, of 26 March and the update brought by the changes to the Banking Law, banks must ensure that by 3 July 2024, the financial resources available to a deposit guarantee scheme ("**DGS**") amount to a target-level of 0.8% of the amount of DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are less than two thirds of the target level, Banco de Portugal will set the periodic contributions at a level that allows the target level to be reached within six years. If the available financial resources are not sufficient to reimburse the depositors, in the event of unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

The exemption from the immediate payment of *ex-ante* contributions shall not exceed 30% of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, which may be called by the DGF at any time (impacting on earnings but not on

regulatory capital), to pay part of or the whole amount of the contribution which has not been paid in cash to the DGF, that are fully backed by collateral composed of low-risk assets unencumbered by any third-party rights and partly or wholly pledged in favour of the DGF at the DGF's request. Since 2011, all contributions made by the Bank to the DGF have been made entirely in cash (the current amount of irrevocable payment commitments outstanding is of approx. EUR 94.4 million).

The additional indirect costs of the deposit guarantee systems may be significant and can consist of costs associated with the provision of detailed information to clients about products, costs of compliance with specific regulations on advertising for deposits or other products similar to deposits. They can therefore affect the activity of the relevant banks and consequently their business activities, financial condition, results of operations and prospects.

The European Union is proceeding with a review of the CMDI framework that may entail changes to the single resolution mechanism and deposit guarantees schemes framework which could impact on the Bank's contributions to such schemes.

The resolutions adopted by the European Commission regarding financial services and products in the context of disclosure compliance and investor protection, changes in consumer protection laws, the effects of higher interest rates and policies in support of families but at cost to the banks may limit the business approach, increase contributions or limit fees that the Bank can charge in certain banking transactions.

Several European Commission regulatory initiatives regarding financial services and products have been implemented in the past few years, including:

(1) The Markets in Financial Instruments Directive II, Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended ("**MiFID II**"), which has been implemented in Portugal through Law No. 35/2018, of 20 July 2018, and is already in force, and the Markets in Financial Instruments Regulation, Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, as amended ("**MiFIR**"). The European Commission proposed the establishment of an EU-wide consolidated tape for financial markets instruments (high-speed electronic system that reports the latest price and volume data on sales of exchange-listed stock), as well as some targeted changes to market structure aiming to increase transparency, reduce conflicts of interest and have in place emergency measures. The final compromise texts are to be formally adopted by the Parliament and the Council, The Parliament's plenary session is tentatively scheduled on 15 January 2024.

(2) Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014, as amended, relating to packaged retail and insurance-based investment products ("**PRIIPs**"), complemented by Delegated Regulation (EU) No. 653/2017 of the Commission, of 8 March 2017, as amended, which applies from 1 January 2018. On 4 January 2018, the CMVM issued a "Circular" regarding PRIIPs subject to the CMVM's supervision, outlining further applicable requirements and Law 35/2018, of 20 July 2018 introduced the legal framework for PRIIPs in Portugal. An amendment to PRIIPs as regards the modernisation of the key information document is underway concerning clarity in communication, prevention of misleading marketing, mitigating potential conflicts of interest of advisers and increasing the value for money of retail investments. The Committee vote in Parliament is scheduled on 30 January 2024.

(3) The Payment Services Directive, Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, as amended, ("**PSD 2**") was implemented in Portugal through Decree-Law No. 91/2018, of 12 November 2018, creating new types of payment services and reinforcing customer protection and security. Proposals to update the PSD2 were adopted by the European Commission on 28 June 2023 with a view to further improve consumer protection and competition in electronic payments. The Commission proposed to amend and modernise the PSD 2 which will become PSD 3 and establish, in addition, a Payment Services Regulation (PSR)

(4) The European Market Infrastructure Regulation, Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, as amended ("**EMIR**"), which sets out procedures regarding central clearing of standardised over the counter ("**OTC**") derivative contracts, margin and operational risk mitigation requirements for OTC derivative contracts that are not centrally cleared; reporting obligations for derivative contracts and specific requirements for central counterparties and trade repositories).

(5) The EU Benchmarks Regulation, Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, introduces a regime for benchmark interest rates and may lead to changes of the rates used as reference rates in the Bank's normal course of business, impacting margins, business approach and operations. Under the borrower's support framework in Poland the reference rate WIBOR will be replaced by a risk free rate over the medium term. The EURIBOR complies with the Benchmark Regulation and currently there are no plans to discontinue or replace it. However, banks are required to adopt fallback rates in case EURIBOR ends.

(6) The Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 ("**DORA Regulation**"), applicable from 17 January 2025, entered into force in January 2023, establishing the requirements about the security of network and information systems supporting the operational processes of financial entities. On 8 December 2023, the European Supervisory Authorities (EBA, EIOPA and ESMA) launched a public consultation on the second batch of policy mandates under the DORA.

(7) Under the European Green Deal, the Commission is moving forward with a renewed sustainable finance strategy. The European institutions are strongly supporting the transition to a low-carbon, more resource-efficient and sustainable economy and have been at the forefront of efforts to build a financial system that supports sustainable growth, ensuring the consistent integration of sustainability risks in risk management systems of banks, including climate change stress tests. On 13 June 2023, the European Commission presented several measures to strengthen the European Union's sustainable finance rules and further support investments in a sustainable future, specifically with proposal on a Regulation on transparency and integrity of ESG rating activities.

The European Union General Data Protection Regulation, approved by the Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April of 2016, as amended from time to time ("**GDPR**") harmonises data privacy laws across Europe, to protect and empower all European Union citizens' data privacy and to reshape the way organisations across the region approach data privacy.

The Decree-Law No. 107/2017, of 30 August 2017, lays down the rules on switching of payment accounts, the comparability of commissions, as well as the access to payment accounts with basic features, transposing Directive 2014/92/EU, of the European Parliament and of the Council of 23 July 2014.

On 28 June 2023, the European Commission adopted a legislative proposal that lays the groundwork for the legal framework underpinning the digital euro, akin to a digital version of central bank issued money. On 18 October 2023, the ECB's Governing Council concluded the investigation phase and moved to the preparation phase of the digital euro project.

Under the new consumer agenda, the Consumer Rights Directive has been amended, concerning financial services contracts concluded at a distance, such as online or by phone, ensuring the same high level of consumer protection across Member States.

Changes in consumer protection laws in Portugal and other jurisdictions where the Bank has operations could limit the fees that banks may charge for certain products and services, such as mortgages, unsecured

loans, credit cards and fund transfers and remittances. See "*Description of the Business of the Group – Recent developments on the banking regulation*".

Compliance with these obligations entails increased operational and financial costs for the Bank and may also affect the provision of financial services to customers being subject to sanctions and penalties, and therefore with potential impact on the Bank's overall results.

The implementation of these legal initiatives could affect the regular functioning of the market and significantly impact the Bank's business, financial condition, net income and prospects.

Changes in Portuguese legislation regarding banking commissions and other changes

The Economic and Social Stabilisation Programme approved by the Portuguese Government established an additional solidarity contribution charged to banks, which continuity has been foreseen in the annual state budget law.

Law No. 53/2020, of 26 August 2020, and Law No. 57/2020, of 28 August 2020, set out rules for the protection of consumers of financial services by implementing restrictions on the application of certain bank fees. Furthermore, Decree-Law No. 80-A/2022, of 25 November 2022, establishes certain measures aimed at mitigating the effects of the increase of the reference indexes in credit agreements. In addition, Law No. 24/2023, of 29 May, and Law No. 19/2022, of 21 October, create new obligations for credit institutions regarding the marketing of mortgage loans, extending the services included in the minimum banking services account and introducing new restrictions on commissions. These measures result in higher operational costs for the Bank.

Further limitations or reductions of commissions charged by banks in the main geographies where the Group operates may adversely affect the business and performance of the Bank.

The Ukraine-Russian war, the Israel-Hamas conflict, high inflation, and high interest rates, along with the failure of some American and Swiss banks, intensified the uncertainty context, namely concerning future regulatory actions or measures that could have an impact on the Bank's regular course of business.

The implementation of other initiatives that may arise in the future, and which content is unknown, could impact the Bank's business, financial condition, net income, capital, RWA and prospects.

Changes in Polish banking legislation

The Polish government enacted certain regulations to support borrowers comprising interest moratoria, contributions to support fund and benchmark rates reform (Wibor replacement), with significant costs to banks in Poland including Bank Millennium. Though significant effects already materialised (interest rate moratoria of 2023), the final impact of this legislation, and potential extension, on the business, financial condition, capital and prospects of Bank Millennium and the Bank remains uncertain.

The Bank is subject to compliance risk, which may lead to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties.

Furthermore, as the Bank operates in a highly regulated industry, it may be subject to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties. The Bank's regulators frequently conduct inspections and request information in respect of the Bank's or its clients' activities and transactions. Any inspections or other proceedings that are unfavourable to the Bank may result in sanctions, limitations on its business opportunities, or a reduction of its growth potential, and may have an adverse effect on the Bank's ability to comply with certain contractual obligations or retain certain commercial relationships.

Among others, the Bank is subject:

- to provisioning requirements, minimum cash level, credit qualification, record-keeping, privacy, liquidity, permitted investments, contingency, and other prudential and behavioural requirements which have associated costs; any increase or change in the criteria of these requirements could have an impact on the Bank's operations and results;

- to rules and regulations related to the prevention of money laundering, bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and counter-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences and consequences in the Bank's relationship with its clients, partners, service providers and other third parties. Although the Bank 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 Bank cannot guarantee that it has in the past or will comply, at all times, with all applicable rules or that its regulations for fighting money laundering, bribery and terrorism financing as extended to the whole Group are applied by its employees under all circumstances;

- to competition regulations. In particular, the Bank is subject to laws prohibiting the abuse of a dominant market position and prohibiting agreements and/or concerted practices between business entities that aim to prevent, restrict or distort competition, or have the effect of preventing, restricting or distorting competition. In cases where the Bank is found to have infringed the relevant rules of Portuguese and/or European Union competition law, the Bank is subject to the risk of fines of up to 10% of its consolidated annual turnover in addition to a public announcement of any sanctions issued; and

- in addition to penalties imposed by the European Commission and/or the competent competition authorities, the Bank may be ordered by these entities or by national courts, as applicable, to discontinue certain practices, comply with behavioural or structural remedies, or pay damages to third parties that demonstrate that they have been harmed by the Bank's infringement of competition rules, whether based on an earlier infringement decision by the relevant authority or independent of any such decision. The Bank may also be subject to similar consequences in other jurisdictions where it is active, as imposed by competition authorities or national courts of such jurisdictions. This can lead to material adverse effects on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to obligations and costs resulting from the legal and regulatory framework related to the prevention, mitigation and monitoring of asset quality.

Several regulatory and legislative initiatives have been and continue to be put in place to address asset quality issues, with particular focus on the non-performing exposures ("**NPEs**") and/or non-performing loans ("**NPLs**") as authorities highlight credit risk and heightened levels of NPLs as key risks facing euro area banks.

In compliance with the ECB's banking supervision, the Bank has been implementing a NPE reduction plan which is closely monitored by the ECB and is globally aligned with the ECB's Guidance on NPL and subsequent Addendum, which addresses the main aspects of the strategy, governance and operations relating to an efficient disposal of NPLs, but adjustments and recommendations can follow from the regular monitoring performed by the supervisor.

BCP's NPE reduction plan is closely monitored by the ECB, also including the evolution of Corporate Restructuring Funds. Further requirements imposed by the ECB may arise from the follow-up discussions and new regulations on the matter. This could adversely and significantly impact the Bank's business, results of operations, financial condition, including capital position, and prospects.

The implementation of the legal and regulatory framework currently envisaged, as well as any potential additional regulatory or self-regulation measures, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*Description of the Business of the Group – Trends Information and Recent developments on the banking regulation*" for further details on the implementation of the Bank's NPL strategy and on regulatory developments regarding NPLs and NPEs.

Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank's activity. Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations.

The Bank might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by changes in the interpretation of legislation and regulation by the competent Tax Authorities. In addition, the Bank might be adversely affected by difficulties in the interpretation of or compliance with new tax laws and regulations. The materialisation of these risks may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The various measures approved by the Portuguese Republic to ensure budgetary consolidation, stimulate the economy and support the banking system have led to a considerable increase of public debt levels. In the context of low growth, the need to restore the balance of public finances in the medium term led to increased tax costs through the expansion of the tax base, the increase in tax rates and/or reduction of tax benefits, as well as the increase in restrictions on tax planning practices, which may directly affect the Bank's net income. Moreover, changes in legislation may require the Bank to bear additional costs associated with participation in financial stabilisation mechanisms and resolution funds at a national and European level.

For example, despite the *ex-ante* Contribution to the Single Resolution Fund to support the application of resolution measures at EU level, the Bank is still liable to the following bank levy and contributions:

- Under Law No. 55-A/2010, of 31 December, as amended, and Ministerial Order ("*Portaria*") No. 121/2011, of 30 March, as amended, a bank levy is applicable to the Bank (EUR 29.4 million in 2020, EUR 32.9 million in 2021, EUR 36.5 million in 2022 and EUR 37.5 million in 2023) and will be applied over (a) the Bank's liabilities at a tax rate of 0.11% and (b) the notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives, at a tax rate of 0.0003%. The taxable base is calculated by reference to an annual average of the monthly balances of the qualifying items, as reflected in the relevant year's approved accounts.

- The Bank is also liable to periodic special and additional contributions that must be paid to the Portuguese Resolution Fund, as stipulated in Decree-Law No. 24/2013 and Law No. 23-A/2015, of 26 March, as amended, (EUR 15.0 million in 2020, EUR 16.8 million in 2021, EUR 18.5 million in 2022 and EUR 9.4 million in 2023). The periodic contributions are determined by a base rate, established by the Banco de Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The Supplementary Budget for 2020 approved in the National Parliament on July 2020 introduced a Solidarity Surcharge due by credit institutions and Portuguese branches of credit institutions. The Solidarity Surcharge is levied on the same taxable bases of the above bank levy, as follows:

- Liabilities are subject to a rate of 0.02%; and

- The notional value of off-balance sheet derivative financial instruments is subject to a rate of 0.00005%.

A transitional regime in force during years 2020 and 2021 applied. For the Solidarity Surcharge due in 2020 and 2021, the taxable base was computed with reference to the accounts of the first semester of 2020 and the second semester of 2020. The Solidarity Surcharge due and paid in 2020, 2021, 2022 and 2023 amounted to EUR 5.8 million, EUR 6.2 million, EUR 6.6 million and EUR 6.8 million.

Additionally, on 14 February 2013 the European Commission published its proposal for a Council Directive for enhanced co-operation in the form of a financial transaction tax ("**FTT**"), of which Portugal would be a member. Currently, after the withdrawal of the Republic of Estonia as a Member State wishing to participate in the establishment of the enhanced cooperation, 10 countries are participating in the negotiations on the proposed directive, discussing the option of an FTT based on the French model of the tax, and the possible mutualisation of the revenues among the participating member states as a contribution to the EU budget.

Belgium, France, Greece, Italy and Spain have already implemented unilateral FTT. At this stage, there can be no assurance that an FTT or similar additional bank taxes and national financial transaction taxes will not be adopted, at any moment, by the authorities of the jurisdictions where the Bank operates.

During 2022 and 2023, in the Euro area, Spain, Lithuania and Italy imposed temporary levies on credit institutions and financial credit establishments, with different configurations. At this stage, there can be no assurance that similar windfall taxes or levies on the banking sector will not be adopted, at any moment, by the authorities of the jurisdictions where the Bank operates.

On 22 December 2021, the European Commission published its proposal for a Council Directive "on ensuring a global minimum level of taxation for multinational groups in the Union" aimed at implementing the OECD Pillar Two Model Rules on a 15% minimum effective tax rate in the EU Member States. The Draft Directive follows closely the OECD Model Rules, which set out the rules of the so-called Income Inclusion Rule (IIR) and Undertaxed Payment Rule (UTPR).

The Council Directive (EU) 2022/2523 of 14 December, on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union was published in the in the Official Journal of the European Union of 22 December 2022.

Member States shall transpose the Directive into their domestic law by 31 December 2023. Timing in relation to the introduction of the new rules in Portugal is currently uncertain. The potential implications resulting from the implementation of the Pillar Two Model Rules have not been evaluated at this stage.

Any such additional levies and taxes could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank also has ongoing ordinary course disputes with the Tax Authorities and, although it considers the provisions it has made regarding these disputes to be adequate to cover the risk of judgements against the Bank it is unable to ensure their sufficiency or the outcome of such disputes.

1.3 Risks relating to Acquisitions

The Bank may be the object of an unsolicited acquisition bid.

In light of the ongoing trend in Europe towards consolidation in the banking sector, and like any listed company, the Bank could be the target of an unsolicited acquisition bid. If such an acquisition were to occur, there could be changes in its corporate strategy, the main focus of its business, or its operations and resources, which could have a material adverse effect on the Bank's business, financial condition or results.

The Bank or its subsidiaries may engage in mergers and/or acquisitions.

Although the Bank's strategic plan is focused on organic growth and while it has reinforced its commitment to its strategic goals, there is no guarantee that it will not participate in mergers and/or acquisitions in Portugal or elsewhere should such opportunities arise. In the event the Bank or any of its subsidiaries

participates in mergers and/or acquisitions, there could be changes in its corporate strategy, in its organisation and structure, its main business focus, its resources, and in its financial condition and results of operations. Additionally, if the Bank or its subsidiaries were to engage in such an operation, it is possible that the Bank may not be able to extract all the cost and/or revenue synergies, totally or partially, associated with such mergers and/or acquisitions. The Bank may also have to bear additional personnel costs resulting from any restructurings needed to integrate acquired operations or businesses successfully. Moreover, future mergers or acquisitions could result in unexpected losses due to unforeseen liabilities, which could have a material adverse effect on the Bank's business, financial condition or results of operations.

1.4 Risks relating to the Bank's Business

The Bank is exposed to risks related to FX-indexed mortgage loans in Poland.

Court claims and current provisions for legal risk

Regarding mortgage loans granted by Bank Millennium in Poland in Swiss Franc ("**CHF**") until 2008, Bank Millennium currently faces risks relating to rulings issued by Polish courts in individual lawsuits against Bank Millennium started by borrowers of foreign exchange indexed ("**FX-indexed**" or "**FX**") mortgage loans (and which were also started against other Polish banks), as well as risks with respect to the possible application of a sector-wide solution, i.e. a solution applied to all contracts (Swiss Franc-denominated/indexed mortgage loans) in the Polish financial sector. The Polish Financial Supervisory Authority suggested a possible sector-wide solution in December 2020, which has, since then, been under consideration by Polish banks.

On 30 September 2023, Bank Millennium had 19,849 loan agreements and additionally 1,635 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (68% loans agreements before the courts of first instance and 32% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,780.4 million (Euros 818.3 million) and CHF 260.4 million (Euros 269 million). The breakdown of such claims by their respective origin is as follows: (Bank Millennium portfolio: PLN 3,467.9 million (Euros 750.6 million) and CHF 253 million (Euros 261.3 million) and former Euro Bank portfolio: PLN 312.4 million (Euros 67.6 million) and CHF 7.4 million (Euros 7.6 million). Out of 19,849 BM loan agreements in ongoing individual cases 207 are also part of class action. From the total number of individual litigations against the Bank approximately 2,000 or 10% were submitted by borrowers that had already fully repaid their loans at maturity or early or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 700 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 207 are also part of ongoing individual cases, 770 concluded settlements and 4 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022.

The advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against Bank Millennium (in addition, 236 against former Euro

Bank), in 2020 the number increased by 3,007 (265), in 2021 the number increased by 6,155 (423), in 2022 the number increased by 5,752 (408), while in the first three quarters of 2023 the number increased by 5,107 (444).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2023, 2,570 cases were finally resolved (2,493 in claims submitted by clients against Bank Millennium and 77 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 726 were settlements, 52 were remissions, 61 rulings were favourable for Bank Millennium and 1,731 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium files appeals against negative judgements of the courts of 1st instance declaring invalidation of loan agreements. Simultaneously Bank Millennium undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium (including the former Euro Bank portfolio) on 30 September 2023 was PLN 6,257 million (Euros 1,354.3 million) of which the outstanding amount of the loan agreements under the class action proceeding was PLN 814 million (Euros 176.2 million).

If all Bank Millennium’s originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,615 million (Euros 1,431.8 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the nine months of 2023, Bank Millennium created PLN 2,208.1 million (Euros 482.5 million) provisions for Bank Millennium originated portfolio and PLN 155.7 million (Euros 34 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of September 2023 was at the level of PLN 6,980.2 million (Euros 1,510.8 million), and PLN 536 million (Euros 116 million) for former Euro Bank originated portfolio.

The methodology developed by Bank Millennium of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(1) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon. As regards the increase in the number of future court cases, Bank Millennium monitors customer behaviors, follows market trends and expert comments, which resulted in the adjustment of previous assumptions. As a result, in the methodology of calculating provisions for legal risk in the case of active loans (loans with an outstanding balance as at the date of filing the lawsuit), Bank Millennium increased the estimated percentage of customers with active contracts who already filed or will decide to file a lawsuit against Bank Millennium to 77% of active loan agreements (compared to 70% at the end of 2nd quarter of 2023). As of end of September, Bank Millennium had 34,076 active CHF loan agreements. Another 20,355 agreements have been subject of a settlement agreement with the borrowers and about 45,000 loans have been naturally or early fully repaid or converted to polish zloty and not subject of a settlement agreement. Regarding loans already fully repaid or converted to polish zloty, Bank Millennium attributes a much lower probability of becoming the subject of a court case based on statistical analysis. In particular: a) Bank Millennium assesses the risk connected with the settlements reached with the clients in the past as negligible b) from the group of loans that have been repaid (naturally or early or converted into polish zloty loan) and were not subject of a settlement agreement, Bank Millennium assumes that about 1.3 thousand will decide to sue Bank Millennium in the future.

(2) the currently estimated amount of Bank Millennium's potential loss in the event of a specific court judgment;

(3) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained;

(4) in accordance with legal opinions, Bank Millennium does not include in the methodology for calculating provisions the element related to the potential claim for remuneration for the client in connection with the repayments made by him;

(5) estimates involved with amicable settlements with clients, concluded in court or out of court:

a) Bank Millennium assumes 12% probability of success of reaching a settlement within negotiations made with clients during court proceedings;

b) negotiations in court or out of court are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

c) due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

Bank Millennium is open to negotiate case-by-case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 20,355: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022 and 2,600 in the first three quarters of 2023. As of the end of the third quarter of 2023, the Bank had 34,076 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 1,220 million (Euros 266.6 million): PLN 44.4 million (Euros 9.7 million) in 2020; PLN 364.6 million (Euros 79.7 million) in 2021; PLN 515.2 million (Euros 112.6 million) in 2022 and PLN 295.8 million (Euros 64.6 million) in the first three quarters of 2023 is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement.

The legal risk from former Euro Bank portfolio is fully covered by an indemnity agreement with Société Generale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss
Change in the number of litigations	In addition, 1,000 new customers file a lawsuit against the Bank	PLN 173 million (EUR 37.4 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 70 million (EUR 15.2 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 21 million (EUR 4.5 million)

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF mortgage loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. As of the date of this Offering Circular, Bank Millennium has not taken any decision regarding the implementation of this solution but cannot exclude implementing it in the future. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF mortgage loans. Bank

Millennium in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the Court of Justice of the European Union ("**CJEU**") verdict in case C-520/21 (below described), the possibility of successful implementation of a general offer of KNF solution is low.

Finally, it should also be mentioned that Bank Millennium, as at 30 September 2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

CJEU and Supreme Court rulings relevant to risk assessment

Jurisprudence of Court of Justice of the European Union

On 3 October 2019, the CJEU issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that:

(i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract;

(ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract;

(iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs;

(iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13

is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 18 November 2021, the CJEU issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) the content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) a national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the CJEU issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be 'duly informed and reasonably observant and circumspect average consumers'.

On 8 September 2022, the CJEU issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a

provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On 16 March 2023, the CJEU issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that:

(i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed.

(ii) a national court is not allowed, first, to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and, second, to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

(iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

On 8 June 2023, the CJEU issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that:

(i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of 'consumer', within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract.

(ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of 'consumer', within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital

between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On 15 June 2023, the CJEU issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On 15 June 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

(i) the provisions of the Directive do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected.

(ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On 21 September 2023, the CJEU issued a judgement in a case registered under case number C- 139/22, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium. The CJEU stated that:

(i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;

(ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;

(iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

Jurisprudence of the Polish Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. an abusive contractual clause (art. 385(1) § 1 of the Polish Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

2. if without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Polish Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Polish Civil Code is a special provision to Article 353(1) of the Polish Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of Bank Millennium's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that Bank Millennium is entitled to a refund of the cash benefit provided by Bank Millennium in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, Bank Millennium, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. Bank Millennium's demand consists of a claim for return of the capital made available to the borrower under the contract. After the CJEU verdict of 15 June 2023, in case C-520/21, it seems that the issue that requires further analysis is whether the return of the originally disbursed capital should be made at nominal value or with the loss of purchasing power of money taken into account. By 30 September 2023, Bank Millennium filed 4.8 thousand lawsuits against the borrowers.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, Bank Millennium will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

Due to the complexity and uncertainty regarding the outcome of court cases, including counterclaims, as well as from potential implementation of the PFSA Chairman solution or other negotiation solutions or from potential Supreme Court decisions or CJEU decisions, it is difficult to reliably estimate final impacts from different potential outcomes as at the date of this Offering Circular.

The Bank is exposed to the credit risk of its customers.

The Bank is exposed to its customers' credit risk. Gross exposure to risk of credit (position in original risk) on 30 June 2023 was EUR 107.1 billion.

As at 30 June 2023, the breakdown of this exposure was the following: EUR 23.0 billion for central governments or central banks, EUR 1.2 billion for regional administrations or local authorities, EUR 0.4 billion for administrative entities and non-profit organisations, EUR 0.2 billion for multilateral development banks, EUR 2.8 billion for other credit institutions, EUR 69.7 billion for retail and companies customers and EUR 9.8 billion for other elements.

According to Banco de Portugal latest available data, Portugal's NPL coverage by loan loss reserves ("**LLR**") was 56.3% in March 2023 and the NPL ratio (loans only) stood at 3.1%. The Bank NPEs (loans only) as at 30 June 2023 were EUR 2.1 billion (3.7%) with a coverage by impairments of 73.6% and a coverage by impairments, collaterals of 117.6%. The Bank NPE ratio according to the European Banking Association (the "**EBA**") definition stood at 2.5% as at 30 June 2023, which compares to 2.8% as at 30 June 2022.

The risk of a worldwide economic slowdown as a result of the adverse effects of the war between Russia and Ukraine, namely through the worsening of inflationary pressures, restrictions in production chains and the increase in uncertainty and instability in international financial markets may prove to be a challenge in

continuing reducing the exposure to problematic loans, at least at the same pace as in previous years, and also may create some pressure to increase somewhat the cost of risk in the next 12 to 24 months.

A general deterioration of the Portuguese economy (and/or of the global economy) and the systemic risk of financial systems due to structural imbalances could affect the recovery and value of the Bank's assets and require increased credit impairments, which would adversely affect the Bank's financial condition and results of operations. This could further increase the Bank's NPL and NPE ratios and impair the Bank's loan portfolio and other financial assets.

The Bank is exposed to further deterioration of asset quality.

The value of assets collateralising the Bank's secured loans could decline significantly as a result of a general decline in market prices or a decline in the value of the asset class underlying the collateral, which could result in an increase of the impairment recognised for the collateralised loans granted by the Group. In 2022, the Group's commercial activity continued its good performance, albeit at a more subdue pace, with further expansion of the volume of the loan portfolio. Finally, a decline in equity and debt market prices could also have an impact on the quality of the Bank's collateral linked to financial assets leading to a reduction in coverage ratios.

Although the Portuguese macroeconomic recovery and considering the Bank's older loan exposures to some of the more vulnerable sectors in the economy, in 2022, the Bank continued to increase the level of coverage through impairments.

Regarding exposures classified as NPEs as at 31 March 2018 (stock of NPEs as at 31 March 2018):

- For guaranteed NPEs older than 7 years, the NPE recommendation included in the 2019 SREP decision indicated 60% coverage by the end of 2021, with a linear adjustment path to full coverage by the end of 2025 (BCP had 84% coverage as of June 2023);

- For unsecured NPEs older than 2 years, the NPE recommendation included in the 2019 SREP decision indicated 70% coverage by the end of 2021, with a linear adjustment path to full coverage by the end of 2024 (BCP had 80% coverage as of June 2023).

Based on the SREP carried out in 2021, the ECB informed BCP of its supervisory recommendations regarding NPEs. The objective is to ensure that BCP has sufficient coverage of the stock and flow of NPE in the medium term.

A phased introduction to full application (i.e., 100% coverage) is considered to allow more time to resolve/reduce these exposures and to spread the financial burden of provisioning NPEs over time.

The Bank's consolidated gross loan portfolio, as at 30 June 2023, was EUR 57.9 billion (of which EUR 56.0 billion were recorded in the caption "Financial assets at amortised cost – Loans to customers", EUR 1.9 billion were recorded in the caption "Debt securities held associated with credit operations" and EUR 0.012 billion were recorded in the caption "Financial assets not held for trading mandatorily at fair value through profit or loss - Loans and advances to customers at fair value"). The ratio of NPEs (loans only) stood at 3.7% as at 30 June 2023, compared to 4.3% as at 30 June 2022. As at 30 June 2023, the loan portfolio in Portugal amounted to EUR 39.9 billion. In Portugal, the ratio of NPEs stood at 3.2% as at 30 June 2023, compared to 4.0% as at 30 June 2022.

NPEs in Portugal amounted to EUR 1.26 billion as at 30 June 2023, with EUR 0.3 billion of NPEs relating to individuals and EUR 0.9 billion to companies. 30.2% of NPEs are NPLs more than 90 days. NPE coverage as at 30 June 2023 was 142% for Companies (92% by LLRs, 48% by real estate collateral and 3% by other collateral) and 100% for Individuals (29% by LLRs, 70% by real estate collateral and 1% by other collateral). NPLs more than 90 days' coverage as at 30 June 2023 was 258% for Companies (220% by LLRs, 34% by

real estate collateral and 3% by other collateral) and 100% for Individuals (42% by LLRs, 58% by real estate collateral and 1% by other collateral). Other NPE coverage as at 30 June 2023 was 109% for Companies (54% by LLRs, 52% by real estate collateral and 2% by other collateral) and 100% for Individuals (18% by LLRs, 80% by real estate collateral and 2% by other collateral).

Loan impairment (net of recoveries) amounted to EUR 145.5 million as at 30 June 2023 recorded in the caption "Impairment for financial assets at amortised cost – Loans and advances to customers", compared to EUR 300.6 million as at 31 December 2022, recorded in the caption "Impairment for financial assets at amortised cost – Loans and advances to customers" and EUR 348.9 million in 2021, recorded in the caption "Loans impairment". From 2011 to 30 June 2023, the Bank made impairment provisions amounting to EUR 9.6 billion. Cost of risk[1], measured by the proportion of loan impairment annualised charges (net of recoveries) compared to loans to customers (gross), stood at 50 basis points as at 30 June 2023, compared to 52 basis points in 2022, compared to 60 basis points in 2021 and 92 basis points in 2020. The persistence, or deepening, of the current crisis, general market volatility, sluggish economic growth and increased unemployment, coupled with inflation or a sharp increase in risk premiums required would lead to increased loan impairment costs and, consequently, to the reduction of the Bank's net income. In addition, the level of impairment and other reserves may not be sufficient to cover possible future impairment losses, and it may be necessary to create additional provisions of significant amounts. Any failure in risk management or control policies relating to credit risk could adversely affect the Bank's business, financial condition, results of operations and prospects.

In Poland, the NPL ratio as at 30 June 2023 was 2.1%, a decrease when compared to 2.0% as at 30 June 2022.

In Mozambique, the NPL ratio as at 30 June 2023 was 7.1%, a decrease when compared to 9.9% as at 30 June 2022.

Credit risk and deterioration of asset quality not only are mutually reinforcing, but also assume an important role in the current economic environment characterised by the adverse effects of the war between Russia and Ukraine, namely through the worsening of inflationary pressures and restrictions in production chains and the increase in uncertainty. If there is any reduction in the value of assets securing loans that have been granted or if the value of assets is not sufficient to cover the exposure to derivative instruments, the Bank would be exposed to an even higher credit risk of non-collection in the case of non-performance, which, in turn, may affect the Bank's ability to comply with its payment obligations. The Bank cannot guarantee that it would be able to realise adequate proceeds from disposals of collateral to cover loan losses, or that in the fiscal year 2023 and/or in future reporting periods, it will not raise impairment charges from recent levels. Deterioration in the credit risk exposure of the Bank may have a material and adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to net loss and other adverse consequences.

As from 20 September 2023, the interest applied by the ECB to the main refinancing operations is 4.50%, while the one that applies to permanent deposit facilities is 4.00%. These two interest rates serve as determinant references for the level at which market interest rates are established (in particular, EURIBOR).

The Bank's profitability depends largely on its ability to generate a net interest income (the difference between the interest rates received in credit operations and the interest rates paid to deposits).

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[1] As used in this Offering Circular, "**Cost of risk**" means the ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

A significant part of the Bank's funding comes from retail deposits. In a positive and increasing interest rate environment, the Bank may increase the remuneration rate of such deposits following the increase of the interest rate applicable to credit operations.

Interest rates are highly sensitive to many factors beyond the Bank's control, including policy changes of the monetary authorities and other national and international political constraints. Changes in market interest rates could affect the interest rates the Bank charges on interest-earning assets differently from those it pays on interest-bearing liabilities. These differences could impact the Bank's net interest income.

An increase of interest rates in the Eurozone, as result of a non-transitory surge in inflation, could increase the costs associated with debt repayment in Portugal and aggravate the financial conditions of the country in general, namely if the interest rate increase is not adequate for the particular macroeconomic conditions of the Portuguese economy. An increase in interest rates could reduce demand for loans and the Bank's capacity to grant loans to customers, contribute to increased loan default and/or increased interest expense with deposits. This could result in material adverse effects on the Bank's business, financial condition, results of operations and prospects.

Interest rate changes or volatility may materially and adversely affect the Bank's net income, business, financial condition, results of operations and prospects.

The Bank is exposed to concentration risk, including concentration risk in its credit exposure.

The Bank is exposed to the credit risk of its customers, including risks arising from the high concentration of individual or economic group exposures in its loan portfolio. The Group’s 20 largest performing exposures (non-NPE), as at 30 June 2023, in terms of Exposure at Default and using the concept of “Groups of Clients/Corporate Groups”, excluding the risk classes of “Banks and Sovereigns” stood at 6.3% which compares to 6.4% as at 31 December 2022.

The Bank also has high sectoral concentration in its loan book. As at 30 June 2023, the Bank's credit exposure to the real estate and civil construction sectors was 3.6% (real estate activities) and 2.7% (construction companies) of the total loan portfolio at the amortised cost (gross). On that date, 48.3% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6.9% and the exposure to service sector companies was 14.5%.

As at 31 December 2022, the Bank's credit exposure to the real estate and civil construction sectors was 3.5% (real estate activities) and 2.4% (construction companies) of the total loan portfolio at the amortised cost (gross). On that date, 48.8% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 5.7% and the exposure to service sector companies was 13.9%. As at 31 December 2021, the Bank's credit exposure to the real estate and civil construction sectors was 3.3% (real estate activities) and 3.0% (construction companies) of the total loan portfolio at the amortised cost (gross). On that date, 48.3% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 7.3% and the exposure to service sector companies was 14.3%.

As at 31 December 2020, the Bank's credit exposure to the real estate and civil construction sectors was 3.4% (real estate activities) and 3.2% (construction companies) of the total loan portfolio at the amortised cost (gross). On that date, 47.5% of the loan portfolio consisted of mortgage loans, the exposure to retail and commerce was 7.2% and the exposure to service sector companies was 14.8%.

Concentration is common for most of the main Portuguese banks, given the small size of the Portuguese market, and has been noted by the rating agencies as a fundamental challenge facing the Portuguese banking system. Rating agencies have been particularly critical of the Bank's exposure to larger customers and, especially, exposure to its shareholders. Although the Bank carries out its business based on strict risk control policies, in particular with respect to credit risk, and seeks to increase the diversification of its loan portfolio, it is not possible to guarantee that the exposure to these groups will not be increased or that exposure will

fall in the future. If exposure increases in the future, it could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to a contraction of the real estate market.

The Bank is highly exposed to the Portuguese real estate market by means of the credit granted to construction companies, real estate activities, and mortgage loans, which represented 2.7%, 3.6% and 48.3% of the consolidated loan portfolio at the amortised cost, respectively, as at 30 June 2023 in assets related to its operations or obtained in lieu of payment, and indirectly through properties securing loans or through funding of real estate development projects (assets received in lieu of payment in Portugal represented 0.2% of total assets of the Bank as at 30 June 2023), and through the exposure to closed-ended real estate funds and to the pension fund and real estate properties in the Bank's balance sheet.

Assets held on the Bank's balance sheet received in lieu of payment (real estate assets only) decreased from EUR 804 million as at 31 December 2020, to 565 million as at 31 December 2021, to EUR 262 million as at 31 December 2022 and EUR 192 million as at 30 June 2023 (impairments of EUR 140 million as at 31 December 2020, 116 million as at 31 December 2021, EUR 78 million as at 31 December 2022 and EUR 66 million as at 30 June 2023). The coverage of assets received in lieu of payment stood at 17.4% as at 31 December 2020, 20.5% as at 31 December 2021, 29.8% as at 31 December 2022 and 34.4% as at 30 June 2023. In the first semester of 2023, the Bank sold 574 properties, from its portfolio of properties for EUR 64 million, above its book value of EUR 57 million.

The exposure to closed-end investment funds, whose units were received following operations where properties were recovered in lieu of payment and that, in accordance with IAS/IFRS, were subject to consolidation, represented EUR 91 million as at 30 June 2023 (EUR 267 million as at 31 December 2022).

The Bank also performed a set of transactions involving the sale of financial assets to funds specialising in the recovery of loans, including Fundo Reestruturação Empresarial FCR, Fundo Recuperação, FCR, Fundo Aquarius FCR, Discovery Real Estate Fund and Fundo Vega FCR.

The item Properties in the Pension Fund Assets, which includes the real estate booked in the pension fund's financial statements and used by Group companies, in the pension fund amounted to EUR 281 million recorded as at 30 June 2023 and EUR 275 million as at 31 December 2022. Accordingly, the Bank is vulnerable to a contraction in the real estate market. A significant devaluation of prices in the Portuguese real estate market would lead to impairment losses in the assets directly held and to an increased exposure to counterparty risk for loans guaranteed by real estate collateral and in pension fund assets, adversely affecting the Bank's business, financial condition and results of operations. mortgage loans represented 48.3% of the total loan portfolio as at 30 June 2023) (48.8% as at 31 December 2022), with a low delinquency level and an average loan-to-value ratio of 60%. Although Portugal did not face a housing bubble during the recent financial crisis as did other European countries, such as Ireland and Spain, the economic and financial crisis still had an impact on the real estate market. Portuguese banks are granting a low amount of new mortgage loans with very low spreads, and real estate developers have encountered a difficult market for sales. Moreover, there was a reduction in public works activity that severely affected construction companies, which had to redirect their activities to foreign markets. Furthermore, difficult credit conditions associated with the contraction of tourism have affected certain real estate developers that had been involved with tourism related projects, in particular in the southern part of Portugal. All of the aforementioned effects have increased delinquency among construction companies and real estate developers, impacting the Bank's NPEs (loans only) and contributing to the increase in impairment charges.

A significant devaluation of prices in the Portuguese real estate market may lead to an increase in impairment losses in the assets held directly and in the participating units of the restructuring funds, and increased exposure in counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank. Any of the foregoing could have a materially adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank holds units issued by specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no regularly functioning and liquid secondary market.

The Bank performed a set of transactions comprising the sale of financial assets (namely loans to corporate customers) to funds specialising in loan recovery. These funds currently manage such corporate debtors and/or the assets received as collateral for the credit exposures with the objective of maximising their value through the implementation of turn-around business plans and their eventual sale to industry players or other investors. The credit exposures sold through these transactions were removed from the Bank's balance sheet, as the transactions result in the transfer of a substantial portion of the risks and benefits associated with the assets to the funds, in addition to control exercised over such assets.

The funds specialised in credit recovery that purchased the financial assets from the Group are closed-end funds, wherein the participants have no ability to request the reimbursement of their investment throughout the contractual life of the fund. Furthermore, given their intrinsic characteristics and those of the underlying assets, there is no regularly functioning and liquid secondary market operating for the participation units themselves.

These participation units are held by several banks, which were the sellers of the loans, in proportions that vary through the tenor of the funds, though subject to the constraint that no bank may hold more than 50% of the capital of each fund.

On 29 December 2022, upon verification of the stipulated conditions precedent of the sale and purchase agreements entered into on 12 August 2022 between a related company of Davidson Kempner Capital Management LP, as purchaser ("**Purchaser**"), Novo Banco, S.A., Caixa Geral de Depósitos, S.A., Banco Santander Totta, S.A., Oitante, S.A. and the Bank, as sellers ("**Sellers**"), the Bank completed the sale process of the so-called Project Crow.

As a result of the closing of the Project Crow:

(i) the Sellers' participation units in Fundo de Recuperação Turismo, FCR ("**FRT**") together with the assets directly and indirectly held by FRT were transferred to the Purchaser;

(ii) the Sellers' shares in FLIT – PTREL, SICAV-SIF, S.C.A. ("**FLIT**") together with the assets directly and indirectly held by FLIT were transferred to the Purchaser;

(iii) certain hospitality assets indirectly held by Fundo Recuperação, FCR were acquired by FLIT prior to the conclusion of the transaction; and

(iv) certain assets indirectly held by FLIT and FRT were transferred to certain entities held or controlled by the Sellers.

The Bank's current exposure to funds specialised in the recovery of loans, recorded in the caption "Financial assets not held for trading – mandatorily at fair value through profit or loss", not including the carved-out assets from the Crow Project mentioned in the following paragraph, was EUR 360 million as at 31 December 2022 (gross of the above-mentioned provisions). For further details on this topic, please also see "*The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results.*"

At the end of December 2022, the designated sale process for the Crow Project was completed, which included the sale to a related company of Davidson Kempner Capital Management LP (Purchaser) of 3 hotel assets belonging to the Fundo Recuperação and the sale of all shares/units of participation of the FLIT-PTREL and Fundo Recuperação Turismo funds, together with the assets directly and indirectly held by these two funds, with the exception of a set of assets that were transferred to the sellers and which, in the case of

Banco Comercial Português, S.A. include the investment held in a Venture capital fund, in 2 real estate funds and in a company. Carved-out assets of the Project Crow, completed in December 2022, amounted to EUR 50.4 million. Exposure to other assets Carved-out amount to EUR 56.4 million as at the end of 2022.

A possible deterioration in the prospects for recovery of the loans transferred to specialised closed-end funds may result in the devaluation of the net assets attributable to unit holders ("**NAV**") of the held participation units and may lead to the recognition of additional impairments.

As a consequence of the uncertain geopolitical situation in Europe following the invasion of Ukraine and considering the impact of the pandemic in economic sectors such as tourism and real estate (two of the most represented sectors in the loans transferred to these funds), there is the risk of depreciation of the NAV of the participation units held by the Bank, as well as a delay and a deterioration in the terms of the potential sale of the participation units. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to counterparty risk, including credit risk of its counterparties.

The Bank routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients.

Sovereign credit pressures may weigh on Portuguese financial institutions, limiting their funding options and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity concerns have adversely impacted, and may continue to adversely impact, interim institutional financial transactions in general. Concerns about, or a default by, one financial institution could lead to significant liquidity problems and losses or defaults by other financial institutions, as the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing and other relationships. Many of the routine transactions the Bank enters into expose it to significant credit risk in the event of default by one of its significant counterparties. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-side liquidity pressures or losses or ultimately to an inability of the Bank to repay its debt. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be enforced upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure. A default by a significant financial and credit counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Exposure to credit risk may also derive from the collaterals of loans, interbank operations, clearing and settlement and trading activities as well as other activities and relationships. These relationships include those with retail customers, brokers and dealers, other commercial banks, investment banks and corporate borrowers. Most of these relationships expose the Bank to credit risk in the event of default by the counterparty or customer.

Adverse changes in the credit quality of customers and counterparties of the Bank, a generalised deterioration of the Portuguese or global economies or the systemic risk of financial systems due primarily to structural imbalance could affect the recovery and value of the Bank's assets and require increased impairments, which would adversely affect the Bank's business, financial condition, results of operations and prospects.

As the Bank expands its business activities, penetrates new market segments and adopts or acquires, directly or through subsidiaries, new business models, such as consumer lending to new-to-bank customers, or franchisee-owned branch networks, it may acquire customers with lower credit quality, which, if such new pursuits were to grow and acquire a significant weight in the business portfolio, could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank sells capitalisation insurance products with guaranteed principal and unit linked products, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from the Group's shareholding in Millenniumbcp Ageas.

As at 31 December 2022, off-balance sheet customer funds totaled EUR 15.7 billion, consisting of assets under management (EUR 5.4 billion), assets placed with customers (EUR 5.4 billion) and insurance products (EUR 4.9 billion), including unit linked products (EUR 1.0 billion) and capitalisation insurance (EUR 3.7 billion), with only the latter being able to ensure capital or a minimum income.

All financial insurances are predominantly placed with retail investors, those being in their majority issued and accounted by Millenniumbcp Ageas (in which the Bank has a 49% shareholding) and registered by the equity method. Therefore, adverse changes in the underlying assets, a general deterioration of the global economy, or the systemic risk of financial systems due to structural imbalances may affect the recovery and value of such assets, entailing reputational risks for the Bank as a seller of these products as well as financial risks indirectly arising out of the shareholding held by the Group in Millenniumbcp Ageas. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to the risk of interest rate repricing of credit granted to customers.

Mortgage loans represented 48.3% of BCP's total loan portfolio at the amortised cost (consolidated) as at 30 June 2023. The average spread of the mortgage loans portfolio in Portugal stood at 1.22% and 55.0% of the balance of mortgage loans had spreads under 1%. As at 30 June 2023, 53% of the contracts and 33% of the balance of the mortgage loans portfolio in Portugal were indexed to EURIBOR 3 months, and 26% of the contracts and 38% of the balance of the portfolio were indexed to EURIBOR 12 months.

The Bank, along with other banks in Portugal, limited the granting of new mortgage loans. During the year of 2023, 7,637 new mortgage credit operations were contracted with an average spread of 0.96%, compared to 20,884 new mortgage credit operations contracted year-on-year with an average spread of 1.03% in 2022. The Bank cannot unilaterally change the contractual terms of the loans that make up its portfolio of mortgage loans and it has proven extremely difficult to negotiate the extension of the maturity of these contracts. The resulting limitation of this contractual rigidity has a significant impact on net interest income. In addition, given the current low demand for credit by companies, the Bank may also experience difficulties in changing the mix of its loan portfolio which would make it difficult to offset the impact of reduced spreads on mortgages in the average spread of the loan portfolio.

After a period in which banks implemented policies of interest rate repricing on loans, mainly directed at loans to companies, a reduction of corporate and consumer loans spreads may be observed in the future, given the weak credit dynamics in the Portuguese corporate sector and the increasing competition in the banking sector. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Furthermore, a continuation of the historically low interest rate environment may adversely affect the Bank's net interest income, which in turn would likely have an adverse effect on the Bank's profitability.

Financial problems faced by the Bank's customers could adversely affect the Bank.

A scenario of increase in inflation followed by deceleration of GDP, particularly in Portugal and in other European countries, could have an adverse effect on the liquidity, the activity and/or the financial conditions of the Bank's customers, which could in turn further impair the Bank's loan portfolio.

The Bank's customers' levels of savings and credit demand are dependent on consumer confidence, employment trends, the state of the economies in countries where the Bank operates, and the availability and cost of funding. In addition, customers may further significantly decrease their risk tolerance to non-deposit based investments such as stocks, bonds and mutual funds. This would adversely affect the Bank's fee and

commission income. Any of the conditions described above could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank faces strong competition in its main areas of activity, notably in the retail business.

The Portuguese banking market is well developed, containing major national and foreign competitors which follow multi-product, multi-channel and multi-segment approaches and are, in general, highly sophisticated. Over recent years, there have been significant developments of banking operations through the internet and the use of new technology that have enabled banks to assess the needs of their customers with greater accuracy and efficiency. These factors have contributed to an increase in competition in the Portuguese banking sector, with recent entrants such as Bankinter and Banco CTT who may adopt aggressive commercial practices in order to gain market share. The sale process of Novo Banco could add to increased competition as the bank was acquired by an institution with no prior presence in the Portuguese banking system. Furthermore, many Portuguese banks are dedicated to increasing their market shares by launching new products, implementing cross-selling strategies and engaging in more aggressive commercial strategies. Additional integration of European financial markets may contribute to increased competition, particularly in the areas of asset management, investment banking, and online banking and brokerage services.

As at 30 June 2023, the Bank had 2.7 million active customers in Portugal and, the market share in Portugal (estimates based on figures disclosed by Banco de Portugal and other banking industry associations for aggregates of the financial system and with adjustments for statistical standardisation) was the following in June 2023: 17.3% in loans to customers, 15.5% in loans to individuals, 17.0% in mortgage loans, 9.5% in consumer credit, 20.2% in customer funds, 20.0% in on-balance sheet customer funds, 19.0% in deposits and 20.9% in off-balance sheet customer funds.

The Bank's financial success depends on its capacity to maintain high levels of loyalty among its customer base and to offer a wide range of competitive and high-quality products and services to its customers. However, high levels of competition in Portugal, as well as in other countries where the Bank operates and an increased emphasis on cost reduction may result in the Bank's inability to maintain these objectives. In addition, on 30 June 2023 the Bank operated 402 branches, working towards its goal of becoming a more digital bank. This resulted in the downsizing of the Bank's branch network and consequently in BCP's branches' market share in Portugal. This may result in a weaker competitive position in the Portuguese retail market. As a consequence, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Moreover, as at 30 June 2023, around 3.8% of the Bank's total domestic customers also held ordinary shares of the Bank (around 3.8% as at 31 December 2022). If the price of the Bank's ordinary shares continues to decline, this could lead to shareholder dissatisfaction and, to the extent that such shareholders are also customers of the Bank, this could result in broader customer dissatisfaction, any of which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

There is no assurance that the Bank will be able to compete effectively, or that it will be able to maintain or improve its operational results. Such inability to compete or maintain results could also lead to a reduction in net interest income, fees and other income of the Bank, any of which could have a further significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank may generate lower revenues from commissions and fee-based businesses.

In the first semester of 2023, more than 86% of the fees and commissions were related to banking (32% to cards and transfers, 17% to loans and guarantees, 18% to bancassurance and others, 21% to customer account related fees), with market related fees and commissions accounting for the remaining. A decrease in the volume of lending transactions that the Bank executes with its customers could result in lower commissions derived from banking operations and guarantees. Moreover, changes to market sentiment could lead to market downturns that are likely to impact transactional volume, therefore leading to declines in the Bank's

fees. In addition, as the fees that the Bank charges for managing its' clients' portfolios are, in many cases, based on the value or performance of those portfolios, a market downturn that reduces the value of the Bank's clients' portfolios or increases the amount of withdrawals would reduce the revenue the Bank receives from its asset management, private banking and custody services. Revenue derived from the Bank's asset management business could also be impacted by below market performance by the Bank's securities investment funds, which could lead to increased withdrawals and reduced inflows. An increase in withdrawals and a reduction in inflows could have a significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult.

The Bank's ratings are assigned by Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch Ratings Limited and DBRS Ratings GmbH, or any of its affiliates or successor. The ratings as of the date of this Offering Circular are the following: (a) Moody's: "Baa2 (long-term)/P-2 (short-term)" (re-presented as at 22 November 2023), (b) S&P Global Ratings Europe Limited: "BBB- (long-term)/A-3 (short-term)" (re-presented as at 12 September 2023), (c) Fitch Ratings Limited: "BBB- (long-term)/F3 (short-term)" (re-presented as at 21 September 2023) and (d) the relevant DBRS entity: "BBB (long-term)/R-2 (high) (short-term)" (re-presented as at 18 December 2023).

Credit ratings represent an important component of the Bank's liquidity profile and affect the cost and other terms upon which the Bank is able to obtain funding. Changes to the Bank's credit ratings reflect, apart from changes to the rating of the Portuguese Republic, a series of factors intrinsic to the Bank. Currently, the senior debt ratings assigned to the Bank are all investment grade.

The progress achieved in recent years in improving the asset quality of BCP - through the reduction of NPE - as well as the strengthening of capital and liquidity position, has had a favourable impact on the performance of the Bank despite the challenging context. However, the still high values of problematic assets in BCP's balance sheet compared to peers remains, alongside with the CHF legal risk in Poland, the main concerns of rating agencies.

In 2022 and 2023, some rating agencies took rating actions on BCP:

(i) on 14 June 2022, Moody's upgraded senior unsecured debt ratings from Ba1/NP to Baa3/P-2;

(ii) on 16 September 2022, S&P upgraded senior unsecured debt ratings from BB/B to BB+/B. This rating action was prompt by the upgrade of Portugal's public debt rating from BBB/A-2 to BBB+/A-2 on 9 September 2022;

(iii) on 29 September 2022, Fitch revised the Outlook to Positive and affirmed senior unsecured debt ratings at "BB". These actions by the rating agencies reflect the persistence of some risks, such as the legal risk associated with the loan portfolio denominated in CHF in Poland, the continuing high stock of NPEs albeit decreasing (some uncertainty regarding the evolution of the defaults) and the moderate levels, in relative terms, of capitalisation levels;

(iv) on 17 March 2023, Fitch upgraded long-term senior unsecured debt rating from BB to BB+;

(v) on 12 September 2023, S&P Global Ratings upgraded long-term senior unsecured debt rating from BB+ to BBB-;

(vi) on 21 September 2023, Fitch Ratings Limited upgraded long-term senior unsecured debt rating from BB+ to BBB-;

(vii) on 22 November 2023, Moody's upgraded senior unsecured debt ratings from Baa3/P-2 to Baa2/P-2;

(viii) on 18 December 2023, DBRS upgraded senior unsecured debt ratings from BBB (low)/R-2 (middle) to BBB/R-2 (high).

Any downgrade in the Bank's ratings may contribute to the erosion of the collateral eligible for funding by the ECB, as well as more restrictive access to funding and increased funding costs. Under such circumstances, the Bank may need to reinitiate its deleveraging process and reduce its activities, which could have a negative impact on the Bank's ratings. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Portuguese Republic is regularly subject to rating reviews by the rating agencies, which could affect the funding of the economy and the Bank's activity.

The rating agencies S&P, Moody's, Fitch Ratings and DBRS have downgraded the long and short-term ratings of the Portuguese Republic on several occasions since the beginning of the financial crisis due to the uncertainties and risks of a prolonged recession, the outlook for modest GDP growth, high levels of unemployment, limited fiscal flexibility, the high leverage of the private sector and the level of sustainability of Portuguese public debt. The long-term ratings of the Portuguese Republic as at the date of this Offering Circular are as follows: Moody's (A3/Stable), S&P (BBB+/Positive), Fitch Ratings (A-/Stable), DBRS (A/Stable) and Scope Ratings (A-/Stable).

Portuguese Republic credit ratings represent an important component condition to the Bank's own credit ratings given the connection between the rating of the sovereign and the rating of banking institutions in the rating agencies methodologies.

Any downgrade in the Portuguese Republic's ratings may contribute to the erosion of the collateral eligible for funding by the ECB, as well as more restrictive access to funding and increased funding costs, would worsen the economy's funding conditions and would have a negative effect on the Bank's credit risk and consequently on its business, financial condition, results of operations and prospects.

The Bank faces exposure to risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique).

The Bank faces exposure to risks in its operations in Poland and Mozambique, as well as a result of its equity accounted holding in Angola via Banco Millennium Atlântico, S.A. ("**BMA**"), whose materialisation in the future may have an adverse impact on the business, financial condition, results of operations and prospects of the Bank.

In the first semester of 2023, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR -69.5 million, compared to net profits (after income taxes and non-controlling interests) of a total EUR 423.2 million for the Bank as a whole. For the same period, net income in Poland was EUR 77.3 million, (EUR 38.7 million of which was attributable to the Bank) and net income in Mozambique was EUR 48.5 million, excluding discontinued operations (of which EUR 32.3 million was attributable to the Bank).

Poland

There is the risk that the implementation of more economic policy decisions, namely on the tax front, targeting the banking system by Polish authorities could negatively affect investors' confidence and the economic activity and, consequently, negatively impact the profitability of the Polish banking sector.

The removal of the peg of the EUR/CHF parity led to a significant appreciation of the Swiss franc ("**CHF**") against the euro and the zloty. The granting of loans in Swiss francs was a common practice of most Polish banks (and in other economies of Central and Eastern Europe) in the past. Bank Millennium granted mortgage loans in Swiss Francs until December 2008 and its Swiss francs mortgage loans portfolio as at 30 June 2023 stood at approximately EUR 2.1 billion (approximately 5.5% of the total loan portfolio in Poland, gross after legal risk provisions). The mortgage loans impaired ratio (stage 3)[2] stood at 4.5% as at 30 June 2023, which compares to 3.1% as at 31 December 2022.

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as Bank Millennium (including former Euro Bank portfolio) is concerned, from 2015 until the end of the first semester of 2023, 2,082 cases were finally resolved (2,011 in claims submitted by clients against Bank Millennium and 71 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 573 were settlements, 42 were remissions, 56 rulings were favourable for Bank Millennium and 1,411 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium files appeals against negative judgements of the courts of first instance. Simultaneously Bank Millennium undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

Emerging Markets

Angola and Mozambique present specific political, economic, fiscal, legal, regulatory and social risks that differ from those found in countries with European economic and political systems, including, but not limited to, those related to political and social environments, different business practices, logistical challenges, shortages of skilled labour, trade restrictions, macroeconomic imbalances and security challenges, which may negatively affect the Bank's business, financial condition, results of operations and prospects.

The Group's operations are currently exposed in particular to the political and economic conditions of Angola and Mozambique. These conditions also relate to the fact that structural improvements are still needed in many sectors in these markets, including transportation, energy, agriculture and mineral sectors, as well as land, social and fiscal reforms. Some of these markets may also suffer from geopolitical conflict, while a number of African states have unresolved political differences internally, regionally and/or internationally.

The Bank's operations in Mozambique and Angola markets may involve protracted negotiations with host governments, companies or other local entities and may be subject to instability arising from political, economic, military or legal disturbances. Both Mozambique and Angola impose certain restrictions due primarily to exchange policy controls and capital flows to and from other jurisdictions are likewise subject to such controls and restrictions. Therefore, the ability to transfer U.S. dollars and euro directly from local banks, including the repatriation of profits, is subject to official vetting. Transfers above a threshold amount may require government approval, which may not be obtained or may be subject to delays.

Any reduction in profits or increase in the responsibilities associated with the Bank's international operations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank.

Mozambique

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an

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[2] As used in this Offering Circular, "**mortgage loans impaired ratio (stage 3)**" means the ratio of mortgage loans classified as stage 3 (impaired loans) divided by total mortgage loans.

IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

In the context of the liquidation of Proindicus and MAM, the liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively. However, with respect to Proindicus, the BIM's credit claim is prejudiced by the settlement mentioned below.

An action brought on 27 February 2019 (amended on 30 April 2020), by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requested, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, BIM - Banco Internacional de Moçambique ("**BIM**") filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment

of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus was, in a court of law declared null and void.

However, on 30 September 2023, the Republic of Mozambique and the arranger and originating lender of the loan to Proindicus announced that they have settled amicably the legal proceedings in London concerning the loan to Proindicus and associated guarantee. This settlement was agreed with the majority lenders of the said credit facility, including BIM. The signing parties to the agreement have mutually released each other from any liabilities and claims relating to the loan to Proindicus.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. According with the Court decision these lawsuits must be judged trough a unitary trial that is scheduled to start on 3 October 2023 over twelve weeks period.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary BIM.

As at 30 September 2023, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to EUR 345.8 million (31 December 2022: EUR 347.6 million), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of EUR 136.2 million (31 December 2022: negative amount of EUR 139.4 million). BIM's contribution to consolidated net income for the first nine months of 2023, attributable to the shareholders of the Bank, amounts to EUR 44.8 million (30 September 2022: EUR 46.7 million).

As at 30 September 2023, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 41,096,531,000 corresponding to EUR 608.6 million (31 December 2022: MZN 57,909,918,000 corresponding to EUR 849.3 million) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 3,796,945,000 corresponding to EUR 56.2 million (31 December 2022: MZN 7,090,486,000 corresponding to EUR 104.0 million).

Additionally, BIM has also registered as at 30 September 2023, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,110,094,000 corresponding to EUR 268.2 million (31 December 2022: MZN 19,081,523,000 corresponding to EUR 279.8 million) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 1,026,143,000 corresponding to EUR 15.2 million (31 December 2022: MZN 4,818,871,000 corresponding to EUR 70.7 million).

The Bank's highly liquid assets may not cover liabilities to its customer base.

The Bank's main source of funding is its customer deposits (84% of the Bank's funding as at 30 June 2023). However, the persistence of interest rates at historically low levels (that are negative in some cases) over the

past few years has resulted in the Bank investing deposits into instruments with higher potential yield. The Bank's other possible funding sources include money market instruments, medium and long-term bonds, covered bonds, commercial paper, medium term structured products and the securitisation of its loan portfolio. The Bank has increasingly strengthened its own funds through capital increases (the most recent ones, amounting to EUR 1.33 billion and EUR 174.6 million through the Rights Offering and the private placement of 157,437,395 new shares, subscribed by Chiado, an affiliate of Fosun, completed in February 2017 and November 2016 respectively).

The Bank's LCR and the NSFR recorded as at 30 June 2023 were 214% and 155%, respectively, compared to a regulatory requirement of 100% (fully implemented) for both ratios. The leverage ratio stood at 6.4% (fully implemented) as at 30 June 2023, compared to a reference value of 3% (fully implemented).

In case the Bank is unable to maintain its buffer of liquid assets, its ability to repay its liabilities will be limited, which may represent a substantial adverse effect in its business, financial condition, results of operations and prospects.

The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group.

The Bank was subject to the 2023 EU-wide stress test conducted by the EBA, in cooperation with Banco de Portugal, the ECB, and the European Systemic Risk Board ("**ESRB**").

The 2023 EU-wide stress test did not contain a pass-fail threshold and instead was designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing the Bank’s ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022, and therefore does not take into account future business strategies and management actions and does not represent a forecast of Bank’s profits.

Detailed information on the results of Banco Comercial Português, S.A. in the stress test is available on the EBA website (*www.eba.europa.eu*). Considering the results of Banco Comercial Português, S.A., in the stress test, it should be highlighted the following:

(i) the application of the adverse scenario resulted in a reduction of 448 basis points in the fully loaded CET1 capital ratio at the end of 2025 versus the data as at December 2022 (which compares with an average reduction of 459 basis points in the universe of 70 banks submitted to this exercise);

(ii) the application of the base scenario resulted in an increase of 256 basis points in the fully loaded CET1 capital ratio at the end of 2025 versus the data as at December 2022 (which compares with an increase of 136 basis points).

New stress tests could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects. In addition, this may require management actions, such as reducing capital and/or leverage exposures and/or taking steps to conserve capital, which could include reducing discretionary payments (for example, potentially exercising the Issuer’s discretion to cancel (in whole or in part) interest payments in respect of the Notes).

As a consequence of SREP, excluding P2G, the minimum Group CET1 phased-in ratio required is 9.41% (4.5% Pillar 1, 1.41% Pillar 2 requirements, 2.5% CBR and 1.0% O-SIFI), the Group Tier 1 ratio is 11.38% and the Group total capital ratio is 14.0% from 31 December 2023. The Group's CET1 (fully implemented), Tier 1 and total capital ratios as at 30 September 2023 were 14.9%, 16.2% and 19.4%, respectively.

SREP may increase and an additional cushion may be requested.

In addition, Polish SREP requirements for 2024 are as follows: CET1 phased-in ratio required is 8.07%, the Tier 1 is 9.85% and the total capital ratio 12.21% from 1 January 2024. Bank Millennium's CET1, Tier 1 and total capital ratios as at 30 September 2023 were 13.5%, 13.5% and 16.6%, respectively. The Management Board of Millennium Bank has taken measures following such breach of capital ratios, including the launch of the Recovery Plan, notifying of the fact both Polish FSA and Bank Guarantee Fund. In the fourth quarter of 2022, capital ratios improved markedly, returning to levels above the minimum requirements. Bank Millennium expects to exit the Recovery Plan by the end of the first half of 2024. Consolidated total capital ratio increased to 16.6% at end of September 2023 from 14.4% at the end of December 2022, while consolidated Tier 1 ratio to 13.5%. This was an outcome of lower RWAs, first nine months of 2023 net income and fair value impact of the securities portfolio. On the other hand, minimum required ratios for Bank Millennium were lowered by the regulator during the fourth quarter 2023, as a result of the reduction of the P2R buffer in December 2023.

The Management Board of Millennium Bank intends to continue to increase capital ratios above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The coverage of pension fund liabilities could be insufficient, which would require an increase in contributions, and the computation of additional actuarial losses could be influenced by changes to assumptions.

The Bank has undertaken the obligation to pay pensions to its employees upon retirement or due to disability and other obligations, in accordance with the terms established in the Collective Labour Agreement of the Banking Sector. The Bank's liabilities are primarily covered by the pension fund, which is managed by Ageas - Sociedade Gestora de Fundos de Pensões, S.A. The total number of the pension fund participants was 26,929 as at 30 June 2023, 26,976 as at 31 December 2022, 27,123 as at 31 December 2021 and 27,431 as at 31 December 2020.

The liabilities related to retirement pensions and other employee benefits were wholly funded at levels above the minimum limits defined by Banco de Portugal, presenting a coverage level of 120% at the end of June 2023 (121% at the end of December 2022. As at 30 June 2023, the liabilities related to the pension fund and other employee benefits reached EUR 2.8 billion, compared with EUR 2,8 billion recorded as at 31 December 2022. In the first half of 2023, the pension fund recorded a positive 3.0% rate of return, whereas in 2022 it stood at negative 5.07%.

The level of coverage of pension fund liabilities could turn out to be insufficient. If the deterioration of global financial markets leads to lower investment income and, consequently, a lower value of the fund, this would result in actuarial losses for the year, which would be recognised against reserves in the financial year in which they were recorded. In the financial statements with reference to 31 December 2020, the discount rate was at 1.05% and the pension growth rate 0.5%. In the financial statements with reference to 31 December 2021, the discount rate was at 1.35% (1.45% in June 2021) and the pension growth rate 0.5%. In the financial statements with reference to 31 December 2022, the discount rate was at 4.17% and the pension growth rate 3.5% in 2023, 2.0% in 2024 and 0.75% in the following years. In the financial statements with reference to 30 June 2023, the discount rate was at 4.0% and the pension growth rate 2.0% in 2024 and 0.75% in the following years. The Bank shall re-evaluate the adequacy of its actuarial assumptions for the calculation of its liabilities with pensions on a semi-annual basis. Given the current inflationary environment the uncertainty about the assumptions of wages and pensions growth is a factor of risk. A decrease in level of the interest rates for the liabilities liquidation deadline or an increase in the pensions growth rate would imply a decrease in the Bank's own capital. A decrease of 25 bps in the discount rate results in a decrease of around EUR 87.9 million in the Bank's own capital, excluding the tax effect. An increase of 25 bps in the pensions' growth rate results implies a positive impact of around EUR 82.1 million in the Bank's own capital, excluding the tax effect.

The sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	30 June 2023		31 December 2022 (restated)	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	88,38	(82,501	87,93	(82,095)
Pension's increase rate	(91,181	95,19	(98,276	102,703
Salary growth rate	(18,498	22,11	(20,620	23,675

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	30 June 2023		31 December 2022 (restated)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	85,162	(85,786	83,017	(83,816

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Actuarial gains and losses resulting from the differences between the assumptions used and actual values (experience gains and losses) and the changes in the actuarial assumptions are recognised against shareholder equity. In the first semester of 2023, actuarial differences were recorded representing a positive EUR 28 million which compares to a negative EUR 376 million in 2022, which include impacts that are not actuarial differences but that result from the change of assumptions, whereas actuarial differences in 2021 were recorded representing a positive EUR 135 million. If there are shortfalls in the pension fund's rate of return, the Bank may have to increase its contributions, which would have an impact on the Bank's regulatory capital ratios. The Bank cannot guarantee that changes will not take place in the actuarial assumptions relating to the pension obligations and other employee benefits. Any changes in the assumptions could lead to additional actuarial losses which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Finally, the value of assets that are part of the pension fund depends on the future evolution of capital markets and of the real estate market, both of which could be affected by the uncertain geopolitical situation in Europe following the invasion of Ukraine.

A decline in capital and real estate markets could cause the value of the portfolio's assets to become insufficient to cover the liabilities assumed by the pension fund, adversely affecting capital ratios and the Bank's business, financial condition, own capital and prospects.

The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the conversion into capital of a potential special reserve that may have to be established according to the applicable legal framework, in particular in the case of negative net individual results. Changes in the law or a different interpretation of the relevant provisions of law may have an adverse impact on the capital ratio.

The Bank's deferred tax assets ("**DTAs**") (on a consolidated basis) as at 30 June 2023 correspond to EUR 2.84 billion, compared to EUR 2.93 billion as at 31 December 2022, and were generated by tax losses and temporary differences. The most notable sources of the Bank's DTAs non-dependent on future profitability are impairment losses amounting to EUR 919 million (EUR 982 million as at 31 December 2022) and related employee benefits amounting to EUR 757 million (EUR 836 million as at 31 December 2022).

Deferred taxes are calculated on the basis of the tax rates which are expected to be applicable at the time of the reversal of the temporary differences, which correspond to the approved or substantially approved rates at the time of the balance sheet. Assets and liabilities for deferred taxes are presented for their net value when, pursuant to the applicable laws, current tax assets may be compensated with current tax liabilities and when the deferred taxes relate to the same tax.

If the Bank is not able to generate enough taxable income to enable the absorption of the temporary differences deductible for tax purposes and the tax losses carry forward, the deferred taxes may not be recovered.

Additionally, the Bank may be forced to alter its evaluation as a result of corrections to the taxable income or to tax losses that it may be subject to or as a result of reductions of the tax rates.

The recoverability of DTAs depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was based on the projection of results for the period between 2023 and 2032. The projected results before taxes for the years 2023, 2024 and 2025 are consistent with the budget approved by the Board of Directors of the Bank in December 2022, which incorporates the priorities arising from the Strategic Plan 2021-2024. The assessment carried out on 30 June 2023 also considered, among other aspects, the impacts arising from the update of market interest rates and the most recent macroeconomic projections.

The abandonment of negative interest rates, which imposed a burden on banks, is favourably reflected in projected profitability and convergence towards medium/long-term metrics and trends consistent with commercial positioning and the coveted capture of efficiency gains, established in the review of the Strategic Plan 2021-2024 approved by the corporate bodies, highlighting:

(i) the improvement in net interest income, which mainly reflects the referred increase in market interest rates and also benefits from the preserving of the deposit base, the effort to grow credit and also the reinvestment of assets at the new interest rates;

(ii) the increase in commission income based on efficient and judicious management of commissioning and pricing;

(iii) the reduction of the cost of risk for levels in line with the Bank's current activity, with a lesser impact from the historical portfolios of NPE, foreclosed assets and FRE (Corporate Restructuring Funds), consolidated the reduction of these exposures achieved over the last years;

(iv) capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the staff reduction carried out in 2021.

The Bank's results in the first half of 2023 showed an overall positive performance compared to the approved budget. The perspectives regarding the macroeconomic and financial return, although without significant changes, has also evolved favorably. These circumstances and the assessment of their potential effect on projections of results reinforce the conclusion that all deferred taxes asset recognised with reference to 31 December 2022 are recoverable.

To estimate taxable net income for the periods of 2023 to 2032, the following main assumptions were considered:

The rules of the new tax regime of credit impairment were applied. In the application of these rules, the following assumptions were considered, in general terms:

(i) the impairment losses for credit risk relating to exposures analysed on an individual or collective basis, recognised in accordance with the applicable accounting and regulatory standards, were considered deductible for tax purposes;

(ii) impairment reversals created until 31 December 2021 not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2022-2024 submitted to the supervisory authority in March 2022, and also on the average reversal percentage observed in the last years of 2016 to 2022;

(iii) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures ("**NPE**");

(iv) the deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

(v) reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2022. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2022, compared to the amounts of reinforcements net of impairment recorded in those years;

(vi) the deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund;

(vii) the realisation of changes in the fair value of real estate investment funds was projected based on the information available in the management agreements of the funds in question for the period expected for the respective liquidation.

According to the estimate of future taxable income, the deferred taxes assets recorded as at 30 June 2023 and 31 December 2022 were considered adequate under the IAS 12 requirements.

Law 61/2014 approved an optional framework, with the possibility of subsequent waiver, according to which, upon certain events (including (a) annual net losses on the separate financial statements, as well as (b) liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective authorisation), the DTAs that have resulted from the non-deduction of expenses and of negative asset variations resulting from impairment losses in credits and from post-employment benefits or long-term employments, will be converted into tax credits. In the case of (a), a special reserve must be created in the amount of the tax credit resulting from the terms of such Law, enhanced with an increase of 10%, which is intended exclusively to be incorporated into the share capital. The creation of such special reserve implies a creation, simultaneously, of conversion rights and of a right to demand the issue of shares by the Bank in an amount equivalent to such special reserve granted to the Portuguese Republic ("**State Rights**"), such rights being acquirable by the shareholders through payment to the Portuguese State of the same amount. The tax credits can be offset against tax debts of the beneficiaries (or of any entity with head office in Portugal within the same group to which the special regime foreseen in the Corporate Tax Code is applicable or within the same prudential consolidation perimeter for the purpose of Regulation (EU) no. 575/2013, of the European Parliament and of the Council, as amended) or reimbursed by the Portuguese Republic. Due to this framework, the recovery of the DTAs covered by Law 61/2014's optional framework is not dependent on future profitability.

Law 23/2016, of 19 August 2016, limited the scope of the regime, determining that tax assets originated in expenses or negative asset variations accounted for after 1 January 2016 are not eligible for the optional framework. The framework set out in Law 61/2014 was further developed by (a) Ministerial Order ("*Portaria*") 259/2016, of 4 October 2016, on the control and use of the tax credit and (b) Ministerial Order ("*Portaria*") 293-A/2016, of 18 November 2016 (as amended by Ministerial Order ("*Portaria*") 60/2020, of 5 March 2020), concerning the conditions and proceedings for the acquisition by shareholders of the referred State Rights. Law 98/2019, of 4 September 2019, established a three-year deadline for the acquisition of the referred State rights by the shareholders, after which the Board of Directors of the issuing bank is obliged to promote the record of the share capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, such rights are subject to an acquisition right by the shareholders on the date of their creation exercisable in periods to be established by the Board of Directors until three years after the date of the confirmation date of the tax credit resulting from the conversion of the deferred tax assets by the Portuguese Tax Authorities. The issuing bank has to deposit in the name of the Portuguese State the amount of the price corresponding to the exercise of the acquisition right of all the conversion rights, within three months beginning from the confirmation date of the deferred tax assets into tax credit, ahead and independently of their acquisition. Such deposit is redeemed when and to the extent that the State Rights are acquired by shareholders or are exercised by the State.

As disclosed in due course, pursuant to the General Meeting held on 15 October 2014, the Bank adopted the optional framework approved by Law 61/2014 described above. The Group's CET1 ratio, fully implemented as at 31 December 2022, corresponds to 12.6% and already incorporates the effects of the application of the new framework which became effective on 1 January 2015.

The Bank's net result (on an individual basis) as at 31 December 2022 was EUR 478 million; there is no guarantee that the net result in the following years will be positive.

If the Bank registers a net loss as at the end of a financial year, on an individual basis, then, under the provisions of Law 61/2014, the Portuguese Republic will be granted State Rights, exercisable after the mentioned period of up to three years, during which shareholders will have the opportunity to acquire such conversion rights from the State. If shares are finally issued pursuant to the exercise of such conversion rights, this would dilute the remaining shareholders of the Bank. Among other factors that may affect the recoverability of the deferred tax assets and their composition regarding the deferred tax assets that fall within the scope of Law 61/2014, the interpretation of the tax law is relevant, as well as the performance of several operations in 2021, 2022 and 2023.

In the 2015 and 2016 financial years, the Bank registered deferred tax assets regarding expenses and negative asset variations with post-employment or long-term employment benefits and credit impairment losses accounted for up to 31 December 2014, which assets the Bank deems eligible for the purposes of the framework approved by Law 61/2014. A change in law or a different interpretation of the law, or the non-performance of the abovementioned operations could have an adverse impact on the Bank's capital ratio.

Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's ability to achieve certain targets is dependent upon certain assumptions involving factors that are significantly or entirely beyond the Bank's control and are subject to known and unknown risks, uncertainties and other factors.

The achievement of the Bank's internal targets will depend on the verification of assumptions involving factors that are significantly or entirely beyond the Bank's control and subject to known and unknown risks, uncertainties and other factors that may result in management failing to achieve these targets. These factors include those described elsewhere in this section and, in particular:

- the Bank's ability to successfully implement its strategy;

- the Bank's ability to successfully implement its funding and capital plans;
- the successful implementation of economic reforms in Portugal;
- the Bank's ability to access funding in the capital markets;
- the level of the Bank's LLRs against NPEs;
- the Bank's ability to reduce NPEs;
- the quality of the Bank's assets;
- the Bank's ability to reduce costs;
- the financial condition of the Bank's customers;
- reductions to the Bank's ratings;
- growth of the financial markets in the countries in which the Bank operates;
- the Bank's ability to grow internationally;
- future market conditions;
- currency fluctuations;
- the actions of regulators;
- changes to the political, social and regulatory framework in which the Bank operates;
- macroeconomic or technological trends or conditions, including inflation and consumer confidence,

and other risk factors identified in this Offering Circular. If one or more of these assumptions is inaccurate, the Bank may be unable to achieve one or more of its targets, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank regularly uses financial models in the course of its operations. These financial models help inform the Bank of the value of certain of its assets (such as certain loans, financial instruments, including illiquid financial instruments where market prices are not readily available, goodwill or other intangible assets) and liabilities (such as the Bank's defined benefit obligations and provisioning) as well as the Bank's risk exposure. These financial models also generally require the Bank to make assumptions, judgements and estimates which, in many cases, are inherently uncertain, including expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions and may result in a decrease in the value of, and consequently an impairment of, the Bank's assets, an increase in the Bank's liabilities or an increase in the Bank's risk exposure, any of which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

In particular, recent historic market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and made it difficult to value some of the Bank's financial instruments. Decreased valuations reflecting prevailing market conditions, faulty assumptions or illiquidity, may result in changes in the fair values of these instruments, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations.

Reputational risk is inherent to the Bank's business activity. Negative public opinion towards the Bank or the financial services sector as a whole could result from real or perceived practices in the banking sector, such as money laundering, terrorism financing, the fraudulent sale of financial products or breach of competition rules, or a departure from the way that the Group conducts, or is perceived to conduct, its business. Negative publicity and negative public opinion, particularly in relation to pending litigation or enquiries by regulators that could be resolved against the Bank's favour, could adversely affect the Bank's ability to maintain and attract customers and counterparties, the loss of which could adversely affect the Bank's business, financial condition and future prospects, due, for instance, to a run-on deposits and subsequent lack of funding sources.

The Bank may be unable to detect money laundering, terrorism financing, tax evasion or tax avoidance behaviour by clients, which could be attributed to the Bank. Failure to manage such risk could lead to reputational damage and to financial penalties for failure to comply with required legal procedures or other aspects of applicable laws and regulations, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

The Bank has a limited number of customers who are classified as politically exposed persons pursuant to the applicable legislation, including Law No. 83/2017, of 18 August 2017, as amended, and regulatory notices ("*Avisos*") No. 5/2013, of 18 December 2013, or No. 2/2018, of 26 September 2018, of Banco de Portugal (as applicable), as amended. Although the Bank exercises increasingly stricter scrutiny of transactions with politically exposed persons in order to ensure compliance with applicable laws, the services provided to these individuals may expose the Bank to reputational risks, notwithstanding the Bank's compliance with applicable laws.

Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run.

The Bank is exposed to the risk of labour disputes and other industrial actions. 80.9% of the Group's employees were members of labour unions, at the end of June 2023, and the Bank may experience strikes, work stoppages or other industrial actions in the future. Any of these actions could, possibly for a significant period of time, result in disruption to the Bank's activity and increased salaries and benefits granted to employees or otherwise have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results.

The performance of the financial markets could cause changes in the value of the Bank's investment and trading portfolios. Changes in the interest rate level, yield curve and spreads could reduce the Bank's net interest margin. Changes in foreign exchange rates could affect the value of its assets and liabilities denominated in foreign currencies and could affect the results of trading.

The Bank has significant exposure to participation units in closed-end funds. See further "*The Bank holds units issued by specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no secondary market*". As from 1 January 2018, following the implementation of the IFRS 9, the participation units started to be recorded at fair value through profit and loss.

The Bank has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, including the use of derivatives to hedge certain products offered to its customers, and the Bank's risk exposure is continuously monitored. However, it is difficult to accurately predict changes

in market conditions and to foresee the effects that these changes might have on the Bank's financial condition and results of operations. Any failure in risk management or control policies targeting market risk could have a negative impact on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to certain operational risks, which may include interruptions in the services provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management.

In its normal activity and as a result of its organisational structure, the Bank is subject to certain operational risks, including interruptions in the services provided, errors, fraud attributable to third parties, and omissions and delays in the provision of services and implementation of requirements for risk management. A majority of the Bank's operational losses in the first semester of 2023 were caused by external and people risks, with a large portion having low material significance, under EUR 100,000 (95% of all operational losses Group wide). In fact, about 44% of the cases recorded in the first semester of 2023 had a financial impact of less than EUR 5,000 each. The Bank continually monitors operational risks by means of, among other actions, advanced administrative and information systems and insurance coverage with respect to certain operational risks. However, it is not possible to guarantee that the monitoring and prevention of these risks will be fully effective. Any lack of success in the implementation of the Bank's risk management and control policies could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank faces technological risks, and a failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security.

The operations developed by the Group, in Portugal and internationally, have an infrastructure of information systems that is externalised, but also common and integrated, promoting higher overall efficiency. The Bank's operations depend heavily on their respective computer processing capabilities, especially following the centralisation of the information systems. Computer processing capabilities include record-keeping, financial reporting and other systems, including systems for monitoring points of sale and internal accounting systems.

Regarding the security of the information systems, the Bank has continued to pursue a strategy aligned with good international practices. However, it is not possible to guarantee to potential investors complete identification and timely correction of all problems related to the informational technology systems, or systematic success in the implementation of technological improvements. A failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security. The occurrence of any of the aforementioned events could have a significant and negative effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to the risk of changes in the relationship with its partners.

Some of the Bank's activities are carried out in partnership with other entities that are not under the control of the Bank, including Millenniumbcp Ageas. Therefore, the Bank does not have the ability to control the decisions of these entities or ensure full compliance with the agreements that established such partnerships. Any decision or action by these entities and/or their breach of such agreements may have a material adverse effect on the Bank's reputation, business, financial condition, results of operations and prospects. For further details on the Bank's strategic partnerships, please see "*Description of the Business of the Group*".

Transactions in the Bank's own portfolio involve risks.

The Bank carries out various proprietary treasury activities, including the placement of deposits denominated in Euro and other currencies in the interbank market, as well as trading in primary and secondary markets for government securities. The management of the Bank's own portfolio includes taking positions in fixed

income and equity markets, both via spot market and through derivative products and other financial instruments. Despite the Bank's limited level of involvement in these activities, trading on account of its own portfolio carries risks, since its results depend partly on market conditions. A reduction in the value of financial assets held due primarily to market conditions, or any other such conditions outside the control of the Bank, could require a corresponding loss recognition that may impact the Bank's balance sheet. Moreover, the Bank relies on a vast range of risk reporting and internal management tools in order to be able to report its exposure to such transactions correctly and in due time. Future results arising from trading on account of its own portfolio will depend partly on market conditions, and the Bank may incur significant losses resulting from adverse changes in the fair value of financial assets, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Hedging operations carried out by the Bank may not be adequate to prevent losses.

The Bank carries out hedging transactions to reduce its exposure to different types of risks associated with its business. Many of its hedging strategies are based on historical patterns of transactions and correlations. Consequently, unexpected market developments might negatively affect the Bank's hedging strategies.

Furthermore, the Bank does not hedge all of its risk exposure in all market environments or against all types of risks and in some cases a hedge may not be available to the Bank. Moreover, the way that gains or losses arising from certain ineffective hedges are recognised may result in additional volatility in its reported earnings. The Group employs derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk resulting from financing and investment activities. Hedging derivatives are recognised at their fair value and the profits and losses resulting from their valuation are recognised against the results. The Bank may still incur losses from changes in the fair value of derivatives and other financial instruments that qualify as fair value hedges. If any of its hedging instruments or strategies are inefficient, the Bank could incur losses which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank faces exchange rate risk related to its international operations.

All of the Bank's international operations are directly or indirectly exposed to exchange rate risk, which could adversely affect the Bank's results. Any devaluation of these currencies relative to the Euro could have a negative impact on the Bank's business, financial condition, results of operations and prospects.

As at 30 June 2023, the loans-to-customer funds ratio in Poland and Mozambique was 73% and 33%, respectively. The Bank's loan portfolio also includes loans in foreign currency, where the losses are assumed by customers and recorded in the profit and loss account under impairment. The use of funding in foreign currency in some countries of Eastern Europe exposes some of the Bank's customers to exchange rate risk, affecting the financial condition of these entities and, consequently, the net income of the Bank. Although Bank Millennium stopped granting new foreign currency loans in Poland by the end of 2008, it still holds a considerable loan portfolio in foreign currency, mainly in Swiss francs (as at 30 June 2023), 5.5% of the total loan portfolio in Poland (gross after legal risk provisions) and 23% of the total mortgage loan book in Poland), and therefore the Bank's net income could be significantly affected by the need to undertake additional payments for impairment in the loan portfolio and by the high cost of zloty swaps. On 15 January 2015, the Swiss National Bank discontinued its minimum exchange rate which had been set at EUR/CHF 1.20 in September 2011. Simultaneously, the Swiss National Bank lowered the interest rate on sight deposit account balances that exceed a given exemption threshold by 0.5% to − 0.75%. As a consequence, on the next day the Swiss franc appreciated 15% to around EUR/CHF 1.04 and the main index on the Swiss stock exchange went down around 8.7%. Since then, the EUR/CHF exchange rate has been free float. Net income may also be adversely affected if Poland does not join the Eurozone in the medium term as is currently expected. Similarly, net income may be affected if institutional investors pool their assets in established, rather than emerging, markets. This risk is exacerbated in the context of greater political instability related to reform of the European institutional framework, which has already had repercussions on the Swiss franc exchange rate.

For details on the Bank's exposure to risks in foreign countries, see risk factor "*The Bank faces exposure to risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique)*".

The Bank 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 Bank.

The Bank 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.

In the area of payments, over the past years the Bank and the Bank's clients have been subject to cybercrime and fraud in the form of phishing and malware. European law tends to hold the Bank liable unless it provides proof of intentional misconduct or gross negligence by the client. Other forms of theft include violent robberies of ATMs, in which criminals use combustible gas, explosives or vehicles and heavy equipment to gain access to cash stored in ATMs.

The Bank 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 Bank 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. Thus, the 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 Bank). If any of these circumstances occur there could be a material adverse effect on the Bank's business, including its reputation, financial condition, results of operation or prospects.

Failure of the Bank's information technology systems could lead to a breach of regulations and (contractual) obligations and have a material adverse effect on the Bank's reputation, results of operations, financial condition and prospects. 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 Bank (including with respect to clients' and Bank information held on those systems and transactions processed through these systems) are a growing threat to the Bank. 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 Group 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 is not adequately managed or, even if adequately managed, a cyber-attack can 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 Bank's business, reputation, results of operations, financial condition, prospects and its position in legal proceedings.

A material decline in global capital markets and volatility in other markets could adversely affect the activity, results and value of strategic investments of the Bank.

Investment returns are an important part of the Bank's overall profitability, particularly in relation to the life insurance business carried out by the Millennium bcp Ageas joint venture and the Bank's investment banking business.

Uncertainty in global financial markets stemming from the price volatility of capital market instruments such as has been experienced in the first quarter of 2022, and if this volatility persists, this may materially and adversely affect the Group and particularly the life insurance business and investment banking operations, impacting its financial operations and other income and the value of its financial holdings and securities portfolios.

In particular, such a decline in the global capital markets has had and may continue to have an adverse effect on the sales of many of the Group's products and services, such as unit-linked products, capitalisation insurance, real estate investment funds, asset management services, brokerage, primary market issuances and investment banking operations, and significantly reduce the fees related to them, as well as adversely affect the Bank's business, financial condition, results of operations and prospects. As a minority shareholder of Millennium bcp Ageas, the Bank is at risk of being required to inject capital into the company if its solvency ratio falls below a certain predefined level, which could occur if certain products of Millennium bcp Ageas do not meet a minimum level of return. Furthermore, the prolonged fluctuation of stock and bond market prices or extended volatility or turbulence of markets has led in the last few months and may continue to lead to the withdrawal of funds from markets by investors, which would result in lower investment rates or in the early redemption of life policies. Any such decrease could negatively influence the placement of the Bank's investment products. Therefore, a decline in the capital markets in general could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank also maintains trading and investment positions in debt securities, foreign exchange, equity and other markets. These positions could be adversely affected by volatility in financial and other markets and in Portuguese sovereign debt (EUR 6.5 billion as at 30 June 2023, of which EUR 442 million recorded in "Financial assets at fair value through profit or loss – Held for trading"; EUR 0 million recorded in "Financial assets at fair value through profit or loss – Designated at fair value through profit or loss"; EUR 2.5 billion recorded in "Financial assets at fair value through other comprehensive income" and EUR 3.6 billion recorded in “Financial assets at amortised cost – Debt securities”), creating a risk of substantial losses. Potential losses in the Portuguese public debt in June 2023 stand at around EUR 55 million. Volatility can also lead to losses relating to a broad range of the other trading and hedging products that the Bank uses, including swaps, futures, options and structured products. Significant reductions in estimated or actual values of the Bank's assets have occurred from previous events in the market. Continued volatility and further fragmentation of certain financial markets may affect the Bank's business, financial condition, operating results and prospects. In the future, these factors may have an influence on day-to-day valuations of the Bank's financial assets and liabilities, recorded at fair value.

Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on the Bank's business and operations.

Acts of terrorism, natural disasters, pandemics, global conflicts or other similar catastrophic events could have a negative impact on the Bank's business, financial condition, results of operations and prospects. Such events could damage the Bank's facilities, disrupt or delay the normal operations of its business (including communications and technology), result in harm or cause travel limitations on the Bank's employees, and have a similar impact on its clients and counterparties. These events could also negatively impact the purchase of the Bank's products and services to the extent that those acts or conflicts result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity, or in financial market settlement functions. In addition, war, terror attacks, political unrest, global conflicts, the national and global efforts to combat terrorism and other potential military activities and outbreaks of hostilities may negatively impact economic growth, which could have an adverse effect on the Bank's business, results of operations, financial condition and prospects, besides other adverse effects on the Bank in ways that it is unable to predict.

The Bank's risk management methods may not be able to identify all risks or level of risks to which the Bank is exposed.

The Bank's risk management methods are based on a combination of human and technical controls and supervision, which are subject to errors and defects. Some of the Bank's methods of managing risks are based on internally developed controls and on historic data on market behaviour, also supported by common market practices. These methods might not adequately predict future losses, in particular when related to relevant market fluctuations, which could be considerably higher than those observed in other periods. These methods might also be ineffective in protecting against losses caused by technical errors, if the implemented testing and control systems are not effective in the prevention of software and hardware technical defects. Any errors or failures in the implementation of such risk management systems, as well as their possible inability to identify all the risks or risk levels to which the Bank is exposed, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

2. RISKS RELATING TO THE NOTES

2.1. Risks relating to the Structure of the Notes

The obligations of the Issuer in respect of the Notes are undated, direct, unsecured and subordinated and investors assume an enhanced risk of loss in the event of the Issuer's Winding-Up.

The Notes constitute undated, direct, unsecured and subordinated obligations of the Issuer.

Subject to any mandatory provisions of law (including, without limitation, Article 8-B of Decree-Law 199/2006 of 25 October 2006 (which implements Article 48(7) of the BRRD), as amended or replaced from time to time), on a Winding-Up of the Issuer, all claims in respect of the Notes (including claims for damages in respect of any breach of the Issuer's obligations thereunder, if applicable) will rank junior to all present and future claims in respect of Senior Obligations of the Issuer and *pari passu* with claims in respect of any Parity Securities. If, on a Winding-Up, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Notes. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes, Holders will lose some (which may be substantially all save for the one cent floor) of their investment in the Notes.

There is no restriction on the amount of securities or other liabilities that the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders during a Winding-Up of the Issuer and may limit the Issuer's ability to meet its obligations under the Notes. See further "*The Issuer is not prohibited from issuing additional debt, which may rank pari passu with or senior to the Notes*" below.

In accordance with Article 48(7) of the BRRD, as amended by BRRD II, EU Member States shall ensure that, for credit institutions, all claims resulting from own funds items have, in national laws governing normal insolvency proceedings, a lower priority ranking than any claim that does not result from an own funds item. BRRD II was implemented in Portugal through Law 23-A/2022 of 9 December 2022, and in particular the aforementioned Article 48(7) was transposed through the inclusion of Article 8-B of Decree-Law 199/2006 of 25 October 2006, as amended or replaced from time to time. Accordingly, it is possible that other creditors of the Issuer who previously ranked pari passu with or junior to the holders of Notes may rank above the holders of Notes in the event that the instruments held by such creditors cease to be own funds of the Issuer. In addition, as further described below under "*Upon the occurrence of a Trigger Event, the principal amount of the Notes will be Written Down*", the principal amount of the Notes may, in certain circumstances, other than in the context of a Winding-Up, be Written Down, which may be in part or (save for the one cent floor) in whole and may occur on one or more occasions. In a Winding-Up of the Issuer, the claims of Holders in

respect of their Notes will be for the Outstanding Principal Amount at the time of the Winding-Up of the Issuer, which may be less than the Original Principal Amount of the Notes. The Notes do not contain any restriction on the Issuer's ability to issue securities that may have rights similar but preferential to those of the Notes including securities having more favourable, or no, provisions similar to the Trigger Event applicable to the Notes.

Although the Notes may (subject always to the Issuer's right to cancel interest payments and to circumstances where the cancelation of interest payment is mandatory in accordance with the Conditions) pay a higher rate of interest than securities which are not, or not as deeply, subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should a Winding-Up of the Issuer occur.

Before the occurrence of any event referred to above, holders of the Notes may already have lost the whole or part of their investment in the Notes as a result of a write-down or conversion into equity of the principal amount of the Notes following the exercise of any Statutory Loss Absorption Power (see the risk factor "*Notes may be subject to loss absorption on any application of the general bail-in tool or be subject to other resolution tools and may be subject to loss absorption at the point of non-viability of the Issuer or the Group*".

The Issuer is not prohibited from issuing additional debt, which may rank pari passu with or senior to the Notes.

The Conditions do not limit the amount of liabilities ranking senior or *pari passu* in priority of payment to the Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the issue date of the Notes nor do they restrict the Issuer in issuing Additional Tier 1 Capital instruments with other write-down mechanisms or trigger levels or that convert into shares of the Issuer upon a trigger event. The Issuer may be able to incur significant additional secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness. In the case of a Winding-Up of the Issuer, or if payment under any secured or unsecured unsubordinated and/or prior-ranking subordinated debt obligations is accelerated, the Issuer’s secured or unsecured unsubordinated or, as the case may be, prior-ranking subordinated lenders would be entitled to exercise the remedies available to a secured or unsecured unsubordinated and/or prior-ranking subordinated lender before the Holders.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, insurance or reinsurance contracts, derivative contracts, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a Winding-Up of the Issuer will need to be paid in full before the obligations under the Notes may be satisfied.

As a result, the Notes are subordinated to any secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness that the Issuer may incur in the future. If a Winding-Up of the Issuer were to occur, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Notes and the Holders may therefore recover rateably less (if anything) than the lenders of the Issuer’s secured or unsecured unsubordinated debt and/or prior-ranking subordinated debt. Even if the claims of senior ranking creditors would be satisfied in full, holders may still not be able to recover the full amount due because the proceeds of the remaining assets must be shared *pro rata* among all other creditors holding claims ranking *pari passu* with the claims of the Holders in respect of the Notes.

Also, the issue of additional capital instruments with interest cancellation provisions similar to the Notes may increase the likelihood of (full or partial) interest payment cancellations under the Notes if the Issuer is not able to generate sufficient Distributable Items or to maintain adequate capital buffers to make interest payments falling due on all outstanding capital instruments of the Issuer in full. See the risk factor “*The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Notes*” below.

If the Issuer's financial condition were to deteriorate, investors could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and even loss of their entire investment.

The Issuer, in its full discretion, may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Notes.

The Issuer may at any time elect, in its full and sole discretion, to cancel any interest payment (in whole or in part) on the Notes which would otherwise be due on any Interest Payment Date. Additionally, the Competent Authority may have the power to direct the Issuer to exercise its discretion to cancel any interest payment (in whole or in part) on the Notes.

Furthermore, the Issuer will cancel any interest payment (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest would: (i) when aggregated with other Relevant Distributions and the amount of any Discretionary Reinstatement, where applicable, exceed the Distributable Items of the Issuer; or (ii) when aggregated with other relevant distributions referred to in one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation and the amount of any Discretionary Reinstatement, cause any relevant Maximum Distributable Amount then applicable to the Issuer and/or the Group to be exceeded. In addition, if a Trigger Event occurs, the Issuer will cancel all interest accrued up to (and including) the relevant Write Down Date.

Any interest which is cancelled as a result of optional or mandatory cancellation as described above shall not accumulate and shall no longer be due and payable by the Issuer. A cancellation of interest in accordance with the Conditions will not constitute a default of the Issuer under the Notes for any purpose and shall not entitle Holders to petition for the Winding-Up of the Issuer, and Holders will have no right to such cancelled interest, or any amount in respect thereof, at any time (including in a Winding-Up of the Issuer).

If the Issuer elects to cancel, or is prohibited from paying, interest on the Notes at any time, there is no restriction under the terms of the Notes on the Issuer from otherwise paying dividends, interest or other distributions on, or redeeming or repurchasing, any of its other liabilities (including liabilities which rank *pari passu* with, or junior to, the Notes) or any of its share capital. The obligations of the Issuer under the Notes are senior in ranking to the ordinary shares of the Issuer. It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend or distributions in respect of its ordinary shares, or its discretion to cancel any payment of interest, it will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time decide otherwise at its sole discretion and without notice to any person (including the Holders), and as further set out in this risk factor, in accordance with the Capital Regulations and the Conditions, it may in its discretion elect to cancel any payment of interest in respect of the Notes at any time and for any reason.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, in particular Condition 6 (*Interest Cancellation*), the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication or perceived indication that the Distributable Items or any relevant Maximum Distributable Amount are close to being exceeded, whether as a consequence of a forthcoming interest payment or otherwise, and/or that the CET1 Ratio of the Issuer or the Group is trending towards a failure to meet fully legal and regulatory requirements, may have an adverse effect on the market price of the Notes.

With respect to cancellation of interest due to insufficient Distributable Items, see also "*The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will*

restrict the ability of the Issuer to make interest payments on the Notes" below. With respect to cancellation of interest due to the application of a Maximum Distributable Amount, see also "*Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" below and "*Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes*" below.

The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Notes.

The Issuer will cancel any payment of interest (in whole or in part) which could otherwise be paid on an Interest Payment Date if and to the extent that payment of such interest would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Issuer. See "*Capital Adequacy and Solvency Ratios*" for information on the current amount of the Distributable Items of the Issuer and information on how this amount is currently calculated.

Distributable Items relate to the Issuer's profits and distributable reserves determined on the basis of the Issuer's non-consolidated accounts as further described in the Conditions. The level of the Issuer's Distributable Items is affected by a number of factors. The Issuer's future Distributable Items, and therefore the ability of the Issuer to make interest payments under the Notes, are a function of the Issuer's existing Distributable Items and its future profitability. The Issuer's Distributable Items may be adversely affected, *inter alia*, by the servicing of more senior instruments or parity ranking instruments, including by other discretionary interest payments on other (existing or future) capital instruments, including CET1 Capital distributions and any write-ups of principal amounts of other Loss Absorbing Written Down Instrument (if any). The level of the Issuer's Distributable Items may also be affected by changes to the law, accounting rules, regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer's Distributable Items in the future. The Issuer's Distributable Items, and therefore the Issuer's ability to make interest payments under the Notes, may be adversely affected by the performance of the business of the Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may materially adversely affect Distributable Items.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes in Condition 6 (*Interest Cancellation*), the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication or perceived indication that the Distributable Items or any relevant Maximum Distributable Amount are close to being exceeded may have an adverse effect on the market price of the Notes.

With respect to cancellation of interest due to the application of a Maximum Distributable Amount, see also "*Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" below and "*Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes*" below.

Payments on the Notes cannot exceed any relevant Maximum Distributable Amount.

No payments will be made on the Notes (whether by way of interest, additional amounts payable pursuant to Condition 11 (*Taxation*), Discretionary Reinstatement or otherwise) if and to the extent that such payment would, when aggregated together with any other discretionary payments referred to in one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM

Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation and the amount of any Discretionary Reinstatement, where applicable, cause the relevant Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group to be exceeded. See also "*Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" below and "*Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes*" below.

Under Articles 138 AA and 138 AB of the Institutions Act, institutions which fail to fully meet their combined buffer requirement will be subject to restricted "discretionary payments", including payments relating to common equity and additional tier 1 capital instruments (such as the Notes) and variable remuneration to staff. The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the relevant institution since the last distribution of profits or other relevant "discretionary payment". Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary payments" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement by the Issuer and/or the Group, it may be necessary to reduce discretionary payments, including potentially cancelling (in whole or in part) interest payments in respect of the Notes.

Pursuant to Article 23(5) of Decree-Law no. 157/2014, of 24 October, which has implemented the CRD IV in Portugal and amended the Institutions Act, restrictions on "discretionary payments" will also apply during the phase-in period to institutions which fail to fully meet their phased-in combined buffer requirements.

Moreover, institutions which fail to fully meet their combined buffer requirements (including those applicable during the phase-in period) will be required to prepare and submit to the competent supervisory authorities a capital conservation plan as provided in Article 138-AD of the Institutions Act. If the competent supervisory authorities consider that the implementation of the plan would not be reasonably likely to conserve or raise sufficient capital to enable the institution to meet its combined buffer requirements within a period deemed appropriate, the plan will not be approved and the competent supervisory authorities shall require the institution to increase own funds to specified levels within specified periods and/or impose more stringent restrictions on "discretionary payments".

A minimum combined buffer requirement is imposed on top of the minimum regulatory Pillar 1 capital requirement of 8% of the Issuer's RWA as calculated in accordance with Article 92 of CRR and any Pillar 2 capital requirements applicable to the Issuer. See "*Capital Adequacy and Solvency Ratios*" for further information regarding the combined buffer requirements for the Issuer.

Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes.

The MREL framework provides that there should be sufficient loss-absorbing and recapitalisation capacity available in resolution of any credit institution to implement an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers (public funds) to loss. The SRB has been authorised to calculate and determine the level of MREL for each EU systemic credit institution (including the Issuer).

The SRB's resolution powers (as the competent resolution authority under the BRRD) may affect the confidence of the Issuer's depositors and so may have a significant impact on the Issuer's results of operations, business, assets, cash flows and financial condition, as well as on the Issuer's funding activities and the products and services it offers.

Capital Requirements Regulation II (Regulation (EU) No. 2019/876) ("**CRR II**") and BRRD II extend the scope of the MDA restrictions, with the original restrictions based on risk-weighted capital requirements being extended also to include restrictions based on leverage requirements for certain institutions and restrictions based on MREL requirements. CRR II and BRRD II, respectively, provide for the following:

(1) leverage-based MDA: an institution that is designated as a G-SII that: (A) meets an applicable leverage ratio buffer shall not be entitled to make any distribution in connection with Tier 1 capital to the extent this would decrease its Tier 1 capital to a level where the leverage ratio buffer requirement is no longer met; and (B) is failing to meet an applicable leverage ratio buffer shall calculate a leverage ratio-based maximum distributable amount (the "**L-MDA**") and must not make discretionary payments (payments relating to Common Equity Tier 1 capital instruments, Additional Tier 1 Instruments (such as the Notes) and variable remuneration) which would, in aggregate, exceed such L-MDA. As with the MDA, the L-MDA restrictions will be scaled according to the extent of the breach of the leverage buffer requirement and calculated by reference to the institution's distributable profits; and

(2) MREL-based MDA: where an institution is failing to meet its buffer requirements as a result of its MREL requirement (but would meet its buffer requirements but for its MREL requirement), the Relevant Resolution Authority, having considered certain specified factors, will be entitled (and, if non-compliance continues for an extended period, may, subject to certain exceptions, be required) to prohibit such institution from distributing more than a maximum distributable amount determined by reference to its MREL requirement (the "**M-MDA**") by way of discretionary payments (payments relating to Common Equity Tier 1 capital instruments, Additional Tier 1 Instruments (such as the Notes) and variable remuneration). As with the MDA and the L-MDA, the M-MDA restrictions will be scaled according to the extent of the breach of the buffer requirement (when having regard to MREL requirements) and calculated by reference to the institution's distributable profits.

In the event that an L-MDA or an M-MDA becomes applicable to the Issuer, it may be necessary to reduce discretionary payments, including potentially cancelling (in whole or in part) interest payments in respect of the Notes.

In the future the Issuer and/or Group may need to comply with a higher combined buffer requirement.

In addition to the Pillar 1 capital requirements, CRD IV contemplates that the Competent Authority may require additional Pillar 2 capital to be maintained by an institution relating to elements of risks which are not fully covered by the minimum own funds requirements ("additional own funds requirements") or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for SREP which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which was to be implemented by 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56% Common Equity Tier 1 Capital and at least 75% Tier 1 Capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. Accordingly, the combined buffer requirement (as referred to above) applies in addition to the minimum own funds requirement and to the additional own funds requirement.

The SREP comprises two elements: P2R (which are binding and breach of which can have direct legal consequences for banks, including the triggering of the capital conservation measures of Article 141 of CRD IV) and P2G (with which banks are expected to comply but breach of which does not automatically trigger the capital conservation measures of Article 141 of CRD IV). Accordingly, in the capital stack of a bank,

the P2G is in addition to (and "sits above") that bank's Pillar 1 capital requirements, its P2R and its combined buffer requirement. If a bank does not meet its P2G, the mandatory restrictions on discretionary payments referred to above (including payments on the Notes) based on its Maximum Distributable Amount may not automatically apply. Instead, the Competent Authority will carefully consider the reasons and circumstances and may impose individually tailored supervisory measures. However, the mandatory restrictions on such discretionary payments (including payments on the Notes) based on its Maximum Distributable Amount should apply if a bank fails to maintain its combined buffer requirement, such as because of a breach of P2R.

There has been an update to the SREP procedures and methodologies to reflect the updates to the Pillar 2 requirements. This was published on 19 July 2018 and effective 1 January 2019.Please refer to "*Capital Adequacy and Solvency Ratios*" for further information in respect of the Issuer's SREP requirements and MDA thresholds.

The amount of CET1 Capital required to meet the combined buffer requirements will also be relevant to assess the risk of interest payments being cancelled. The market price of the Notes is likely to be affected by any fluctuations in the CET1 Ratio of the Issuer or the Group. Any indication or perceived indication that the CET1 Ratio of the Issuer or the Group is trending towards a failure to meet fully the combined capital buffer requirement referred to above or that any relevant Maximum Distributable Amount trigger level may be exceeded may have an adverse impact on the market price of the Notes.

The Issuer's capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable, foreseeable or capable of calculation by investors and some of which may also be outside the control of the Group or the Issuer.

Holders of the Notes may not be able to predict accurately the proximity of the risk of discretionary payments (of interest and/or principal) on the Notes being restricted from time to time as a result of the operation of one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation. In any event, the Issuer will have discretion as to how any relevant Maximum Distributable Amount will be applied if insufficient to meet all expected distributions and is not obliged to take the interest of investors in the Notes into account.

Payment of interest may also be affected by any application of the BRRD or the SRM Regulation in Portugal. See also below in the risk factor "*Notes may be subject to loss absorption on any application of the general bail-in tool or be subject to other resolution tools and may be subject to loss absorption at the point of non-viability of the Issuer or the Group*".

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital as a percentage of their total exposure measure. CRR II imposed a binding leverage ratio requirement of 3% that all firms subject to the CRR must meet in addition to their risk-based requirements.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or combined buffer capital requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements (including a leverage ratio buffer), which in turn may affect the Issuer's capacity to make payments of interest on the Notes. A binding leverage ratio of more than 3% may be required in the future. As at 30 September 2023, the Issuer's fully implemented leverage ratio was 6.5%.

The Notes may be traded with accrued interest, but (i) under certain circumstances described above, such interest will be cancelled and not paid on the relevant Interest Payment Date and (ii) the Issuer retains full discretion to cancel interest otherwise scheduled to be paid on the relevant Interest Payment Date.

The Notes may trade, and/or the prices for the Notes may appear, in any trading systems and/or on any stock exchange on which the Notes are for the time being quoted, with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

Upon the occurrence of a Trigger Event, the principal amount of the Notes will be Written Down.

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer and the Group. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of any of the Issuer and the Group.

Accordingly, if at any time the CET1 Ratio (calculated and determined as provided in the Conditions) of the Issuer and/or the Group falls below 5.125% (a "**Trigger Event**"), the Issuer shall immediately notify the Competent Authority and, without delay and by no later than one month (or such shorter period as the Competent Authority may then require) from the occurrence of the relevant Trigger Event, shall (without the need for the consent of the Holders):

(a) cancel all interest accrued to (but excluding) the relevant Write Down Date (whether or not such interest has become due for payment and including any interest scheduled for payment on such Write Down Date); and

(b) reduce the then Outstanding Principal Amount of each Note by the relevant Write Down Amount (such reduction, a "**Write Down**" and "**Written Down**" being construed accordingly).

Any such decision shall be binding on the Holders as described in the Conditions.

The relevant Write Down Amount of each Note will be (save as may otherwise be required by the Capital Regulations) the lower of (i) and (ii) below:

(i) the amount per Note which is determined by the Issuer to be necessary (in conjunction with (a) the concurrent Write Down of the other Notes and (b) the concurrent (or substantially concurrent) write down or conversion into equity of, or other loss absorption measures taken in respect of, any other Loss Absorbing Instruments) to restore each of the Issuer's and the Group's (as applicable) CET1 Ratio to at least 5.125%; and

(ii) the amount necessary to reduce the Outstanding Principal Amount of each Note to one cent.

A Write Down of the Notes will be effected, save as may otherwise be required by the Capital Regulations or the Competent Authority, *pro rata* with (a) the concurrent Write Down of the other Notes and (b) the concurrent (or substantially concurrent) write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Loss Absorbing Instrument), provided, however, that:

(1) with respect to each Loss Absorbing Instrument (if any), such *pro rata* write down or conversion shall only be taken into account to the extent required to restore the relevant CET1 Ratio(s) to the

lower of (i) such Loss Absorbing Instrument's trigger level and (ii) 5.125% (being the level at which a Trigger Event occurs in respect of the Notes), in either case in accordance with the terms of such Loss Absorbing Instruments and the Capital Regulations; and

(2) if for any reason the Issuer is unable to effect the concurrent (or substantially concurrent) write down or conversion of any given Loss Absorbing Instruments within the period required by the Competent Authority, the Notes will be Written Down notwithstanding that the relevant Loss Absorbing Instruments are not also written down or converted (and, in such circumstances, the Write Down Amount may be higher than would otherwise have been the case).

Holders may lose all or some of their investment as a result of such a Write Down. In particular, if so required by the Capital Regulations, the Issuer may be required to write down the Outstanding Principal Amount of the Notes following the occurrence of a Trigger Event such that each of the CET1 Ratios of the Issuer and the Group is restored to a level higher than 5.125%. No assurance can be given that a Write Down will be applied towards not only curing the Trigger Event but also towards restoring the relevant CET1 Ratios of the Issuer and/or the Group to a level which is higher than 5.125%. In such an event, the Write Down Amount will be greater than the amount by which the then Outstanding Principal Amount would have been written down if the Issuer had been required to write down the Outstanding Principal Amount of the Notes to the extent necessary thereby to restore each of the CET1 Ratios of the Issuer and the Group to 5.125%.

For the avoidance of doubt, where the CET1 Ratio of the Issuer or the Group falls below 5.125%, any Loss Absorbing Instruments with a trigger level expressed by reference to a relevant CET1 Ratio falling below a level which is equal to or higher than 5.125% may be expected to share losses *pro rata* with the Notes until the relevant CET1 Ratio(s) have been restored to 5.125%. Any *pro rata* reduction of the Prevailing Principal Amount of the Securities may potentially be higher than that applied to other Additional Tier 1 Capital instruments if the write-down or conversion of such other securities is ineffective for any reason.

The Issuer's future outstanding junior and *pari passu* ranking securities might not include write-down or similar features with triggers comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a Write Down, while junior and *pari passu* ranking securities remain outstanding and continue to receive payments. Also, the Conditions do not in any way impose restrictions on the Issuer following a Write Down, including restrictions on making any distribution or equivalent payment in connection with junior (including ordinary shares) or *pari passu* ranking securities.

Any Write Down of the Notes will affect the claims of the Holders in various respects. Firstly, in the event of a Winding-Up of the Issuer, the claims of the Holders will be in respect of the Outstanding Principal Amount of the Notes at the time of the Winding-Up of the Issuer, and not for the Original Principal Amount. Similarly, upon a redemption of the Notes by the Issuer pursuant to Condition 9.2 (*Redemption at the option of the* Issuer) or following the occurrence of a Capital Event, a Tax Event or an event as described in Condition 9.4 (*Clean-up Call Option*), the redemption amount of each Note will be its Outstanding Principal Amount (together with accrued and unpaid interest) and not its Original Principal Amount.

Secondly, interest will accrue only on the Outstanding Principal Amount of the Notes from time to time, and accordingly for so long as the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the maximum amount of interest which may be paid by the Issuer (subject always to applicable payment restrictions and interest cancellation as provided above) on any Interest Payment Date shall be less than if no Write Down had occurred.

In addition, as the occurrence of a Trigger Event is linked to the CET1 Ratios of the Issuer and the Group, any actual or perceived reduction in any such CET1 Ratio may have an adverse effect on the market price of the Notes, and such adverse effect may be particularly significant if there is any indication or expectation that any such CET1 Ratio is or may be trending towards 5.125%.

A Write Down may occur on any one or more occasions, and the Outstanding Principal Amount of the Notes may be reduced in part or in whole (save that no Note shall be Written Down below one cent). Holders will not be entitled to any compensation or other payment as a result of any Write Down of the Notes. Accordingly, if a Trigger Event occurs, Holders could lose all or part of the value of their investment in the Notes if the Issuer subsequently redeems the Notes following the occurrence of a Tax Event or a Capital Event or an event as described in Condition 9.4 or a Winding-Up of the Issuer occurs.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. The determination by the Issuer or the Competent Authority, as applicable, that a Trigger Event has occurred shall be based on information (whether or not published) available to the management of the Issuer, including information internally reported within the Issuer, and/or the Group and/or shared with the Competent Authority (as applicable) pursuant to procedures for ensuring the effective on-going monitoring of the capital ratios of the Issuer and the Group. Accordingly, whether or not any the CET1 Ratio of the Issuer or the Group is trending towards 5.125% may not be easily visible to Holders or other prospective investors. Accordingly, investors may be unable to predict accurately if and when a Trigger Event may occur. See "*Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes*" above, "*Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" above and "*The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer and/or the Group or, any of which may be outside of the Issuer's control or affected by the Group's strategic decisions, and in making such decisions, the Issuer is required to have regard to the interest of all stakeholders.*" below.

See "*Capital Adequacy and Solvency Ratios*" for information regarding the current regulatory capital ratios of the Issuer and the Group. The Issuer and the Group currently intend to publish information regarding the regulatory capital ratios of the Issuer and the Group as part of their financial statements each quarter. However, there can be no assurance that the Issuer and the Group will publicly report such information at such intervals or at any other time.

Whilst the Conditions provide for Discretionary Reinstatement of the principal amount of the Notes in certain circumstances, any such Discretionary Reinstatement will be in the sole and full discretion of the Issuer, there is no provision for the automatic Discretionary Reinstatement of the Notes in any circumstances and any Discretionary Reinstatement will be subject to certain restrictions. Discretionary Reinstatement may only occur if each of the Issuer and the Group generates a net profit in any given financial year, and only a specified percentage of the lowest of any such profits will be available for the Issuer to apply (in its sole discretion) to a Discretionary Reinstatement of the Notes. See Condition 8 (*Discretionary Reinstatement of the Notes*) for further details on the calculation of such amount. Further, a Discretionary Reinstatement will not be effected in circumstances where it would cause a Trigger Event, or would result in any relevant Maximum Distributable Amount then applicable to the Issuer and/or the Group to be exceeded. Even if, following a Trigger Event, the Issuer and the Group each record net profits, there can be no assurance that any Discretionary Reinstatement of any part of the principal amount of the Notes will be effected.

The market price of the Notes is expected to be affected by any actual or anticipated write-down of the principal amount of the Notes as well as by the Issuer's actual or anticipated ability to write-up the reduced principal amount to its original principal amount.

The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer and/or the Group or, any of which may be outside of the Issuer's control or affected by the Group's strategic decisions, and in making such decisions, the Issuer is required to have regard to the interest of all stakeholders.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. The CET1 Ratio of the Issuer and the Group can be expected to

fluctuate on an on-going basis and could be affected by one or more factors, including, among other things, changes in the mix of the business of the Issuer and/or the Group, major events affecting their respective earnings, distributions payments, regulatory changes (including changes to definitions and calculations of the CET1 Ratio and its components, including CET1 Capital and Risk Weighted Assets) and their ability to manage Risk Weighted Assets. The CET1 Ratio of the Issuer and/or the Group may be calculated at any time in accordance with the Conditions. See further *"Terms and Conditions of the Notes".* In addition, the European Commission has proposed the phased introduction of an "output floor" from 1 January 2025, whereby banks constrained by that should be required to use "floored" risk weighted assets to compute capital ratios, including those relevant to the determination of whether or not a Trigger Event has occurred.

In making strategic decisions, including in respect of capital management, the Issuer is required to have regard to the interests of all stakeholders in the Issuer as a whole and not to prioritise the particular interests of any group of stakeholders (such as investors in the Notes, other capital providers or its creditors generally). Holders will not have any claim against the Issuer or any other member of the Group in relation to strategic decisions that affect the business and operations of the Issuer or the Group, including if such decisions result in a deterioration in their capital position and an increased risk of the occurrence of a Trigger Event.

Further, the calculation of the CET1 Ratio of the Issuer and/or the Group may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules (including, but not limited to, IFRS 9), whether or not the fundamental data of the Issuer and/or the Group which feeds into such accounting or regulatory framework changes. In addition, the CET1 Ratio of the Group may differ from the CET1 Ratio of the Issuer; the main differences between the individual and the consolidated perimeters are the contributions of other entities of the Group to the consolidated position, in respect of both own funds components (such as retained earnings, reserves and minority interests) and Risk Weighed Assets' components (credit risk, market risk and operational risk). This could mean that the publication of the CET1 Ratio of the Issuer will not be indicative of the CET1 Ratio of the Group, and *vice versa*. The Issuer currently publishes the CET1 Ratios of the Issuer and the Group on a quarterly basis. This may mean investors are given limited warning of any deterioration in the CET1 Ratios. Investors should also be aware that the CET1 Ratios of the Issuer and the Group may be calculated as at any date and, as a result thereof, a Trigger Event may occur as at any date. For further details on the calculation of the CET1 Ratio of the Issuer and the Group, see "*Capital Adequacy and Solvency Ratios*".

It will be difficult to predict when, if at all, a Trigger Event may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of securities without this feature. Any actual or perceived indication that a Trigger Event or the minimum Maximum Distributable Amount trigger level may occur can be expected to have a material adverse effect on the market price of the Notes.

Please see further "*Any failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes*" above, "*Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" above and " *The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer and/or the Group or, any of which may be outside of the Issuer's control or affected by the Group's strategic decisions, and in making such decisions, the Issuer is required to have regard to the interest of all stakeholders.*" below.

Any relevant Maximum Distributable Amount, Trigger Event and Discretionary Reinstatement are linked to the CET1 Ratio and Net Profits of the Group (as well as those of the Issuer) and accordingly will be affected by the performance of the Group's non-banking businesses as well as the performance of the Group.

In particular, the calculation of the Group's CET1 Ratio, which is directly linked to a Trigger Event under the Notes and relevant to whether or not the Group is meeting its combined buffer requirement, may be

affected by the performance of the insurance business. The investments in the insurance businesses in accordance with the current European regulation are reflected in the capital adequacy of the Group by way of a deduction and risk weighting approach under Article 48 of CRR. Investments in insurance businesses are currently risk weighted at 250% within an individual limit of 10% and an aggregated limit (including DTAs) of 15% of the Group's CET1 Capital and will be deducted from the CET1 Capital for the part of the investment superseding those limits. Negative performance and increased capital needs in the insurance business will have a negative impact on the Group's CET1 Ratio

Notes may be subject to loss absorption on any application of the general bail-in tool or be subject to other resolution tools and may be subject to loss absorption at the point of non-viability of the Issuer or the Group.

In the event of resolution, the BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the relevant entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims (including the Notes) to equity or other instruments of ownership (the "**general bail-in tool**"), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

The Notes are unsecured and therefore subject to the resolution regime, including the general bail-in tool (see "*Risk Factors – The Banking Union may impose additional regulatory requirements that may condition the Bank's results*" and "*Description of the Issuer – Recent developments on the banking regulation*"). The impact on investors, in a resolution scenario, depends crucially on the rank of the liability in the resolution creditor hierarchy.

Once it is determined that the Issuer meets the conditions for resolution, the Relevant Resolution Authorities may apply the general bail-in tool. When applying the general bail-in tool, the Relevant Resolution Authorities must apply the following order of priority as set out in Article 48 of the BRRD:

(i) CET1 Capital instruments;

(ii) Additional Tier 1 Capital instruments (such as the Notes);

(iii) Tier 2 Capital instruments;

(iv) eligible liabilities in the form of subordinated debt that is not Additional Tier 1 Capital or Tier 2 Capital in accordance with the hierarchy of claims in normal insolvency proceedings; and

(v) the rest of eligible liabilities (such as senior debt instruments) in accordance with the hierarchy of claims in normal insolvency proceedings.

When a resolution measure is applied no shareholder or creditor of the institution (including the Holders) subject to resolution may have losses greater than it would have if the institution had entered into liquidation ("no creditor worse off"). Holders 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. 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 occur considerably later than contractual payment dates.

The BRRD as implemented in Portugal by the Institutions Act contemplates that the Notes may also be subject to non-viability loss absorption in addition to the application of the general bail-in tool (together referred to as "**Statutory Loss Absorption**").

The Statutory Loss Absorption Powers provided to the Relevant Resolution Authorities include write down/conversion powers to ensure that capital instruments (including the Notes) absorb losses at the point of non-viability of the Issuer or the Group. Accordingly, the BRRD contemplates that the Relevant Resolution Authorities may require the write down of such capital instruments (including the Notes) in full or on a permanent basis, or their conversion in full into shares or other instruments of ownership, to the extent required and up to their capacity, at the point of non-viability immediately before the application of any other resolution action, if any.

The BRRD provides, *inter alia*, that the Relevant Resolution Authorities shall exercise the write down power of reducing or converting at the point of non-viability, according to an order of priority of credits in normal insolvency procedures, in a way that results in:

(i) CET1 instruments being written down or converted in proportion to the relevant losses; and then

(ii) the principal amount of other capital instruments (including the Notes) being written down and/or converted into CET1 in accordance with their relative ranking.

The Conditions acknowledge that the Notes may become subject to the determination by the Relevant Resolution Authority that all or part of the principal amount of the Notes, including accrued but unpaid interest in respect thereof, must be written off or converted into shares or other instruments of ownership or otherwise be applied to absorb losses, all as prescribed by the Statutory Loss Absorption Powers. See Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*).

Upon any such determination, (i) the relevant proportion of the outstanding nominal amount of the Notes subject to the Statutory Loss Absorption Powers shall be written off or converted into shares or other instruments of ownership or otherwise be applied to absorb losses, as prescribed by the applicable framework, (ii) investors will have no further rights or claims in respect of the amount so written off or subject to conversion or otherwise as a result of such Statutory Loss Absorption and (iii) such Statutory Loss Absorption shall not constitute a default nor entitle investors to take any action to cause the dissolution or liquidation of the Issuer.

Any written off amount as a result of Statutory Loss Absorption shall be irrevocably lost and investors will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to Statutory Loss Absorption.

In addition, the Conditions acknowledge that, subject to the determination by the Relevant Resolution Authority and without the consent of the investors, the Notes may be subject to other resolution measures as envisaged by the Statutory Loss Absorption Powers; that such determination, the implementation thereof and the rights of investors shall be as prescribed by the Statutory Loss Absorption Powers, which may, *inter alia*, include the concept that, upon such determination no investor shall be entitled to claim any indemnification arising from any such event and that any such event shall not constitute an event of default or entitle the Holders to take any action to cause the dissolution or liquidation of the Issuer. The Issuer may substitute the Notes or vary the terms in order to ensure the effectiveness and enforceability of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) as further described under "*The Notes are subject to modification, substitution and variation*" below.

The determination that all or part of the nominal amount of the Notes will be subject to Statutory Loss Absorption is inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. Accordingly, trading behaviour in respect of Notes which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities.

The SRM and the SRF are regulated by the SRM Regulation which also established the framework for recovery and resolution of credit institutions and the calculation method of the annual contributions for the funding of the resolution mechanism.

The taking of any such actions or the use of any other resolution tool could adversely affect the rights of Holders, including the write-down or conversion (in whole or in part) of the 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.

The interest rate on the Notes will be reset on each Reset Date, which may affect the market value of the Notes.

The Notes will bear interest at an initial fixed rate of interest to, but excluding, the First Reset Date. From, and including, the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset to the Reset Interest Rate (as described in Condition 5 (*Interest*)). This reset rate could be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

The Notes do not contain events of default and the enforcement rights available to Holders under the Notes are limited.

The terms of the Notes do not provide for any events of default or any other provisions allowing Holders to accelerate the Notes. Holders may not at any time demand repayment or redemption of their Notes, and enforcement rights for any payment are limited to the claim of Holders in a Winding-Up of the Issuer. In a Winding-Up of the Issuer, the Holder of any Note may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such Winding-Up together with any interest accrued and unpaid on such Note (to the extent that the same is not cancelled in accordance with the terms of the Notes) from (and including) the Interest Payment Date immediately preceding commencement of such Winding-Up and any other amounts payable on such Note under the Conditions. In accordance with the Conditions, a Holder may not itself file for the Winding-Up or bankruptcy of the Issuer.

There is no scheduled redemption date for the Notes and Holders have no right to require redemption. The Issuer may redeem the Notes in certain circumstances.

The Notes have no fixed maturity. The Issuer has no obligation at any time to redeem the Notes, and the Holders have no rights to require redemption or purchase of the Notes by the Issuer at any time.

The Issuer may redeem the Notes (in whole but not in part) in its sole discretion, subject to the approval of the Competent Authority, if applicable, and to compliance with the Capital Regulations, on any day falling in the period commencing on (and including) First Call Date and ending on (and including) the First Reset Date or any Interest Payment Date thereafter at their Redemption Amount, which may be lower than the Original Principal Amount if the Notes have previously been the subject of a Write Down.

Further, following the occurrence of a Capital Event, a Tax Event or an event as described in Condition 9.4 (*Clean-up Call Option*) , the Issuer may redeem the Notes (in whole but not in part) in its sole discretion, subject to the approval of the Competent Authority, if applicable, and to compliance with the Capital Regulations, at any time at their Redemption Amount, which may be lower than the Original Principal Amount if the Notes have previously been the subject of a Write Down.

A Capital Event will occur if there is a change in the regulatory classification of the Notes under the Capital Regulations that has resulted, or would be likely to result, in their exclusion in full or in part from the Issuer's and/or the Group's Tier 1 Capital (other than as a consequence of write down or conversion, where applicable and other than as a result of any applicable limitation on the amount of such capital).

A Tax Event will occur if there is a Law Change whereby the Issuer determines that it: (i) would not be entitled to claim a deduction in computing taxation liabilities in a Tax Jurisdiction in respect of any interest payment to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be reduced, (ii) would be required to pay additional amounts on the next Interest Payment Date pursuant to Condition 11 (Taxation), (iii) would be required to bring into account a taxable income if the principal amount of the Notes was written down, where the Issuer was not so required prior to the relevant Law Change, or (iv) would be adversely affected by a material change in the applicable tax treatment of the Notes.

Condition 9.4 (*Clean-up Call Option*) permits a redemption if 75% (or more) of the Notes originally issued has been purchased and subsequently cancelled in accordance with Condition 9 *Redemption and Purchase*). There is no obligation on the Issuer to inform Holders of the principal amount outstanding of Notes redeemed or repurchased, and cancelled, by the Issuer from time to time, and the Issuer is entitled to exercise the option pursuant to Condition 9.4 (*Clean-up Call Option*) to redeem the Notes even if, immediately prior to exercising such option, the Notes may have been trading significantly above par, thus potentially resulting in a loss by the Holders.

At any time when the Notes may be redeemed by the Issuer or the market anticipates that the redemption right will become available, the market price of the Notes is unlikely to substantially exceed the price at which the Issuer may elect to redeem the Notes. If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in Notes with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect to redeem the Notes, and if so whether or not the Issuer will satisfy the conditions, or elect, to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes at a time when its funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If the Notes are so redeemed, there can be no assurance that Holders will be able to reinvest the amounts received upon any redemption at a rate that will provide as favourable a rate of return as their investment in the Notes.

Limitation on gross-up obligations under the Notes.

The Issuer's obligation under Condition 11 (*Taxation*) to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments under the terms of the Notes 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 Notes 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 Notes, Holders may receive less than the full amount of principal due under the Notes upon redemption, and the market value of the Notes may be adversely affected.

Waiver of set-off.

By virtue of its subscription, purchase or holding of any Notes, each Holder shall be deemed to have waiver any right of set-off or netting in respect of any amount owed to it by the Issuer arising under or in connection with the Notes insofar as permitted by applicable law. Therefore, Holders will not be entitled (subject to applicable law) to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer. Holders may therefore be required to initiate separate proceedings to recover amounts in respect of

any counterclaim and may receive a lower recovery in the event of a winding up or dissolution of the Issuer than if set-off or netting were permitted.

The Notes are complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors.

The Notes are complex financial instruments that involve a high degree of risk. As a result, an investment in the Notes will involve certain increased risks. Each potential investor of the Notes must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact 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 where such potential investor's financial activities are principally denominated in a currency other than euro, and the possibility that substantially the entire principal amount of the Notes could be lost in the event of a Write Down or other write down of the Notes;

(iv) understand thoroughly the terms of the Notes (including, in particular, calculation of the CET1 Ratio of the Issuer and the Group, as well as under what circumstances a Trigger Event will occur and the provisions relating to the payment and cancellation of interest) and be familiar with the resolution regime applicable to the Issuer and the Group, including the possibility that the Notes may become subject to write-down or conversion if the Statutory Loss Absorption Power is exercised; and

(v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such 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 the Notes unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of interest and/or Write Down and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular.

The Notes are subject to modification, substitution and variation.

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

In addition, the Agent and the Issuer may agree, without the consent of the Holders, but in either case subject to Condition 9.8 (*Conditions to redemption etc.*), to any modification to the Notes and/or the Conditions which is:

(i) not prejudicial to the interests of the Holders; or

(ii) of a formal, minor or technical nature or is made to correct a manifest or proven error; or

(iii) to comply with mandatory provisions of any applicable law or regulation.

Any such modification shall be binding on the Holders.

If a Capital Event, a Tax Event or an Alignment Event has occurred and is continuing as at the date of the relevant substitution or (as the case may be) variation notice to Holders, or in order to ensure the effectiveness and enforceability of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*), then the Issuer may, subject as provided in Condition 9.7 (*Substitution and variation*) of the Notes and without the need for any consent of the Holders, substitute all (but not some only) of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) from English law to Portuguese law or any other European law that, after consultation with the Competent Authority, the Issuer considers allows the Notes to remain or become Additional Tier 1 Capital) so that the Notes remain or, as appropriate, become, Qualifying Additional Tier 1 Notes.

While Qualifying Additional Tier 1 Notes must otherwise contain terms that are not materially less favourable to Holders than the original terms of the Notes and have an equal or higher rating as that which applied to the Notes prior to any substitution or variation (if any), the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) may be changed from English law to Portuguese law or any other European law in order to ensure the effectiveness and enforceability of such Condition despite the new governing law of such Condition being materially less favourable to Holders and a lower rating being assigned to the Qualifying Additional Tier 1 Notes which is solely attributable to such change in governing law.

In addition, pursuant to Condition 5.8 (*Benchmark replacement*), if a Benchmark Event occurs certain changes may be made to the interest calculation and related provisions of the Notes for any Interest Period commencing on or after the First Reset Date, as well as the Agency Terms and the Instrument in the circumstances and as otherwise set out in such Condition, without the consent or approval of the Holders.

No assurance can be given as to whether any of these changes will negatively affect any particular Holder and it is possible that any substituted or varied Notes will contain conditions that are contrary to the investment criteria of certain investors. In addition, the tax and stamp duty consequences of holding such substituted or varied Notes could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation. There can also be no assurance that the terms of any substituted or varied Notes will be viewed by the market as equally favourable to Holders, or that such Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms.

Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Notes.

Interest rates and indices which are deemed to be "benchmarks" (such as EURIBOR or ISDAFIX (now restructured and renamed the ICE Swap Rate)) are the subject of 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 to have other consequences which cannot be predicted. Any such consequence could

have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011(the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-European Union based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. 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 national or international 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.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain "benchmarks" (including EURIBOR): (i) discouraging market participants from continuing to administer or contribute to a "benchmark"; (ii) triggering 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 national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing or otherwise dependent (in whole or in part) upon a "benchmark".

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for periods from (and including) the First Reset Date may be determined by the fall-back provisions applicable to the Notes. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page.

In addition, any changes to the administration of the 5-Year Mid-Swap Rate (or changes to its component parts, including to EURIBOR or the manner in which it is calculated) or the emergence of alternatives to the 5-Year Mid-Swap Rate as a result of these potential reforms, may cause the 5-Year Mid-Swap Rate to perform differently from in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of the 5-Year Mid-Swap Rate or changes to its administration could require changes to the way in which the Rate of Interest is calculated on the Notes from (and including) the First Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the 5-Year Mid-Swap Rate may adversely affect the 5-Year Mid-Swap Rate, the return on the Notes and the trading market for securities based on the 5-Year Mid-Swap Rate. The development of alternatives to the 5-

Year Mid-Swap Rate may result in the Notes performing differently than would otherwise have been the case if such alternatives to the 5-Year Mid-Swap Rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Notes.

The Conditions also provide for certain fall-back arrangements in the event that a Benchmark Event occurs. Either (i) the Issuer will appoint an Independent Adviser to determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the 5-Year Mid-Swap Rate or (ii) if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed is unable to determine the relevant rates, the Issuer may (after consulting with the Independent Adviser (if any)) determine a Successor Rate or, failing which an Alternative Reference Rate to be used in place of the 5-Year Mid-Swap Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest may result in the Notes performing differently (including paying a lower Rate of Interest for any Interest Period after the First Reset Date) than they would do if the 5-Year Mid-Swap Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions provide that the Issuer may vary the Conditions, Instrument and Agency Terms as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Holders.

If a Successor Rate or Alternative Reference Rate is determined by an Independent Adviser or, as the case may be, the Issuer, the Conditions also provide that an Adjustment Spread may be determined by the Independent Adviser or, as the case may be, the Issuer to be applied to such Successor Rate or Alternative Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-Year Mid-Swap Rate with the Successor Rate or the Alternative Reference Rate. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to Holders. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Notes.

However, no Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable) will be adopted, and no other amendments to the Conditions will be made pursuant to the Conditions, if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to give rise to a Capital Event or to prejudice the eligibility of the Notes to count towards the minimum requirement for own funds and eligible liabilities of the Issuer and/or the Group. Such a determination may result in the Notes performing differently than would otherwise have been the case prior to the Benchmark Event.

Moreover, any of the above matters or any other significant change to the setting or existence of the 5-Year Mid-Swap Rate could adversely affect the ability of the Issuer to meet its obligations under the Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes.

Because the Notes are held in Interbolsa, investors will have to rely on Interbolsa procedures.

The Notes will be issued in uncertificated, dematerialised book-entry (*forma escritural*) form and registered in the CVM. Legal title to the Notes will be evidenced by book entries in individual securities accounts established by Affiliate Members of Interbolsa. Transfers of title to the Notes will take place in accordance with Portuguese law and the rules and procedures for the time being of Interbolsa. Notes shall not be issued in physical form.

Each person who is for the time being shown in individual securities accounts established by an Affiliate Member of Interbolsa as the Holder of a particular principal amount of the Notes shall be treated by the Issuer and the Agent as the Holder of such principal amount of such Notes for all purposes.

2.2. Risks relating to Tax and Legal Regimes

Administrative co-operation in the field of taxation – Common Reporting Standard

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 (the Common Reporting Standard).

Council Directive 2011/16/EU was amended by Council Directive 2021/514/EU of 22 March 2021, which extended the mandatory automatic exchange of information to digital platforms that connect sellers of certain goods and services with the respective buyers, with the aim to combat fraud, evasion and tax avoidance in the digital economy and the cross-border dimension of the services offered through the use of digital platforms.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013, as amended by Decree-Law No. 64/2016, of 11 October 2016, Law No. 98/2017, of 24 August 2017, Law No. 17/2019, of 14 February 2019, Law no. 24-D/2022, of 30 December 2022 and Law no. 36/2023 of 26 July 2023. Council Directive 2021/514/EU was implemented through Law No. 36/2023, of 26 July 2023, which amended Decree-Law No. 61/2013, of 10 May 2013.

The Council Directive 2014/107/EU, of 9 December 2014, regarding the mandatory automatic exchange of information in the field of taxation implemented in Portugal through the Decree-Law No. 64/2016, of 11 October 2016, as amended. Under such law, the Issuer is 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 third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard. Law no. 17/2019, of 14 February 2019 introduced the regime for the automatic exchange of financial information to be carried out by financial institutions to the Portuguese Tax Authority with respect to accounts held by holders or beneficiaries resident in the Portuguese territory with a balance or value that exceeds EUR 50,000 (assessed at the end of each civil year). This regime covers information related to years 2018 and following years. Under such legislation (as amended) information shall be reported to the Portuguese Tax Authority until 31 May of each year, with reference to the previous year.

Under Council Directive 2014/107/EU, of 9 December 2014, 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 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 Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the Account and 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.

In view of the regime enacted by Decree-Law No. 64/2016, of 11 October 2016, which was amended by Law No. 98/2017, of 24 August 2017, and Law No. 17/2019, of 14 February 2019, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations arising thereof and the applicable forms were approved by Ministerial Order ("Portaria") No. 302-B/2016, of 2 December 2016, as amended by Ministerial Order ("Portaria") No. 282/2018, of 19 October 2018, Ministerial Order ("Portaria") No. 302-C/2016, of 2 December 2016, Ministerial Order ("Portaria") No. 302-D/2016, of 2 December 2016, as amended by Ministerial Order ("Portaria") No. 255/2017, of 14 August 2017, and by Ministerial Order ("Portaria") No. 58/2018, of 27 February 2018, and Ministerial Order ("Portaria") No. 302-E/2016, of 2 December 2016.

Administrative co-operation in the field of taxation – Mandatory Disclosure Rules

Council Directive 2011/16/EU, as amended by Council Directive (EU) 2018/822 of 25 May, introduced the automatic exchange of tax information concerning the cross-border mechanisms to be reported to the tax authorities, in order to ensure a better functioning of the EU market by discouraging the use of aggressive cross-border tax planning arrangements.

Under Council Directive (EU) 2018/822 of 25 May, the intermediaries or the relevant taxpayers are subject to the obligation to communicate cross-border tax planning arrangements' information to the tax authorities of EU Member States, according to certain hallmarks indicating a potential risk of tax avoidance.

Portugal implemented Council Directive (EU) 2018/822 of 25 May through Law No. 26/2020, of 21 July, and Decree-Law No. 53/2020, of 11 August, with the following features:

(i) reportable arrangements include cross-border and purely domestic arrangements, but generic hallmarks linked to the main benefit test are not relevant in case of purely domestic arrangements;

(ii) the main benefit test is only satisfied if the obtaining of a tax advantage, beyond a reasonable doubt, is the main benefit or one of the main benefits which, having regard to all relevant facts and circumstances, a person may reasonably expect to derive from an arrangement;

(iii) tax advantage is defined as any reduction, elimination or tax deferral, including the use of tax losses or the granting of tax benefits that would not be granted fully or partially, without the use of the mechanism; and

(iv) in case any professional privilege or confidentiality clauses apply, the reporting obligations are shifted to the relevant taxpayer; however, in case the relevant taxpayer does not comply with this obligation, the reporting obligation is then shifted again to the intermediary.

The applicable form (Model 58) to comply with the reporting obligations to the Portuguese Tax Authority was approved by Ministerial Order no. 304/2020, of 29 December. This form must be submitted before the Portuguese Tax Authorities within 30 days. In case any professional privilege or confidentiality clauses applies to the intermediary, a period of 5 days applies to inform the taxpayer.

Investors should in any case consult their own tax advisers to obtain a more detailed explanation of this regime and how it may individually affect them.

Risks related to withholding tax on Notes

Under Portuguese law, income derived from the Notes integrated in and held through a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or EEA entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law No. 193/2005, of 7 November 2005, as amended, ("**the special regime approved by Decree-Law No. 193/2005**") may benefit from withholding tax exemption, provided that certain procedures and certification requirements are complied with.

Failure to comply with procedures, declarations, certifications or others will result in the application of the relevant Portuguese domestic withholding tax to the payments without giving rise to an obligation to gross up by the Bank.

It should also be noted that, if interest and other income derived from the Notes is paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g. typically "jumbo" accounts) such income will be subject to withholding tax in Portugal at a rate of 35% unless the beneficial owner of the income is disclosed. Failure by the investors to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35% and the Bank will not be required to gross up payments in respect of any withheld accounts in accordance with the Conditions.

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004 of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**"), is subject to withholding tax at 35%, which is the final tax on that income, unless the special regime approved by Decree-Law No. 193/2005 applies and the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force.

The Bank will not be required to gross up payments in respect of any of such non-resident holders, in accordance with the Conditions.

See details of the Portuguese taxation regime in "*Taxation — Portuguese Taxation*".

Holders may be subject to withholding tax under FATCA

Under sections 1471-1474 of the United States Internal Revenue Code of 1986 enacted by the United States as part of the HIRE Act in March 2010 (commonly referred to as Foreign Account Tax Compliance Act, (FATCA), payments may be subject to withholding if the payment is either US source, or a foreign pass thru payment.

If an amount in respect of FATCA withholding tax were to be deducted or withheld from any payments on the Notes, neither the Issuer nor any paying agent would be required to pay any additional amounts as a result of the deduction or withholding of such tax. As a result, investors who are non-US financial institutions (FFI) that have not entered into an FFI agreement (or otherwise established an exemption from withholding under FATCA), investors that hold Notes through such FFIs or investors that are not FFIs but have failed to provide required information or waivers to an FFI may be subject to withholding tax for which no additional amount will be paid by the Issuer. Holders should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

The value of the Notes could be adversely affected by a change in law or administrative practice.

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Notes. The Conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law except that the provisions relating to the status of the Notes in Condition 4 (*Status of the Notes*), the form (*forma de representação*) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, are in each case governed by, and shall be construed in accordance with, Portuguese law. No assurance can be given as to the impact of any possible judicial decision or change to English or Portuguese law or administrative practice after the date of issue of the 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. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

The acquisition of the Notes by certain prospective investors may not be legal.

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor in the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it. Prospective investors will be required to give the representations, warranties, agreements and undertakings as set out on the front pages of this Offering Circular.

2.3. Risks relating to the Market generally

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

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

The Notes represent a new instrument for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market for the Notes does develop, it may not be very liquid and such liquidity may be sensitive to changes in financial markets. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and existing liquidity arrangements (if any) might not protect Holders from having to sell the Notes at substantial discount to their principal amount in case of financial distress of the Issuer. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

If a market for the Notes does develop, the trading price of the Notes may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Notes. Publicly traded Notes from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition and/or the CET1 Ratio of the Issuer and/or the Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable or unwilling to pay interest on the Notes in full, or of the Notes being Written Down or otherwise subject to loss absorption or an applicable statutory loss absorption regime. In addition, the market price of the Notes may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control, including:

- variations in operating results of the Issuer and/or the Group;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Issuer's and/or the Group's strategy is or may be less effective than previously assumed or that the Issuer and/or the Group is not effectively implementing any significant projects;
- changes in financial estimates by market analysts;
- changes in market valuations of similar entities;

- announcements by the Issuer and/or the Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or Competent Authority requirements;
- additions or departures of key personnel; and
- future issues or sales of notes or other securities.

Any or all of these events could result in material fluctuations in the price of Notes which could lead to investors losing some or all of their investment.

The issue price of the Notes might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Notes at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although the Issuer or any member of the Group may (subject to the approval of the Competent Authority if applicable and compliance with the Capital Regulations) purchase Notes at any time permitted by applicable law and regulation, they have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, prospective investors should be aware that any deterioration of global credit market conditions such that there is a general lack of liquidity in the secondary market may result in investors suffering losses on the Notes in secondary re-sales even if there is no decline in the performance of the Notes or the financial condition of the Issuer or the Group.

Although application has been made for the Notes to be admitted to trading on the GEM, there is no assurance that such application will be accepted or that an active trading market will develop.

If the investor's home currency is not the euro, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to the Notes could result in an investor not receiving payments on the Notes.

The Issuer will pay principal and interest (if any) on the Notes in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or euro may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency- equivalent value of the principal payable on the Notes and (iii) 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

The value of the Notes may be adversely affected by movements in market interest rates.

Investment in the Notes, which bear a fixed rate of interest (which will be reset on each Reset Date), involves the risk that if market interest rates subsequently increase above the relevant rate paid on the Notes, this will adversely affect the value of the Notes.

In addition, a Holder of the Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) 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 the Notes under any applicable risk-based capital or similar rules.

Credit Ratings of the Notes may not reflect all risk.

The Notes are expected to be assigned a credit rating of B+ by Fitch and may in the future be rated by additional independent credit rating agencies (including on an unsolicited basis), although the Issuer is under no obligation to ensure that the Notes are rated by any credit rating agency. Prospective investors in the Notes should verify at all times the credit ratings of the Issuer and the Notes. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Notes. In addition, rating agency methodologies, and therefore ratings themselves, may change without warning at any time. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

If one or more credit ratings are not assigned to the Notes, if the Issuer determines to no longer maintain one or more credit ratings, if any other independent credit rating agency decides to assign a rating to the Notes, or if any credit rating agency withdraws, suspends or downgrades any credit ratings of the Issuer or the Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or the Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), such event could adversely affect the liquidity or market value of the Notes.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (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 restriction 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 the European Securities and Markets Authority ("**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 CRA Regulation as it forms part of domestic law by virtue of the EUWA (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.

DOCUMENTS INCORPORATED BY REFERENCE

The following information, which is contained in the documents referred to below that have previously been published and have been filed with Euronext Dublin, shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the 2021 Annual Report of the Group, including, without limitation, the following audited consolidated financial statements, notes, glossary and audit report set out at the following pages:

Glossary	Page 187 to 189
Income Statements	Page 191
Statements of Comprehensive Income	Page 192 to 193
Balance Sheet	Page 194
Statement of Cash Flows	Page 195
Statement of Changes in Equity	Page 196
Notes to the Consolidated Financial Statements	Pages 197 to 450
External Auditors' Report	Pages 686 to 700

(b) the 2022 Annual Report of the Group, including, without limitation, the following audited consolidated financial statements, notes, glossary and audit report set out at the following pages:

Glossary	Page 186 to 188
Income Statements	Page 190
Statements of Comprehensive Income	Page 191 to 192
Balance Sheet	Page 193
Statement of Cash Flows	Page 194
Statement of Changes in Equity	Page 195
Notes to the Consolidated Financial Statements	Pages 196 to 455
External Auditors' Report	Pages 699 to 713

(c) the unaudited earnings press release and earnings presentation of the Group as at and for, the nine-month period ended 30 September 2023, including, without limitation, the following unaudited consolidated balance sheet and consolidated income statement set out at the following pages of the earnings press release:

Balance Sheet	Page 29
Income Statement	Page 28

(d) the unaudited report and accounts of the Group as at, and for the nine-month period ended 30 September 2023, including the following unaudited consolidated financial statements:

Balance Sheet	Page 72
Income Statement	Page 66
Cash Flows Statement	Page 73
Statement of Changes in Equity	Page 74
Statement of Comprehensive Income	Pages 68 and 69
Notes to the Consolidated Financial Statements	Pages 75 to 227

All financial information in this Offering Circular relating to the Issuer for the years ended on 31 December 2021 and 31 December 2022 has been extracted without material adjustment from the audited financial statements of the Group for the financial years then ended.

The documents incorporated by reference are direct and accurate translations from their original Portuguese versions. In the event of a discrepancy, the original Portuguese version will prevail.

Copies of documents containing the information incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified office of the Agent.

The documents referred to in (a) and (b) above can be viewed electronically and free of charge at the Issuer's website, at the following links (respectively):

https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2021/versao_ESEG_000432-2021-12-31_EN.xhtml

and

https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2022/Annual-report-BCP-2022.pdf

Documents referred to in (c) and (d) above can be viewed electronically and free of charge at the Issuer's website, at the following links (respectively):

https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/ResultadosTrimestrais/2023/20231030_Earnings-MillenniumBCP-9M-2023-5.pdf

https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/ResultadosTrimestrais/2023/EarningsPres-09M23-30102023-7.pdf
https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2023/RABCP9M2023.pdf

Following the publication of this Offering Circular, a supplement may be prepared by the Issuer and approved by Euronext Dublin in accordance with the Listing Rules of Euronext Dublin. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise) modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Any documents themselves incorporated by reference in the documents incorporated by reference herein shall not form part of this Offering Circular.

OVERVIEW OF THE NOTES

This Overview of the Notes contains a brief description of certain features of the Notes, and is subject to and qualified in its entirety by the information contained in "Terms and Conditions of the Notes" and the Instrument. Capitalised terms used but not otherwise defined in this Overview of the Notes shall have the meanings given to them under "Terms and Conditions of the Notes".

The Issuer:	Banco Comercial Português, S.A. (the "**Issuer**" and together with its consolidated subsidiaries, the "**Group**")
Joint Lead Managers:	Banco Comercial Português, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA and Deutsche Bank Aktiengesellschaft
Agent:	Banco Comercial Português, S.A.
The Notes:	€400,000,000 Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes
Issue Price:	100% of the principal amount of the Notes
Issue Date:	18 January 2024
Status and Subordination:	***Status*** The Notes will constitute undated, direct, unsecured, unguaranteed and subordinated obligations of the Issuer, and will at all times rank *pari passu* without any preference among themselves and will be subordinated as provided below. ***Subordination*** Subject to any mandatory provisions of law (including, without limitation, Article 8-B of Decree-Law 199/2006 of 25 October 2006 (which implements Article 48(7) of the BRRD), as amended or replaced from time to time), claims in respect of the Notes (including claims for damages in respect of any breach of the Issuer's obligations thereunder, if applicable) shall at all times, including in the event of a Winding-Up of the Issuer, rank (a) *pari passu* without any preference among themselves and with claims in respect of Parity Securities; (b) in priority to claims in respect of Junior Securities; and (c) junior to any present or future claims in respect of Senior Obligations.
Loss Absorption:	***Trigger Event and Write Down*** If at any time the CET1 Ratio of any of the Issuer and/or the Group has fallen below 5.125%, calculated and determined as provided in the Conditions, (such calculation being binding on the Holders) (a "**Trigger Event**"), then the Issuer shall immediately notify the Competent Authority and, without delay and by no later than one month (or such shorter period as the Competent Authority may then

require) from the occurrence of the relevant Trigger Event, shall (without the need for the consent of the Holders):

(i) cancel all interest accrued to (but excluding) the relevant Write Down Date (whether or not such interest has become due for payment and including any interest scheduled for payment on such Write Down Date); and

(ii) irrevocably and mandatorily reduce the then Outstanding Principal Amount of each Note by the relevant Write Down Amount (such reduction, a "**Write Down**" and "**Written Down**" being construed accordingly).

For the avoidance of doubt, if the cancellation of interest pursuant to (i) above would result in an increase in the CET1 Ratio of the Issuer and/or the Group (as applicable), any such increase shall be disregarded for the purposes of calculating such Write Down Amount in respect of such Trigger Event.

Loss Absorbing Instruments

A Write Down of each Note will be effected, save as may otherwise be required by the Capital Regulations or the Competent Authority, *pro rata* with (a) the concurrent Write Down of the other Notes and (b) the concurrent (or substantially concurrent) write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Loss Absorbing Instrument), provided that:

(1) with respect to each Loss Absorbing Instrument (if any), such *pro rata* write down or conversion shall only be taken into account to the extent required to restore the relevant CET1 Ratio(s) to the lower of (i) such Loss Absorbing Instrument's trigger level and (ii) 5.125% (being the level at which a Trigger Event occurs in respect of the Notes) in either case in accordance with the terms of such Loss Absorbing Instruments and the Capital Regulations; and

(2) if for any reason the Issuer is unable to effect the concurrent (or substantially concurrent) write down or conversion of any given Loss Absorbing Instruments within the period required by the Competent Authority, the Notes will be Written Down notwithstanding that the relevant Loss Absorbing Instruments are not also written down or converted.

For the avoidance of doubt, to the extent that the Issuer is unable to write down or convert any Loss Absorbing Instruments as aforesaid, any Write Down Amount determined in accordance with part (i) of the definition of Write Down Amount will be calculated on the basis that such Loss Absorbing Instruments are not available to be written down or converted, and accordingly the relevant Write Down Amount determined in accordance with that part (i) will be

higher than it would otherwise have been if such Loss Absorbing Instruments had been available to be written down or converted.

"**Write Down Amount**" means, on any Write Down Date, the amount by which the then Outstanding Principal Amount of each Note is to be Written Down on such date, being (save as may otherwise be required by the Capital Regulations) the lower of (i) and (ii) below:

(i) the amount per Note which is determined by the Issuer to be necessary (in conjunction with (a) the concurrent Write Down of the other Notes and (b) the concurrent (or substantially concurrent) write down or conversion into equity of, or other loss absorption measures taken in respect of, any other Loss Absorbing Instruments, in each case in the manner and to the extent provided above under *"Loss Absorbing Instruments"* to restore each of the Issuer's and the Group's (as applicable) CET1 Ratio to at least 5.125%; and

(ii) the amount necessary to reduce the Outstanding Principal Amount of each Note to one cent.

The Outstanding Principal Amount of a Note shall not at any time be reduced to below one cent as a result of a Write Down.

Cancellation not automatic

If the Outstanding Principal Amount of the Notes is Written Down to one cent, the Notes will not be cancelled as a result thereof.

Write Down may occur on more than one occasion; No default

A Trigger Event may occur on one or more occasions and accordingly the Notes may be Written Down on one or more occasions. Any such Write Down shall not constitute a default under the terms of the Notes for any purpose and shall not entitle Holders to petition for the Winding-Up of the Issuer.

Discretionary Reinstatement:

Discretionary Reinstatement

Subject to compliance with the prevailing Capital Regulations, if, at any time while any Note remains Written Down, each Relevant Entity records a positive Net Profit, the Issuer may, in its sole and absolute discretion, increase the Outstanding Principal Amount of the Notes (a "**Discretionary Reinstatement**") by such amount (calculated per Calculation Amount) as the Issuer may elect, provided that such Discretionary Reinstatement shall not:

(i) result in the Outstanding Principal Amount of each Note being greater than its Original Principal Amount;

(ii) be operated whilst the Trigger Event has occurred and is continuing;

(iii) result in the occurrence of a Trigger Event; or

(iv) (unless otherwise permitted or required by the Capital Regulations) result in the Maximum Write-up Amount to be exceeded when taken together with the aggregate of:

(a) any previous Discretionary Reinstatement of the Notes out of the same Relevant Profits since the Reference Date (if any);

(b) the aggregate amount of any interest on the Notes that has been paid or calculated (but disregarding any such calculated interest which has been cancelled) since the Reference Date on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount;

(c) the aggregate amount of the increase in principal amount of the Loss Absorbing Written Down Instruments to be written-up out of the same Relevant Profits concurrently (or substantially concurrently) with such Discretionary Reinstatement and (if applicable) any previous increase in principal amount out of the same Relevant Profits of such Loss Absorbing Written Down Instruments since the Reference Date; and

(d) the aggregate amount of any interest on each Loss Absorbing Instruments that have been paid or calculated (but disregarding any such calculated interest which has been cancelled) since the Reference Date on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Instruments were issued.

A Discretionary Reinstatement will also not be effected in circumstances in which it would cause any relevant Maximum Distributable Amount then applicable to the Issuer and/or the Group (as further described below) to be exceeded.

The "**Maximum Write-up Amount**" means the lower of:

(i) (a) the Issuer's Net Profit, multiplied by (b) the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial original principal amount of all Loss Absorbing Written Down Instruments issued directly or indirectly by the Issuer, divided by (c) the total Tier 1 Capital of the Issuer as at the date of the relevant Discretionary Reinstatement; and

(ii) (b) the Group's Net Profit, multiplied by (b) the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial original principal amount of all Loss Absorbing Written Down Instruments issued directly or indirectly by any member of the Group, divided by (c) the

total Tier 1 Capital of the Group as at the date of the relevant Discretionary Reinstatement;

or any higher or lower amount as may be permissible pursuant to the Capital Regulations then in force.

Write-up of Loss Absorbing Written Down Instruments

Any Discretionary Reinstatement shall be applied concurrently (or substantially concurrently) and *pro rata* with other write-ups to be effected out of the Relevant Profits in respect of any Loss Absorbing Written Down Instruments.

The Issuer will not reinstate the principal amount of any Loss Absorbing Written Down Instrument that have terms permitting a write-up of such principal amount to occur out of the Relevant Profits on a similar basis to that set out in respect of the Notes unless it does do on a *pro rata* basis with a Discretionary Reinstatement of the Notes.

Discretionary Reinstatement may occur on more than one occasion

A Discretionary Reinstatement may occur on one or more occasions until the Outstanding Principal Amount of each Note has been reinstated to the Original Principal Amount. Any decision by the Issuer to effect or not to effect any Discretionary Reinstatement on any occasion shall not preclude it from effecting or not effecting any Discretionary Reinstatement on any other occasion.

Maximum Distributable Amount:

In circumstances where the provisions of one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation apply, no payments, or the relevant part thereof, will be made on the Notes (whether by way of principal, interest, Discretionary Reinstatement or otherwise) if and to the extent that such payment would, when aggregated together with other Relevant Distributions, any obligation referred to in one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation and the amount of any Discretionary Reinstatement, where applicable, exceed the relevant Maximum Distributable Amount (if any) of the Issuer and/or the Group. See "*Risk Factors – The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Notes*" and "*Risk Factors – Payments on the Notes cannot exceed any relevant Maximum Distributable Amount*" and "*Any*

failure by the Issuer and/or the Group to comply with the Bank Recovery and Resolution Directive or its MREL requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including interest payments on the Notes".

Interest:

Subject as described below under "*Cancellation of Interest Payments*", the Notes will bear interest on their Outstanding Principal Amount from time to time at the relevant rate of interest, payable quarterly in arrear on 18 January, 18 April, 18 July and 18 October in each year from (and including) 18 April 2024 (each such date for the payment of interest being an "**Interest Payment Date**").

The initial rate of interest shall be 8.125% per annum, which shall apply from (and including) the Issue Date to (but excluding) the First Reset Date.

Such rate will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date (together with the First Reset Date, each a "**Reset Date**") as the sum of the applicable 5-Year Mid-Swap Rate (calculated as set out in the Conditions) plus a margin of 5.78% per annum (the "**Margin**").

In the event a Benchmark Event occurs (a) a Successor Rate or, failing which, an Alternative Reference Rate, and (b) in either case, an Adjustment Spread may be used for the purposes of determining the Rate of Interest.

Cancellation of Interest Payments:

Optional cancellation of interest

The Issuer may elect at any time, in its sole and full discretion, to cancel (in whole or in part) any payment of interest otherwise scheduled to be paid on an Interest Payment Date for an unlimited period of time and on a non-cumulative basis.

Mandatory cancellation of Interest Payments

(i) Payments of interest in respect of the Notes in any financial year (and, if applicable, any additional amounts payable in respect thereof pursuant to Condition 11 (*Taxation*)) shall only be made out of Distributable Items of the Issuer. The Issuer will cancel any interest, or the relevant part thereof, otherwise scheduled to be paid on an Interest Payment Date if and to the extent that the amount of such interest (together with any additional amounts payable in respect thereof pursuant to Condition 11 (*Taxation*)), when aggregated together with any other Relevant Distributions and the amount of any Discretionary Reinstatement, where applicable, exceeds the amount of Distributable Items of the Issuer as at such Interest Payment Date.

(ii) In addition, in circumstances where the provisions of one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation apply, no payments, or the relevant part thereof, will be made on the Notes (whether by way of principal, interest, Discretionary Reinstatement or otherwise) if and to the extent that such payment would, when aggregated together with other Relevant Distributions, any obligation referred to in one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation and the amount of any Discretionary Reinstatement, where applicable, exceed the relevant Maximum Distributable Amount (if any) of the Issuer and/or the Group.

(iii) The Competent Authority may also direct the Issuer to exercise its discretion to cancel interest (in whole or in part) scheduled to be paid on an Interest Payment Date.

Non-payment of any amount of interest (in whole or in part) scheduled to be paid on an Interest Payment Date will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

Interest non-cumulative; no default:

If the payment of interest scheduled on an Interest Payment Date is cancelled, in whole or in part, in accordance with the provisions of "*Cancellation of Interest Payments*", the Issuer shall not have any obligation to make such interest payment (or the cancelled part thereof) on such Interest Payment Date or any time thereafter and the failure to pay such interest (or the cancelled part thereof) shall not constitute a default of the Issuer for any purpose and shall not entitle Holders to petition for the Winding-Up of the Issuer.

Any such interest will not accumulate or be payable at any time thereafter, the Issuer will not be obliged to (and will not) make any other payment or settlement in any form in lieu thereof, and Holders of the Notes shall have no right thereto whether in a Winding-Up of the Issuer or otherwise. Any such cancellation of interest shall impose no restrictions on the Issuer.

No such cancellation of interest shall prevent the Issuer from making payments of interest, dividends or other distributions on, or from redeeming or purchasing, any obligations, including any Junior Securities or Parity Securities.

Redemption:

The Notes are perpetual securities and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described herein. The Notes are not redeemable at the option of the Holders at any time.

Subject to the Conditions set out herein, the Issuer may, upon giving not less than 15 nor more than 60 days' notice to Holders, in its sole discretion (and without the requirement for the consent or approval of the Holders) elect to redeem the Notes in whole (but not in part):

(i) on any day falling in the period commencing on (and including) 18 January 2029 (the "**First Call Date**") and ending on (and including) the First Reset Date or any Interest Payment Date thereafter, subject to the proviso below; or

(ii) at any time upon the occurrence and continuation of a Tax Event or a Capital Event or if 75 per cent. (or more) of the Notes originally issued has been purchased and subsequently cancelled in accordance with Condition 9 (*Redemption and Purchase*),

in each case at their Redemption Amount.

"**Tax Event**" means any Law Change whereby the Issuer determines that it:

(i) would not be entitled to claim a deduction in computing taxation liabilities in a Tax Jurisdiction in respect of any interest payment to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be reduced,

(ii) would be required to pay additional amounts on the next Interest Payment Date pursuant to Condition 11 (Taxation),

(iii) would be required to bring into account a taxable income if the principal amount of the Notes was written down, where the Issuer was not so required prior to the relevant Law Change, or

(iv) would be adversely affected by a material change in the applicable tax treatment of the Notes,

and, in each case, this cannot be avoided by the Issuer taking reasonable measures available to it.

A "**Capital Event**" is deemed to have occurred if there is a change in the regulatory classification of the Notes under the Capital Regulations that has resulted, or would be likely to result, in their exclusion in full or in part from the Issuer's and/or the Group's Tier

1 Capital (other than as a consequence of write down or conversion, where applicable and other than as a result of any applicable limitation on the amount of such capital).

Substitution and variation:

Subject to Condition 9.8 (*Conditions to redemption etc.*), if a Tax Event, a Capital Event or an Alignment Event has occurred and is continuing as at the date of the relevant notice to Holders, or in order to ensure the effectiveness and enforceability of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*), the Issuer (in its sole discretion but subject as set out below), may, without any requirement for the consent or approval of the Holders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) from English law to Portuguese law or any other European law that, after consultation with the Competent Authority, the Issuer considers allows the Notes to remain or become Additional Tier 1 Capital) so that the Notes remain or, as appropriate, become, Qualifying Additional Tier 1 Notes.

While Qualifying Additional Tier 1 Notes must otherwise contain terms that are not materially less favourable to Holders than the original terms of the Notes and have an equal or higher rating as that which applied to the Notes prior to any substitution or variation (if any), the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) may be changed from English law to Portuguese law or any other European law in order to ensure the effectiveness and enforceability of such Condition despite the new governing law of such Condition being materially less favourable to Holders and a lower rating being assigned to the Qualifying Additional Tier 1 Notes which is solely attributable to such change in governing law.

An "**Alignment Event**" will be deemed to have occurred if, as a result of a change in or amendment to the Capital Regulations or interpretation thereof, at any time after the Issue Date, the Issuer would be able to issue a capital instrument qualifying as Additional Tier 1 Capital that contains one or more provisions that are, in the reasonable opinion of the Issuer, different in any material respect from those contained in the Conditions.

Purchase:

Subject to the conditions set out herein, the Issuer or any other member of the Group may purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise in accordance with the Capital Regulations applicable to the Group in force at the relevant time, and subject to applicable law and regulation.

Conditions to redemption and purchase:

Any redemption, cancellation, substitution, variation or modification of the Notes by the Issuer, and any purchase of the Notes by the Issuer or any other member of the Group, will be subject to the prior consent of the Competent Authority as further set out in Condition 9.8 (*Conditions to redemption etc.*).

In the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Issue Date of the most recent Tranche of Notes (A) in the case of a redemption of the Notes as a result of a Tax Event, the Issuer need to demonstrate to the satisfaction of the Competent Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date of the most recent Tranche of Notes; (B) in the case of redemption upon the occurrence of a Capital Event, the Issuer needs to demonstrate to the satisfaction of the Competent Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date of the most recent Tranche of Notes and the Competent Authority considers such a change to be sufficiently certain; or (C) in the case of any other redemption or purchase, such redemption or purchase is then permitted by the Capital Regulations.

Trigger Event following notice of redemption, substitution or variation:

If at any time the Issuer has given notice that it intends to redeem the Notes and, prior to the time of such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect. Accordingly, the Notes will not be redeemed on the proposed date therefor, and instead a Write Down of the Notes will occur.

For the avoidance of doubt, if at any time the Issuer has given notice that it intends to substitute or vary the terms of the Notes and, prior to the time of such substitution or variation, a Trigger Event occurs, the relevant substitution or variation notice shall not be automatically rescinded, notwithstanding that a Write Down of the Notes will occur.

Enforcement on a Winding-Up:

There are no events of default under the terms of the Notes.

In the case of a Winding-Up of the Issuer, the Holder may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such Winding-Up together with any interest accrued and unpaid on such Note (to the extent that the same is not cancelled in accordance with the terms of the Notes) from (and including) the Interest Payment Date immediately preceding commencement of such Winding-Up and any other amounts payable on such Note under the Conditions (including any damages payable in respect thereof, if applicable). Such claim shall rank as provided in Condition 4.2 (*Subordination*).

A Holder shall not be entitled to file for the Winding-Up of the Issuer.

For the avoidance of doubt, in a Winding-Up of the Issuer the Holders will have a claim for the Outstanding Principal Amount and not for the Original Principal Amount.

Form and Denomination:

The Notes will be issued in denominations of €200,000 and will be issued in dematerialised book-entry (*forma escritural*) form. The

Notes will be registered with the CVM managed and operated by Interbolsa.

The Notes will only be issued in dematerialised form. The terms and conditions of the Notes shall be the terms and conditions scheduled to a deed poll given by the Issuer in favour of the Holders dated 18 January 2024 (the "**Instrument**").

Clearing: The Notes will be cleared and settled through Interbolsa (and indirectly through Euroclear/Clearstream, Luxembourg). For a summary description of rules applicable to Notes see section "*Notes Held Through Interbolsa*".

Taxation: All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of a Tax Jurisdiction unless such withholding or deduction is required by law. In the event of any such withholding or deduction in respect of payments of interest (but not principal), subject to the exceptions set out in the Conditions, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts of interest received by the Holders (which for the purposes of Condition 11 (*Taxation*) includes each holder of the Notes who is the effective beneficiary of the income attributable thereto) after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

Governing Law: The Notes (except Condition 4 (*Status of the Notes*)) and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with, English law save that the form (*forma de representação*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law. Condition 4 (*Status of the Notes*) is governed by, and shall be construed in accordance with, Portuguese law. In each case, the application of such governing law shall be without prejudice to the applicability, under the conflicts rules applicable in the relevant forum, in the light of such submission, of Portuguese law. The foregoing is subject to the right of the Issuer pursuant to Condition 9.7 (*Substitution and variation*) to change the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*).

Portuguese Statutory Loss Absorption Powers: Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Notes, each Holder (which, for the purposes of this clause, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees: (i) to be bound by the effect of the exercise of the Statutory 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; (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 each Holder 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; (c) the cancellation of the Notes or Amounts Due; or (d) the amendment or alteration of any date set for redemption 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 necessary, to give effect to, the exercise of the Statutory Loss Absorption Power by the Relevant Resolution Authority.

For the avoidance of doubt, any potential write down or cancellation of all, or a portion, of the Amounts Due on the Notes or the conversion of the Notes into shares, other securities or other obligations in connection with the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority is separate and distinct from a Write Down following a Trigger Event although these events may occur consecutively.

Listing and trading: Application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on the GEM. The GEM is not a regulated market for the purposes of MiFID II.

Selling Restrictions: United States (Regulation S), EEA, the United Kingdom, Portugal, Italy, France, Hong Kong and Singapore.

The Notes are not intended to be sold and should not be sold to retail investors in the EEA. See the section headed "*Restrictions on marketing and sales to retail investors*" herein for further information.

Ratings: The Notes are expected on issue to be rated B+ by Fitch.

ISIN: PTBCPKOM0004

Common Code: 274371951

CFI: DBVUQR

FISN: BCP SA/VAR OB PERP CALL

Legal Entity Identifier JU1U6S0DG9YLT7N8ZV32

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes.

1. **Introduction**

1.1 *Notes*: The €400,000,000 Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes (the "**Notes**") are issued by Banco Comercial Português, S.A. (the "**Issuer**").

1.2 *Procedures*: The Notes are in book entry form and are constituted by registration in individual securities accounts ("**Securities Accounts**") held by the Holders in Affiliate Members of Interbolsa, and governed by these Conditions and a deed poll given by the Issuer in favour of the Holders dated 18 January 2024 (the "**Instrument**"). The Conditions are an integral part of the Notes. The Notes also have the benefit of the agency terms dated 18 January 2024 (the "**Agency Terms**") and made by Banco Comercial Português, S.A. as Issuer and as agent (the "**Agent**" which expression shall include any successor agent).

1.3 *Inspection*: The Holders are bound by, and are deemed to have notice of, all the provisions of the Instrument applicable to them. Copies of the Instrument and the Conditions are available for inspection by Holders during normal business hours at the offices of the Issuer.

2. **Definitions and Interpretation**

2.1 *Definitions*: In these Conditions the following expressions have the following meanings:

"**5-Year Mid-Swap Rate**" means, with respect to a Reset Date and the relative Reset Interest Determination Date:

(A) the mid-swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the Screen Page at the Relevant Time; or

(B) if such rate does not appear on the Screen Page at the Relevant Time, the Reset Reference Bank Rate on such Reset Interest Determination Date;

"**5-year Mid-Swap Rate Quotations**" means the arithmetic mean of the bid and offered rates quoted by the Reference Banks at the Relevant Time (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which: (A) has a term of five years commencing on the relevant Reset Date; (B) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and (C) has a floating leg (calculated on an Actual/360 day count basis) which is equivalent to six-month EURIBOR;

"**30/360**" means, with respect to any period, the number of days in such period to (but excluding) the relevant payment date, divided by 360, calculated on the basis of a year of 360 days with twelve 30-day months;

"**Accounting Currency**" means Euro or such other primary currency used in the presentation of the Issuer's and/or the Group's accounts (as the context requires) from time to time;

"**Actual/360**" means, with respect to any period, the actual number of days in such period to (but excluding) the relevant payment date, divided by 360;

"**Additional Tier 1 Capital**" means Additional Tier 1 capital within the meaning of the Capital Regulations;

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Reference Rate (as applicable) 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 5-year Mid-Swap Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the 5-year Mid-Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case in its discretion and acting in good faith and in a commercially reasonable manner, determines to be appropriate;

"**Affiliate Member**" means any authorised financial intermediary entitled to hold control accounts with the CVM and includes any banks or financial intermediaries appointed by Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") for the purpose of holding Securities Accounts on behalf of Euroclear and Clearstream, Luxembourg;

An "**Alignment Event**" will be deemed to have occurred if, as a result of a change in or amendment to the Capital Regulations or interpretation thereof, at any time after the Issue Date, the Issuer would be able to issue a capital instrument qualifying as Additional Tier 1 Capital that contains one or more provisions that are, in the reasonable opinion of the Issuer, different in any material respect from those contained in these Conditions.

"**Alternative Reference Rate**" means the rate that the Independent Adviser or, as the case may be, the Issuer determines has replaced the 5-year Mid-Swap Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in euro and of a five year duration, or, if the Independent Adviser or, as the case may be, the Issuer determines that there is no such rate, such other rate as the Independent Adviser or, as the case may be, the Issuer determines in its discretion is most comparable to the 5-year Mid-Swap Rate;

"**Amounts Due**" means the Outstanding Principal Amount of the Notes, together with any accrued but unpaid interest (to the extent that the same has not been cancelled) and additional amounts payable pursuant to Condition 11 (*Taxation*), 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 Statutory Loss Absorption Power by the Relevant Resolution Authority;

"**Benchmark Event**" means:

(i) the 5-year Mid-Swap 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 5-year Mid-Swap Rate stating that it will, by a specified date on or prior to the next Reset Interest Determination Date, cease to publish the 5-year Mid-Swap Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or

(iii) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate stating that the 5-year Mid-Swap Rate has been or will be, by a specified date on or prior to the next Reset Interest Determination Date, permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor or the administrator of the 5-year Mid-Swap Rate stating that the 5-year Mid-Swap Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case by a specified date on or prior to the next Reset Interest Determination Date; or

(v) it has, or will on or prior to the next Reset Interest Determination Date, become unlawful for the Issuer or the Agent, as the case may be, to calculate any payments due to be made to the Holders using the 5-year Mid-Swap Rate;

"**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 and investment firms or such other Directive as may come into effect in place thereof, as implemented in Portugal, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

"**Business Day**" means a day on which (i) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon and (ii) T2 is operating;

"**Calculation Amount**" means €200,000 per Note;

A "**Capital Event**" is deemed to have occurred if there is a change in the regulatory classification of the Notes under the Capital Regulations that has resulted, or would be likely to result, in their exclusion in full or in part from the Issuer's and/or the Group's Tier 1 Capital (other than as a consequence of write down or conversion, where applicable and other than as a result of any applicable limitation on the amount of such capital);

"**Capital Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy applicable to the Issuer or the Group, as the case may be, including, without limitation to the generality of the foregoing, the Institutions Act, the CRR, any CRD IV Implementation Measures and any other laws, regulations, requirements, guidelines and policies relating to capital adequacy as then applied and interpreted and/or issued by the Competent Authority (whether or not such requirements, guidelines or policies have the force of law and whether they are applied generally or specifically to the Issuer and/or the Group, as applicable);

"**Certificate**" has the meaning given to such term in Condition 3 (*Form, Denomination, Title and Transfer*);

"**CET1 Capital**" means, at any date, with respect to a Relevant Entity, the sum, expressed in the Accounting Currency, of all amounts that constitute common equity tier 1 capital of such Relevant

Entity (on a consolidated basis with respect to the Group and on an individual basis with respect to the Issuer) as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Issuer or by the Competent Authority (or any agent appointed by the Competent Authority for the purpose of making such calculation) in accordance with the Capital Regulations and on the basis that all measures used in such calculation shall (for so long as the same apply to the Relevant Entity) be calculated by applying any applicable transitional provisions provided for in the Capital Regulations;

"**CET1 Ratio**" means, at any date, with respect to a Relevant Entity, the ratio of CET1 Capital of such Relevant Entity as at such date to the Risk Weighted Assets of such Relevant Entity as at such date, expressed as a percentage and calculated by the Issuer or by the Competent Authority (or any agent appointed by the Competent Authority for the purpose of making such calculation) in accordance with the Capital Regulations and on the basis that all measures used in such calculation shall (for so long as the same apply to the Relevant Entity) be calculated by applying any applicable transitional provisions provided for in the Capital Regulations;

"**Code**" means the U.S. Internal Revenue Code of 1986;

"**Competent Authority**" means Banco de Portugal, the European Central Bank, any successor or replacement thereto or such other authority (whether in Portugal or elsewhere) having primary responsibility for prudential supervision of the Issuer and/or the Group;

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time;

"**CRD IV Implementation Measures**" means any regulatory capital rules implementing (or promulgated in the context of) the CRD IV or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts or regulations (including technical standards) adopted by the European Commission, national laws and regulations adopted by the Competent Authority and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Issuer or the Group, as applicable;

"**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 replaced from time to time;

"**CVM**" has the meaning given to such term in Condition 3 (*Form, Denomination, Title and Transfer*);

"**Day Count Fraction**" means a fraction the numerator of which is the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due and the denominator of which is the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by four;

"**Discretionary Reinstatement**" has the meaning given to such term in Condition 8.1 (*Discretionary Reinstatement of the Notes*);

"**Distributable Items**" has the meaning assigned to such term in the CRR, as interpreted and applied in accordance with the Capital Regulations then applicable to the Issuer, but amended so that for so long as there is any reference therein to "before distribution to holders of own funds instruments"

it shall be read as a reference to "before distributions to holders of own fund instruments (excluding any Tier 2 capital instruments)";

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Euro**" or "**€**" means the lawful currency of the member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended;

"**First Call Date**" means 18 January 2029;

"**First Reset Date**" means 18 July 2029;

"**Full Loss Absorbing Instruments**" has the meaning given to such term in Condition 7.5 (*Full Loss Absorbing Instruments*);

"**Group**" means the Issuer together with its consolidated subsidiaries;

"**Holders**" has the meaning given to such term in Condition 3 (*Form, Denomination, Title and Transfer*);

"**IA Determination Cut-Off Date**" means no later than five Business Days prior to the relevant Reset Interest Determination Date relating to the next succeeding Reset Date;

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

"**Initial Interest Rate**" has the meaning given to it in Condition 5.1 (*Interest Rate*);

"**Institutions Act**" means the "*Regime Geral das Instituições de Crédito e Sociedades Financeiras*" approved by Decree-Law no. 298/92, of 31 December, as amended and restated 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;

"**Interbolsa**" has the meaning given to such term in Condition 3 (*Form, Denomination, Title and Transfer*);

"**Interest Payment Date**" has the meaning given to such term in Condition 5.2 (*Interest Payment Dates and Interest Periods*);

"**Interest Period**" has the meaning given to such term in Condition 5.2 (*Interest Payment Dates and Interest Periods*);

"**Issue Date**" means 18 January 2024;

"**Junior Securities**" means, at any time, the CET1 Capital of the Issuer and any other obligations or capital instruments of the Issuer ranking or expressed to rank junior to the Notes;

"**Loss Absorbing Instrument**" means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or, as applicable, any other member of the Group, which qualifies as Additional Tier 1 Capital of the Issuer or the Group, as applicable, and which has terms pursuant to which all or some of its principal amount may be written down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of a trigger set by reference to the CET1 Ratio of the Issuer and/or the Group (as the case may be) falling below a specific threshold;

"**Loss Absorbing Written Down Instrument**" means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or, as applicable, any other member of the Group, which qualifies, or would qualify after any write-up pursuant to its terms (as the case may be), as Additional Tier 1 Capital of the Issuer or the Group, as applicable, and which, immediately prior to the relevant Discretionary Reinstatement, has a prevailing principal amount lower than the principal amount that it was originally issued with due to all or some of such principal amount having been written down on a temporary basis pursuant to its terms;

"**Margin**" means 5.78% per annum;

"**Maximum Distributable Amount**" (*montante máximo distribuível*) means any maximum distributable amount relating to the Issuer or the Group required to be calculated in accordance with one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD) or Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation;

"**Maximum Write-up Amount**" means the lower of:

(i) (a) the Issuer's Net Profit, multiplied by (b) the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial original principal amount of all Loss Absorbing Written Down Instruments issued directly or indirectly by the Issuer, divided by (c) the total Tier 1 Capital of the Issuer as at the date of the relevant Discretionary Reinstatement; and

(ii) (a) the Group's Net Profit, multiplied by (b) the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial original principal amount of all Loss Absorbing Written Down Instruments issued directly or indirectly by any member of the Group, divided by (c) the total Tier 1 Capital of the Group as at the date of the relevant Discretionary Reinstatement;

or any higher or lower amount as may be permissible pursuant to the Capital Regulations then in force;

"**Net Profit**" means, at any time: (i) with respect to the Issuer, the individual net profit (excluding minority interests) of the Issuer; and (ii) with respect to the Group, the consolidated net profit (excluding minority interests) of the Group, in each case determined on the basis of the audited annual accounts for the then most recent financial year of the Relevant Entity;

"**Original Principal Amount**" means, in relation to each Note, €200,000 (for the avoidance of doubt not taking into account any Write Down or any other write down or cancellation or any subsequent Discretionary Reinstatement);

"**Outstanding Principal Amount**" means, in relation to each Note, the Original Principal Amount of such Note, as reduced from time to time by any Write Down or any other write down or cancellation, as the case may be, and, if applicable, as subsequently increased from time to time by any Discretionary Reinstatement;

"**Parity Securities**" means any present or future instruments issued by the Issuer which are eligible to be recognised as Additional Tier 1 Capital from time to time by the Competent Authority, and any instruments issued, or other obligations entered into, by the Issuer which rank, or are expressed to rank, *pari passu* with the Notes;

"**Payment Business Day**" means any day on which T2 is operating;

"**Portugal**" means the Portuguese Republic;

"**Portuguese Securities Code**" means the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99, of 13 November, as amended and restated from time to time;

"**Proceedings**" has the meaning given to such term in Condition 19 (*Governing Law, Submission to Jurisdiction and Acknowledgement of Portuguese Statutory Loss Absorption Powers*);

"**Qualifying Additional Tier 1 Notes**" means securities that comply with the following:

(i) are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a subordinated guarantee of such obligations by the Issuer;

(ii) rank equally with the ranking of the Notes;

(iii) other than in the case of a change to the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) to Portuguese law (or other such law as set in Condition 9.7 (*Substitution and variation*)) in order to ensure the effectiveness and enforceability of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*), have terms not materially less favourable to Holders than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing);

(iv) (without prejudice to (iii) above) (A) contain terms such that they comply with the applicable regulatory capital requirements in relation to Additional Tier 1 Capital pursuant to the Capital Regulations; (B) bear at least the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (C) have the same redemption rights as the Notes; (D) have the same Original Principal Amount and Outstanding Principal Amount as the Notes; and (E) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the Notes which has accrued to Holders and has not been paid;

(v) are listed on the same stock exchange or market (if any) as the Notes; and

(vi) where the Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, benefit from (or will, as announced by each such Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the Notes, unless any lower rating is solely attributable to a change to the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) in order to ensure the effectiveness and enforceability of such Condition;

"**Rate of Interest**" has the meaning given to such term in Condition 5.3 (*Reset Interest Rate*);

"**Rating Agency**" means each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited and Fitch Ratings Limited and each of their respective affiliates or successors and any entity that is part of DBRS Group and any successor to the relevant rating agency;

"**Redemption Amount**" means, in the case of any redemption of the Notes on any redemption date, the Outstanding Principal Amount of the Notes on such redemption date together with interest accrued (if any) from (and including) the Interest Payment Date immediately preceding such redemption date (or, if none, the Issue Date) to (but excluding) such redemption date (to the extent not cancelled);

"**Reference Banks**" means five leading swap dealers, as selected by the Issuer on the advice of an Independent Adviser;

"**Reference Date**" means the accounting date as at which the applicable Relevant Profits were determined;

"**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 16 (*Notices*);

"**Relevant Distributions**" means, on any Interest Payment Date, the sum of:

(i) any interest payments on the Notes made or scheduled to be made by the Issuer in the then current financial year of the Issuer; and

(ii) any interest payments or distributions made or scheduled to be made by the Issuer on other instruments qualifying as Additional Tier 1 Capital and (to the extent permitted by prevailing Capital Regulations) CET1 Capital, in the then current financial year of the Issuer;

"**Relevant Entity**" means the Issuer or the Group, as the case may be;

"**Relevant Nominating Body**" means, in respect of the 5-year Mid-Swap Rate:

(i) the central bank for euro, or any central bank or other supervisory authority which is responsible for supervising the administrator of the 5-year Mid-Swap Rate; 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 euro, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the 5-year Mid-Swap Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof;

"**Relevant Profits**" has the meaning given to such term in Condition 8.1(*Discretionary Reinstatement of the Notes*);

"**Relevant Resolution Authority**" means Banco de Portugal, the Single Resolution Board or such other authority (whether in Portugal or elsewhere) lawfully entitled to exercise or participate in the exercise of any Statutory Loss Absorption Power from time to time;

"**Relevant Time**" means, with respect to a Reset Interest Determination Date, at or around 11:00 a.m. (Central European Time) on such Reset Interest Determination Date;

"**Reset Date**" has the meaning given to such term in Condition 5.3 (*Reset Interest Rate*);

"**Reset Interest Determination Date**" means, with respect to a Reset Date, the day falling two Business Days prior to such Reset Date;

"**Reset Interest Rate**" has the meaning given to such term in Condition 5.3 (*Reset Interest Rate*);

"**Reset Reference Bank Rate**" means, in relation to a Reset Date and the relevant Reset Interest Determination Date, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks to the Agent at or around the Relevant Time. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate in respect of the relevant Reset Date will be the last observable mid-swap rate for euro swaps with a maturity of five years which appears on the Screen Page, as determined by the Agent;

"**Risk Weighted Assets**" means, at any date, with respect to a Relevant Entity, the aggregate amount, expressed in the Accounting Currency, of the risk weighted assets of such Relevant Entity (on a consolidated basis with respect to the Group and on an individual basis with respect to the Issuer) as at such date, as calculated by the Issuer or by the Competent Authority (or any agent appointed by the Competent Authority for the purpose of making such calculation), in accordance with the Capital Regulations and on the basis that all measures used in such calculation shall (for so long as the same apply to the Relevant Entity) be calculated by applying any applicable transitional provisions provided for in the Capital Regulations. For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer or the Competent Authority (or its appointed agent as aforesaid), as applicable, in accordance with the Capital Regulations and on the basis that all measures used in such calculation shall (for so long as the same apply to the Relevant Entity) be calculated by applying any applicable transitional provisions provided for in the Capital Regulations;

"**Screen Page**" means the display page on the relevant Bloomberg information service designated "ICAP" page or such other page as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, in each case for the purpose of displaying equivalent or comparable rates thereto;

"**Senior Obligations**" means (a) deposits and other unsubordinated obligations of the Issuer and (b) subordinated obligations of the Issuer (including, without limitation, obligations which are eligible to be recognised as Tier 2 Capital, but excluding Parity Securities and Junior Securities);

"**SRM Regulation**" means Regulation (EU) No 806/2014 of the European Parliament and 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 a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as the same may be amended or replaced from time to time;

"**Statutory 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 implementation of the BRRD, (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;

"**Successor Rate**" means the rate that the Independent Adviser or, as the case may be, the Issuer determines is a successor to, or replacement of, the 5-year Mid-Swap Rate which is formally recommended by any Relevant Nominating Body;

"**T2**" means the real-time gross settlement system operated by the Eurosystem or any successor or replacement for that system;

"**Tax Event**" means any amendment to, or clarification of, or change in, the laws or treaties (or any regulations promulgated thereunder) of a Tax Jurisdiction or any change in the application or official interpretation of such laws or treaties, in either case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which application or interpretation is announced, on or after the Issue Date of the most recent Tranche of Notes (each a "**Law Change**"), and in any such case, whereby the Issuer determines that it:

(i) would not be entitled to claim a deduction in computing taxation liabilities in a Tax Jurisdiction in respect of any interest payment to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be reduced,

(ii) would be required to pay additional amounts on the next Interest Payment Date pursuant to Condition 11 (*Taxation*),

(iii) would be required to bring into account a taxable income if the principal amount of the Notes was written down, where the Issuer was not so required prior to the relevant Law Change, or

(iv) would be adversely affected by a material change in the applicable tax treatment of the Notes,

and, in each case, this cannot be avoided by the Issuer taking reasonable measures available to it;

"**Tax Jurisdiction**" means Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;

"**Tier 1 Capital**" means, at any time, with respect to a Relevant Entity, the tier 1 capital of such Relevant Entity as calculated by the Issuer or by the Competent Authority (or any agent appointed by the Competent Authority for the purpose of making such calculation) in accordance with the Capital Regulations, subject always to applicable transitional and grandfathering arrangements as interpreted by the Competent Authority;

"**Tier 2 Capital**" means the Tier 2 capital of the Issuer within the meaning of the Capital Regulations;

"**Tranche** " means a tranche of further notes issued pursuant to Condition 18;

"**Trigger Event**" has the meaning given to such term in Condition 7.1 (*Loss Absorption Following a Trigger Event*);

"**Winding-Up**" means the winding-up and liquidation of credit institutions, financial companies and investment firms carried out in accordance with the provisions of Decree-Law no. 199/2006, of 25 October, as amended and restated from time to time, and/or any other legislation or regulations that may in the future govern the winding up and liquidation of credit institutions, financial companies and investment firms;

"**Write Down**" and "**Written Down**" have the meanings given to such terms in Condition 7.1 (*Loss Absorption Following a Trigger Event*);

"**Write Down Amount**" has the meaning given to such term in Condition 7.4 (*Write Down Amount*);

"**Write Down Date**" has the meaning given to such term in Condition 7.2 (*Write Down Notice*); and

"**Write Down Notice**" has the meaning given to such term in Condition 7.2 (*Write Down Notice*).

2.2 *Interpretation*: In these Conditions:

(i) any reference to principal shall be construed as references to the Outstanding Principal Amount;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) references to Notes being "outstanding" shall be construed in accordance with the Instrument; and

(iv) any reference to a numbered "**Condition**" shall be to the relevant Condition in these Conditions.

3. Form, Denomination, Title and Transfer

The Notes are issued in denominations of €200,000. The Notes are issued in dematerialised book-entry (*forma escritural*) form and, at the Issuer's request, Interbolsa can ask the relevant Affiliate Member information regarding the identity of the Holder and communicate such information to the Issuer (*valores mobiliários nominativos*). The Notes are registered with the Central de Valores Mobiliários ("**CVM**"), a Portuguese Securities Centralised System managed and operated by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("**Interbolsa**"). Each person shown in the Securities Accounts held with an Affiliate Member of Interbolsa as having an interest in the Notes shall be considered the Holder of the principal amount of Notes recorded therein. Notes shall not be issued in physical form. Title and other rights to or in respect of the Notes registered in a Securities Account maintained by a Holder in an Affiliate Member of Interbolsa can be evidenced by one or more certificates of title (each a "**Certificate**"), which will be issued and delivered to the relevant Holder by such Affiliate Member of Interbolsa upon the request by the relevant Holder, in accordance with that Affiliate Member of Interbolsa's procedures and pursuant to Article 78 of the Portuguese Securities Code. Title to the Notes passes upon registration in the relevant Securities Accounts held with an Affiliate Member of Interbolsa. Any Holder 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 Holder.

The Outstanding Principal Amount of the Notes may be adjusted as provided in Condition 7 (*Loss Absorption Following a Trigger Event*) and Condition 8 (*Discretionary Reinstatement of the Notes*) or as otherwise required by then current legislation and/or regulations applicable to the Issuer.

In these Conditions, "**Holder**" means the person in whose name a Note is registered in the relevant Securities Accounts held with an Affiliate Member of Interbolsa.

4. **Status of the Notes**

4.1 *Status:* The Notes constitute undated, direct, unsecured, unguaranteed and subordinated obligations of the Issuer, and will at all times rank *pari passu* without any preference among themselves. The Notes are subordinated as described in Condition 4.2 (*Subordination*).

4.2 *Subordination*: Subject to any mandatory provisions of law (including, without limitation, Article 8-B of Decree-Law 199/2006 of 25 October 2006 (which implements Article 48(7) of the BRRD), as amended or replaced from time to time), claims in respect of the Notes (including claims for damages in respect of any breach of the Issuer's obligations thereunder, if applicable) shall at all times, including in the event of a Winding-Up of the Issuer, rank:

(i) *pari passu* without any preference among themselves and with claims in respect of Parity Securities;

(ii) in priority to claims in respect of Junior Securities; and

(iii) junior to any present or future claims in respect of Senior Obligations.

4.3 *No Set-Off*: Subject to applicable law, no Holder may exercise or claim any right of set-off or netting (collectively, "**set-off**") in respect of any amount owed to it by the Issuer arising under or in connection with the Notes, and each Holder shall, by virtue of its subscription, purchase or holding of any Notes, be deemed to have waived all such rights of set-off.

Notwithstanding the above, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Holder arising under or in connection with the Notes; and (z) any amount owed to the Issuer by such Holder, such Holder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding up or dissolution, the liquidation or insolvency estate.

5. Interest

5.1 *Interest Rate*: The Notes bear interest on their Outstanding Principal Amount from time to time from (and including) the Issue Date to (but excluding) the First Reset Date at a fixed rate of 8.125% per annum (the "**Initial Interest Rate**") and thereafter at the applicable Reset Interest Rate (as defined below).

5.2 *Interest Payment Dates and Interest Periods:* Subject to Condition 6 (*Interest Cancellation*) and Condition 7.1 (*Loss Absorption Following a Trigger Event*), interest will be payable quarterly in arrear on 18 January, 18 April, 18 July and 18 October in each year from (and including) 18 April 2024 (each an "**Interest Payment Date**").

The period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date, is called an "**Interest Period**". The interest payable (subject as aforesaid) on any Interest Payment Date will be the interest accrued in respect of the Interest Period ending immediately prior to such Interest Payment Date.

5.3 *Reset Interest Rate*: On the First Reset Date and each fifth anniversary of such date (together with the First Reset Date, each a "**Reset Date**"), the rate of interest will be reset to a rate of interest (each a "**Reset Interest Rate**" and, together with the Initial Interest Rate, each a "**Rate of Interest**") determined in accordance with the following provisions of this Condition 5.3. The Reset Interest Rate determined with respect to a Reset Date shall apply to the Notes from (and including) such Reset Date to (but excluding) the next succeeding Reset Date.The Reset Interest Rate with respect to any Reset Date shall be the rate of interest determined by the Agent at or around the Relevant Time on the relevant Reset Interest Determination Date as the sum, converted to a quarterly rate in accordance with market convention (rounded to four decimal places with 0.00005 being rounded down) (such conversion to be determined by the Issuer in conjunction with an Independent Adviser), of the relevant 5-Year Mid-Swap Rate and the Margin, (*provided that* if the Reset Interest Rate so determined would be less than nil, the Reset Interest Rate in respect of such Reset Date shall be nil).

5.4 *Calculation of amount of interest*: The amount of interest payable (subject to Condition 6 (*Interest Cancellation*) and Condition 7.1 (*Loss Absorption Following a Trigger Event*)) in respect of a Note shall be calculated per Calculation Amount. The amount of interest per Calculation Amount for any period shall be calculated by the Agent by (a) applying the prevailing Rate of Interest to the Calculation Amount, (b) multiplying such sum by the Day Count Fraction and (c) rounding the resultant figure to the nearest cent (half a cent being rounded upwards or otherwise in accordance with applicable market convention at the relevant date). The amount of interest payable (subject as aforesaid) in respect of such Note shall be the amount determined per Calculation Amount multiplied by a fraction, the numerator of which is the Outstanding Principal Amount of such Note and the denominator is the Calculation Amount, without any further rounding.

If, pursuant to Condition 7.1 (*Loss Absorption Following a Trigger Event*) or Condition 8 (*Discretionary Reinstatement of the Notes*) or as otherwise required by then current legislation and/or regulations applicable to the Issuer, the Outstanding Principal Amount of the Notes is reduced and/or reinstated during an Interest Period, the amount of interest will be adjusted by the Agent to reflect interest having accrued on the relevant Outstanding Principal Amount during each part of such Interest Period or, in the case of a Write Down, from (and including) the Write Down Date only in accordance with Condition 7.6 (*Interest accrual*)).

The interest amount which (subject to Condition 6 (*Interest Cancellation*) and Condition 7.1 (*Loss Absorption Following a Trigger Event*)) shall be payable on each Interest Payment Date up to (and including) the First Reset Date will (if paid in full, and assuming no Write Down or other write down of the Notes has occurred) in respect of each Interest Payment Date from (and including) 18 April 2024 to (and including) the First Reset Date, amount to €4,062.50 per Calculation Amount.

5.5 *Determination and notification of Reset Interest Rate*: Subject as provided herein, the Agent will, on each Reset Interest Determination Date, determine the Reset Interest Rate applicable to the corresponding Reset Date. The Agent shall, promptly following determination thereof, cause such Reset Interest Rate to be notified to the Issuer, to the Holders in accordance with Condition 16 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so require, to such exchange.

5.6 *Accrual of interest*: Each Note will cease to bear interest from the due date for redemption unless payment of the Outstanding Principal Amount in respect thereof is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 until whichever is the earlier of:

(i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and

(ii) the day which is seven days after the Agent has notified the Holders in accordance with Condition 16 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day.

5.7 *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Agent or the Reference Banks (or any of them) will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Holders and (subject as aforesaid) no liability to any such person will attach to the Agent or the Reference Banks (or any of them) in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

5.8 *Benchmark replacement*: References in this Condition 5.8 (and in the definitions of Adjustment Spread, Alternative Reference Rate, Benchmark Event, Relevant Nominating Body and Successor Rate) to the 5-year Mid-Swap Rate shall be to the rate described in paragraph (A) of such definition.

If the Issuer determines that a Benchmark Event occurs in relation to the 5-year Mid-Swap Rate, then the following provisions shall apply to the Notes:

(i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint at its own expense an Independent Adviser to determine (without any requirement for the consent or approval of the Holders) (A) a Successor Rate or, failing which, an Alternative Reference Rate, for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or any Adjustment Spread, the Independent Adviser will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(ii) if the Issuer (i) is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Reference Rate in accordance with this Condition 5.8 prior to the IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 5.8. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the 5-year Mid-Swap Rate with respect to each of the future Reset Dates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.8);

(iv) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative

Reference Rate (as applicable). If the Independent Adviser or, as the case may be, the Issuer 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;

(v) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or an Adjustment Spread in accordance with the above provisions, the Independent Adviser or, as the case may be, the Issuer may (without any requirement for the consent or approval of the Holders) also specify changes to these Conditions, the Instrument and/or the Agency Terms in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate or any Adjustment Spread (as applicable), including, but not limited to, (A) the Day Count Fraction, Screen Page, Business Day, Reset Interest Determination Date, Relevant Time and/or the definition of 5-year Mid-Swap Rate and (B) the method for determining the fall-back rate in relation to the Notes. For the avoidance of doubt, the Issuer and the Agent shall effect such consequential amendments to the Agency Terms, the Instrument and/or these Conditions as may be required in order to give effect to the application of this Condition 5.8. No consent shall be required from the Holders in connection with determining or giving effect to the Successor Rate, Alternative Reference Rate or any Adjustment Spread (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Issuer or the Agent (if required or useful); and

(vi) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable), give notice thereof to the Holders in accordance with Condition 16 (*Notices*) and the Agent (if different from the Issuer). Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Terms, the Instrument and/or these Conditions (if any),

provided that the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable) and any other related changes to the Notes, shall only be made to the extent that it can be done in compliance with the relevant Capital Regulations (if applicable).

An Independent Adviser appointed pursuant to this Condition 5.8 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Agent or the Holders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.8.

Notwithstanding any other provision in this Condition 5.8, no Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable) will be adopted, and no other amendments to the Conditions will be made pursuant to this Condition 5.8, if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to give rise to a Capital Event or to prejudice the eligibility of the Notes to count towards the minimum requirement for own funds and eligible liabilities of the Issuer and/or the Group.

Without prejudice to the obligations of the Issuer under this Condition 5.8, the 5-year Mid-Swap Rate and the other provisions in this Condition 5 will continue to apply (i) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) is unable to or does not determine a Successor Rate or an Alternative Reference Rate in accordance with this Condition 5.8, and (ii) where the Independent Adviser or, as the case may be, the Issuer does determine a Successor Rate or Alternative Reference Rate, unless and until the Agent (if different from the Issuer) and (in accordance with Condition 16 (*Notices*)) the Holders

have been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Terms, the Instrument and the Conditions (if any). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.8.

6. **Interest Cancellation**

6.1 *Optional Interest Cancellation*: The Issuer may elect at any time, in its sole and full discretion, for any reason, to cancel (in whole or in part, as applicable) any payment of interest otherwise scheduled to be paid on an Interest Payment Date for an unlimited period of time and on a non-cumulative basis.

6.2 *Mandatory Cancellation of Interest Payments:*

(i) Payments of interest in respect of the Notes in any financial year (and, if applicable, any additional amounts payable in respect thereof pursuant to Condition 11 (*Taxation*)) shall only be made out of Distributable Items of the Issuer. The Issuer will cancel any interest, or the relevant part thereof, otherwise scheduled to be paid on an Interest Payment Date if and to the extent that the amount of such interest (together with any additional amounts payable in respect thereof pursuant to Condition 11 (*Taxation*)), when aggregated together with any other Relevant Distributions and the amount of any Discretionary Reinstatement, where applicable, exceeds the amount of Distributable Items of the Issuer as at such Interest Payment Date.

In addition, in circumstances where the provisions of one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation apply, no payments, or any relevant part thereof, will be made on the Notes (whether by way of interest, additional amounts payable pursuant to Condition 11 (*Taxation*), Discretionary Reinstatement or otherwise) if and to the extent that such payment, when aggregated together with any other discretionary payments referred to in one or more of Articles 138-AA and 138-AB of the Institutions Act (which implement Article 141 of CRD IV), Articles 138-AM and 138-AN of the Institutions Act (which implement Article 16a of the BRRD), Article 10a of the SRM Regulation or any analogous payment restrictions arising in respect of capital buffers under the Capital Regulations, the BRRD or the SRM Regulation and the amount of any Discretionary Reinstatement, where applicable, would exceed the relevant Maximum Distributable Amount (if any) of the Issuer and/or the Group.

(ii) The Competent Authority may also direct the Issuer to exercise its discretion to cancel interest (in whole or in part) scheduled to be paid on an Interest Payment Date.

6.3 *Notice of Interest Cancellation*: The Issuer shall give notice to the Holders in accordance with Condition 16 (*Notices*) and to the Agent (if different from the Issuer) of any such cancellation of a payment of interest, without undue delay and in any event no later than on the relevant Interest Payment Date, *provided that* any failure to give any such notice(s) shall not affect the cancellation of the relevant interest payment and shall not constitute a default of the Issuer for any purpose. Non-payment of any amount of interest (in whole or in part) scheduled to be paid on an Interest Payment

Date will constitute evidence of cancellation of the relevant payment (or the relevant part thereof), whether or not notice of cancellation has been given by the Issuer.

6.4 *Interest non-cumulative; no default*: If the payment of interest scheduled on an Interest Payment Date is cancelled, in whole or in part, in accordance with the provisions of this Condition 6, the Issuer shall not have any obligation to make such interest payment (or the cancelled part thereof) on such Interest Payment Date or any time thereafter and the failure to pay such interest (or the cancelled part thereof) shall not constitute a default of the Issuer under the Notes or for any purpose and shall not entitle Holders to petition for the Winding-Up of the Issuer.

Any such interest will not accumulate or be payable at any time thereafter, the Issuer will not be obliged to (and will not) make any other payment or settlement in any form in lieu thereof, and Holders shall have no right thereto whether in a Winding-Up of the Issuer or otherwise. Any such cancellation of interest shall impose no restrictions on the Issuer.

7. Loss Absorption Following a Trigger Event

7.1 *Loss Absorption Following a Trigger Event*: If at any time the CET1 Ratio of any of the Issuer and/or the Group falls below 5.125% as determined by the Issuer or the Competent Authority (or any agent appointed by the Competent Authority for the purpose of making such determination) (such calculation being binding on the Holders) (a "**Trigger Event**"), then the Issuer shall immediately notify the Competent Authority and, without delay and by no later than one month (or such shorter period as the Competent Authority may then require) from the occurrence of the relevant Trigger Event, shall (without the need for the consent of the Holders):

(i) cancel all interest accrued to (but excluding) the relevant Write Down Date (whether or not such interest has become due for payment and including any interest scheduled for payment on such Write Down Date); and

(ii) irrevocably and mandatorily reduce the then Outstanding Principal Amount of each Note by the relevant Write Down Amount (such reduction, a "**Write Down**" and "**Written Down**" being construed accordingly).

For the avoidance of doubt, if the cancellation of interest pursuant to Condition 7.1(i) would result in an increase in the CET1 Ratio of the Issuer and/or the Group (as applicable), any such increase shall be disregarded for the purposes of calculating such Write Down Amount in respect of such Trigger Event.

7.2 *Write Down Notice*: The Issuer shall, as soon as reasonably practicable following the determination that a Trigger Event has occurred, and in any event not more than five days following such determination, give notice (which notice shall be irrevocable) to the Holders (the "**Write Down Notice**") in accordance with Condition 16 (*Notices*) and to the Agent stating:

(i) that a Trigger Event has occurred;

(ii) the date on which the relevant Write Down will take (or has taken) effect (the "**Write Down Date**"); and

(iii) if then determined, the relevant Write Down Amount.

If the relevant Write Down Amount has not been determined when the Write Down Notice is given, the Issuer shall, as soon as reasonably practicable following such determination, notify Holders of the Write Down Amount in accordance with Condition 16 (*Notices*).

Any failure or delay by the Issuer in giving any such notice to the Holders referred to under this Condition 7.2 or the notification to the Competent Authority under Condition 7.1 (*Loss Absorption Following a Trigger Event*) will not in any way impact on the effectiveness of, or otherwise invalidate, any Write Down, or give Holders any rights as a result of such failure or delay, and shall not constitute a default by the Issuer under the Notes or for any purpose.

7.3 *Loss Absorbing Instruments*: A Write Down of each Note will be effected, save as may otherwise be required by the Capital Regulations or the Competent Authority, *pro rata* with (a) the concurrent Write Down of the other Notes; and (b) the concurrent (or substantially concurrent) write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Loss Absorbing Instrument), *provided that*:

(i) with respect to each Loss Absorbing Instrument (if any), such *pro rata* write down or conversion shall only be taken into account to the extent required to restore the relevant CET1 Ratio(s) to the lower of (i) such Loss Absorbing Instrument's trigger level and (ii) 5.125% (being the level at which a Trigger Event occurs in respect of the Notes), in either case in accordance with the terms of such Loss Absorbing Instruments and the Capital Regulations; and

(ii) if for any reason the Issuer is unable to effect the concurrent (or substantially concurrent) write down or conversion of any given Loss Absorbing Instruments within the period required by the Competent Authority, the Notes will be Written Down notwithstanding that the relevant Loss Absorbing Instruments are not also written down or converted.

For the avoidance of doubt, to the extent that the Issuer is unable to write down or convert any Loss Absorbing Instruments as aforesaid, any Write Down Amount determined in accordance with part (i) of the definition of Write Down Amount will be calculated on the basis that such Loss Absorbing Instruments are not available to be written down or converted, and accordingly the relevant Write Down Amount determined in accordance with that part (i) will be higher than it would otherwise have been if such Loss Absorbing Instruments had been available to be written down or converted.

7.4 *Write Down Amount*: "**Write Down Amount**" means, on any Write Down Date, the amount by which the then Outstanding Principal Amount of each Note is to be Written Down on such date, being (save as may otherwise be required by the Capital Regulations) the lower of (i) and (ii) below:

(i) the amount per Note which is determined by the Issuer to be necessary (in conjunction with (a) the concurrent Write Down of the other Notes; and (b) the concurrent (or substantially concurrent) write down or conversion into equity of, or other loss absorption measures taken in respect of, any other Loss Absorbing Instruments, in each case in the manner and to the extent provided in Condition 7.3 (*Loss Absorbing Instruments*) to restore each of the Issuer's and the Group's (as applicable) CET1 Ratio to at least 5.125%; and

(ii) the amount necessary to reduce the Outstanding Principal Amount of each Note to one cent (and references herein to the "**one cent floor**" in respect of the Notes shall be construed accordingly).

The Outstanding Principal Amount of a Note shall not at any time be reduced below one cent as a result of a Write Down.

7.5 *Full Loss Absorbing Instruments*: If, in connection with any Write Down or the calculation of any Write Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which

provide that they shall be written down or converted into equity in full and not in part only ("**Full Loss Absorbing Instruments**") then:

(i) the requirement that a Write Down of the Notes shall be effected *pro rata* with the write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written Down in full (or in full save for the one cent floor) simply by virtue of the fact that any Full Loss Absorbing Instruments will be written down or converted in full; and

(ii) for the purposes of calculating the relevant Write Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write down of principal or conversion into equity, as the case may be, among the Notes and any other Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write down or conversion into equity, such that the write down or conversion into equity of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written down or converted into equity pro rata with the Notes and all other Loss Absorbing Instruments (in each case subject to and as provided in Condition 7.3 (*Loss Absorbing Instruments*)) to the extent necessary to restore each of the Issuer's and the Group's (as the case may be) CET1 Ratio to 5.125% or more; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-off or converted into equity, as the case may be, with the effect of increasing the Issuer's and the Group's, as the case may be, CET1 Ratio above the minimum required level under (a) above.

7.6 *Interest accrual*: Following a reduction of the Outstanding Principal Amount of the Notes as described above, interest will accrue on the reduced Outstanding Principal Amount of each Note from (and including) the relevant Write Down Date, and (for the avoidance of doubt) such interest will be subject to Condition 6 (*Interest Cancellation*) and Condition 7.1 (*Loss Absorption Following a Trigger Event*).

7.7 *Write Down may occur on one or more occasion; No default*: A Write Down may occur on one or more occasions and accordingly the Notes may be Written Down on one or more occasions (provided however, for the avoidance of doubt, that the principal amount of a Note shall not at any time be reduced to below one cent). Any reduction of the Outstanding Principal Amount pursuant to Condition 7 (*Loss Absorption Following a Trigger Event*) shall not constitute a default by the Issuer under the Notes or for any purpose and shall not entitle Holders to petition for the Winding-Up of the Issuer.

7.8 *Cancellation not automatic*: If the Outstanding Principal Amount of the Notes is Written Down to one cent, the Notes will not be cancelled as a result thereof.

7.9 *Currency*: For the purposes of any calculation in connection with a Write Down or a Discretionary Reinstatement of the Notes which necessarily requires the determination of a figure in the Accounting Currency (or in an otherwise consistent manner across obligations denominated in different currencies), including (without limitation) any determination of a Write Down Amount and/or a Maximum Write-up Amount, any relevant obligations (including the Notes) which are not denominated in the Accounting Currency shall, (for the purposes of such calculation only) be deemed notionally to be converted into the Accounting Currency at the foreign exchange rates

determined, in the sole discretion of the Issuer, to be applicable based on its regulatory reporting requirements under the Capital Regulations.

8. Discretionary Reinstatement of the Notes

8.1 *Discretionary Reinstatement of the Notes*: Subject to compliance with the prevailing Capital Regulations, if, at any time while any Note remains Written Down, each Relevant Entity records a positive Net Profit (the "**Relevant Profits**"), the Issuer may, in its sole and absolute discretion, increase the Outstanding Principal Amount of the Notes (a "**Discretionary Reinstatement**") by such amount (calculated per Calculation Amount) as the Issuer may elect, *provided that* such Discretionary Reinstatement shall not:

(i) result in the Outstanding Principal Amount of each Note being greater than its Original Principal Amount;

(ii) be operated whilst a Trigger Event has occurred and is continuing;

(iii) result in the occurrence of a Trigger Event; or

(iv) (unless otherwise permitted or required by the Capital Regulations) result in the Maximum Write-up Amount to be exceeded when taken together with the aggregate of:

(a) any previous Discretionary Reinstatement of the Notes out of the same Relevant Profits since the Reference Date (if any);

(b) the aggregate amount of any interest on the Notes that has been paid or calculated (but disregarding any such calculated interest which has been cancelled) since the Reference Date on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount;

(c) the aggregate amount of the increase in principal amount of the Loss Absorbing Written Down Instruments to be written-up out of the same Relevant Profits concurrently (or substantially concurrently) with such Discretionary Reinstatement and (if applicable) any previous increase in principal amount out of the same Relevant Profits of such Loss Absorbing Written Down Instruments since the Reference Date; and

(d) the aggregate amount of any interest on each Loss Absorbing Instruments that have been paid or calculated (but disregarding any such calculated interest which has been cancelled) since the Reference Date on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Instruments were issued.

A Discretionary Reinstatement will also not be effected in circumstances in which it would cause any relevant Maximum Distributable Amount then applicable to the Issuer and/or the Group to be exceeded.

8.2 *Notice of Discretionary Reinstatement*: In the event of a Discretionary Reinstatement in accordance with Condition 8.1 (*Discretionary Reinstatement of the Notes*), the Issuer will give notice to Holders in accordance with Condition 16 (*Notices*) and to the Agent (if different from the Issuer) not more than ten Business Days following the day on which it resolves to effect such Discretionary Reinstatement and in any event not later than five Business Days prior to the date on which the Discretionary Reinstatement shall take effect, which notice shall specify the amount of such

Discretionary Reinstatement (expressed per Calculation Amount or as a percentage) and the date on which such Discretionary Reinstatement will be effected.

8.3 *Write-up of Loss Absorbing Written Down Instruments*: Any Discretionary Reinstatement shall be applied concurrently (or substantially concurrently) and *pro rata* with other write-ups to be effected out of the Relevant Profits in respect of any Loss Absorbing Written Down Instruments.

The Issuer will not reinstate the principal amount of any Loss Absorbing Written Down Instrument that has terms permitting a write-up of such principal amount to occur out of the Relevant Profits on a similar basis to that set out in respect of the Notes unless it does so on a pro rata basis with a Discretionary Reinstatement of the Notes.

8.4 *Interest Accrual*: Following a Discretionary Reinstatement in respect of the Notes, interest will accrue on the increased Outstanding Principal Amount of each Note from (and including) the date on which the relevant Discretionary Reinstatement takes effect, and (for the avoidance of doubt) such interest will be subject to Condition 6 (*Interest Cancellation*) and Condition 7.1 (*Loss Absorption Following a Trigger Event*).

8.5 *Discretionary Reinstatement may occur on one or more occasions*: A Discretionary Reinstatement may occur on one or more occasions until the Outstanding Principal Amount of each Note has been reinstated to the Original Principal Amount. Any decision by the Issuer to effect or not to effect any Discretionary Reinstatement on any occasion shall not preclude it from effecting or not effecting any Discretionary Reinstatement on any other occasion.

8.6 *Discretionary Reinstatement at sole and absolute discretion of the Issuer*: A Discretionary Reinstatement shall be operated at the sole and absolute discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate a Discretionary Reinstatement in any circumstance.

9. Redemption and Purchase

9.1 *No maturity*: The Notes are perpetual securities and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described herein. The Notes are not redeemable at the option of the Holders at any time. The Notes shall become immediately due and payable only in the event of the Winding-Up of the Issuer, subject to Condition 4.2 (*Subordination*) above.

9.2 *Redemption at the option of the Issuer*: The Issuer may, at its option (but subject to Condition 9.8 (*Conditions to redemption etc.*)) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) (which notice shall, subject as provided in Condition 9.9 (*Trigger Event following notice of redemption, substitution or variation*) below, be irrevocable), redeem all (but not some only) of the Notes on any day falling in the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date or any Interest Payment Date thereafter, at their Redemption Amount.

9.3 *Redemption upon the occurrence of a Capital Event or a Tax Event*: Subject to Condition 9.8 (*Conditions to redemption etc.*), upon the occurrence, and continuation as at the date of the relevant redemption notice to Holders, of a Capital Event or a Tax Event, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) (which notice shall, subject as provided in Condition 9.9 (*Trigger Event following*

notice of redemption, substitution or variation) below, be irrevocable), redeem all (but not some only) of the Notes at any time, at their Redemption Amount.

9.4 *Clean-up Call Option:* Subject to Condition 9.8 (*Conditions to redemption etc*), if 75 per cent. (or more) of the Notes originally issued has been purchased and subsequently cancelled in accordance with this Condition 9, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) (which notice shall, subject as provided in Condition 9.9 (*Trigger Event following notice of redemption, substitution or variation*) below, be irrevocable), redeem all (but not some only) of the Notes at any time, at their Redemption Amount.For the purposes of this Condition 9.4, any further notes issued pursuant to Condition 18 so as to be consolidated and form a single series with the Notes outstanding at that time will be deemed to have been originally issued.

9.5 *Purchase*: Subject to Condition 9.8 (*Conditions to redemption etc.*), the Issuer or any other member of the Group may purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise in accordance with the Capital Regulations applicable to the Group in force at the relevant time, and subject to applicable law and regulation.

9.6 *Cancellation*: All Notes which are redeemed, all Notes which are purchased and surrendered for cancellation in accordance with Interbolsa regulations and all Notes which are substituted pursuant to Condition 9.7 (*Substitution and variation*), will forthwith be cancelled and cannot be reissued or resold.

9.7 *Substitution and variation*: Subject to Condition 9.8 (*Conditions to redemption etc.*), if a Capital Event, a Tax Event or an Alignment Event has occurred and is continuing as at the date of the relevant notice to Holders, or in order to ensure the effectiveness and enforceability of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*), the Issuer (in its sole discretion but subject as set out below), having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) (which notice shall, subject as provided in Condition 9.9 (*Trigger Event following notice of redemption, substitution or variation*) below, be irrevocable), may, without any requirement for the consent or approval of the Holders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) from English law to Portuguese law or any other European law that, after consultation with the Competent Authority, the Issuer considers allows the Notes to remain or become Additional Tier 1 Capital) so that the Notes remain or, as appropriate, become, Qualifying Additional Tier 1 Notes. Upon the expiry of such notice, the Issuer shall either vary the terms of the Notes or, as the case may be, substitute the Notes in accordance with this Condition 9.7. In connection with any substitution or variation in accordance with this Condition 9.7, 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 9.7 shall not result in any event or circumstance which at or around that time gives the Issuer a redemption right in respect of the Notes.

9.8 *Conditions to redemption etc.*: The Notes may only be redeemed, purchased, cancelled, substituted, varied or modified (as applicable) pursuant to Condition 9.2 (*Redemption at the option of the Issuer*), Condition 9.3 (*Redemption upon the occurrence of a Capital Event or a Tax Event*), Condition 9.4 (*Clean-up Call Option*), Condition 9.5 (*Purchase*), Condition 9.6 (*Cancellation*),

Condition 9.7 (*Substitution and variation*) or Condition 15 (*Meetings of Holders; Modification*), as the case may be, if:

(i) the Issuer has notified the Competent Authority of, and the Competent Authority has consented to, such redemption, purchase, cancellation, substitution, variation or modification (as applicable) to the extent required by the Capital Regulations; and

(ii) in respect of a redemption or purchase prior to the fifth anniversary of the Issue Date of the most recent Tranche of Notes (A) in the case of a redemption of the Notes as a result of a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date of the most recent Tranche of Notes; (B) in the case of redemption upon the occurrence of a Capital Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date of the most recent Tranche of Notes and the Competent Authority considers such a change to be sufficiently certain; or (C) in the case of any other redemption or purchase, such redemption or purchase is then permitted by the Capital Regulations and/or authorised by the Competent Authority; and

(iii) in the case of a redemption of the Notes as a result of a Tax Event or a Capital Event, prior to the publication of the relevant notice of redemption, the Issuer has available for inspection by any Holder during business hours (and upon reasonable notice by the Holders) 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 such certificate shall be sufficient for the Agent and conclusive and binding on the Holders); *provided that*, if the Issuer is not acting as the Agent, such certificate is to be delivered to the Agent (to hold for inspection by any Holder during business hours and upon reasonable notice by the Holders); and

(iv) in the case of a redemption of the Notes as a result of a Tax Event whereby the Issuer would be required to pay additional amounts or bring into account a taxable income only, prior to the publication of the relevant notice of redemption, the Issuer shall have sought and received (at its own expense) and shall have available for inspection by any Holder during business hours and upon reasonable notice by the Holders an opinion of independent legal advisers of recognised standing to the effect that (A) the Issuer has or will become obliged to (I) pay such additional amounts or (II) bring into account a taxable income, in either case as a result of the relevant Law Change and (B) in the case of (II), the Issuer was not so required prior to the relevant Law Change (and such opinion shall be sufficient for the Agent and conclusive and binding on the Holders); *provided that*, if the Issuer is not acting as the Agent, such opinion is to be delivered to the Agent (to hold for inspection by any Holder during business hours and upon reasonable notice by the Holders),

provided that, as regards Conditions (i) and (ii) above, if, at the time of any redemption, purchase, cancellation, substitution, variation or modification of the Notes, the prevailing Capital Regulations permit such redemption, purchase, cancellation, substitution, variation or modification only after compliance with one or more additional or alternative preconditions to those set out in Conditions (i) and (ii) above, the Issuer shall comply (in addition or, as the case may be, in the alternative) with such additional and/or alternative precondition(s).

9.9 *Trigger Event following notice of redemption, substitution or variation*: If at any time the Issuer has given notice that it intends to redeem the Notes and, prior to the time of such redemption, a

Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect. Accordingly, the Notes will not be redeemed on the proposed date therefor, and instead a Write Down of the Notes will occur in accordance with Condition 7 (*Loss Absorption Following a Trigger Event*). The Issuer will notify the Holders of such occurrence in accordance with Condition 16 (*Notices*) as soon as reasonably practicable. For the avoidance of doubt, if at any time the Issuer has given notice that it intends to substitute or vary the terms of the Notes and, prior to the time of such substitution or variation, a Trigger Event occurs, the relevant substitution or variation notice shall not be automatically rescinded, notwithstanding that a Write Down of the Notes will occur in accordance with Condition 7 (*Loss Absorption Following a Trigger Event*).

9.10 *Notice of redemption following a Trigger Event*: If at any time the Issuer has given a Write Down Notice, the Issuer shall not subsequently give notice that it intends to redeem, substitute or vary the Notes until after the Write Down Date specified in such Write Down Notice shall have passed.

10. Payments

10.1 Payments in respect of the Notes will be made by transfer to the Securities Account of the Holder maintained by it in the relevant Affiliate Member of Interbolsa. If the due date for payment of any amount in respect of any Note is not a Payment Business Day, the Holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

10.2 Payments will be subject in all cases, but without prejudice to the provisions of Condition 11 (*Taxation*), to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction 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, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

11. Taxation

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In the event of any such withholding or deduction in respect of payments of interest (but not principal) (and subject to Condition 6 (*Interest Cancellation*)), the Issuer will pay such additional amounts as shall be necessary in order that the net amounts of interest received by the Holders (which for the purposes of this Condition 11 includes each holder of the Notes who is the effective beneficiary of the income attributable thereto) after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; 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 for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the Holder having some connection with a Tax Jurisdiction other than the mere holding of such Note; and/or

(ii) *Lawful avoidance of withholding*:

(a) to, or to a third party on behalf of, a Holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; and/or

(b) to, or to a third party on behalf of, a Holder in respect of whom the information and documentation (which may include certificates) required in order to comply with the special regime approved by Decree-Law no. 193/2005, of 7 November, as amended and restated from time to time, and any implementing legislation, is not received before the Relevant Date; and/or

(c) to, or to a third party on behalf of, a Holder (i) in respect of whom the information and documentation required by Portuguese law in order comply with any applicable tax treaty is not received by the Issuer directly from the relevant Holder before the date by which such information and/or documentation is to be provided to the Issuer under Portuguese law, and (ii) who is resident in one of the contracting states; and/or

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

(iii) *Favourable tax regime*:

(a) to, or to a third party on behalf of, a Holder resident in a tax haven jurisdiction as defined in Ministerial Order No. 150/2004, of 13 February 2004, as amended from time to time, with the exception of (i) central banks and governmental agencies as well as international institutions recognised by Portugal of those tax havens and (ii) residents in tax havens which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and all information required under Decree Law no. 193/2005 regarding (i) and (ii) above are complied with; and/or

(b) 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; and/or

(iv) *Presentation more than 30 days after the Relevant Date*: in respect of which the Certificate evidencing the title to the Note(s) is presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting it for payment on the thirtieth day assuming that day to have been a Payment Business Day; and/or

(v) *Withholding required under FATCA*: where such withholding or deduction is required to be made pursuant to Sections 1471 through 1474 of the Code or any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

12. Enforcement

12.1 There are no events of default in respect of the Notes. Holders shall not be entitled at any time to file for Winding-Up of the Issuer.

12.2 In the case of the Winding-Up of the Issuer, the Holder of any Note may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such Winding-Up together with any interest accrued and unpaid on such Note (to the extent that the same has not been cancelled in accordance with these Conditions) from (and including) the Interest Payment Date immediately preceding commencement of such Winding-Up and any other amounts payable on such Note (including any damages payable in respect thereof, if applicable). Such claim shall rank as provided in Condition 4.2 (*Subordination*).

12.3 Subject to Condition 12.1 above and without prejudice to Condition 12.2 above, any Holder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes, *provided that* the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

13. Prescription

The Notes will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

14. Agent

The Issuer is entitled to vary or terminate the appointment of any agent and/or appoint additional or other agents to perform some or all of the roles of the Agent and/or approve any change in the specified office through which any agent acts, *provided that* there will at all times be an Agent.

Banco Comercial Português, S.A. will be the Agent.

In acting under the Agency Terms, the Agent acts solely as agent of the Issuer, and does not assume any obligation or relationship of agency or trust to or with the Holders, except that (without affecting the obligations of the Issuer to the Holders to pay principal and interest thereon) any funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it on trust for the Holders until the expiry of the period of prescription specified in Condition 13 (*Prescription*). The Agency Terms contains provisions for the indemnification of the Agent and for its relief from responsibility in certain circumstances and entitles it to enter into business transactions with the Issuer and any of its subsidiaries without being liable to account to the Holders for any resulting profit.

15. Meetings of Holders; Modification

15.1 *Meetings of Holders*: The Instrument contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of any of the provisions of the Notes. A meeting convened pursuant to the provisions of the Instrument, may be convened by the Issuer and should be convened by the Issuer upon a request by Holders holding not less than one-tenth in Outstanding Principal Amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50% in

Outstanding Principal Amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the Outstanding Principal Amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including, amongst other things, modifying any date for payment of interest or redemption thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, a variation of Condition 6 (*Interest Cancellation*) to extend the circumstances where mandatory cancellation occurs or modifying the provisions concerning the Write Down and/or Discretionary Reinstatement of the Notes, in each case, other than as permitted in these Conditions to be effected without any requirement for the consent or sanction of the Holders) or certain provisions of the Instrument, as the case may be, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one third, in Outstanding Principal Amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Holders will (subject to Condition 9.8 (*Conditions to redemption etc.*)) be binding on all Holders, whether or not they are present at any meeting and whether or not voting in favour.

Notwithstanding the foregoing, any modification of these Conditions will be subject to the consent of the Competent Authority (if and to the extent then required by the Capital Regulations).

15.2 *Modification of Notes*: Subject to Condition 9.8 (*Conditions to redemption etc.*), the Agent and the Issuer may, without the consent of the Holders (and by acquiring the Notes, the Holders agree that the Agent and the Issuer may, without the consent of the Holders) make any modification to the provisions of these Conditions or the Instrument which: (i) is not prejudicial to the interests of the Holders; (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 so made shall be binding on all Holders and shall be notified to the Holders in accordance with Condition 16 (*Notices*) as soon as practicable after it has been agreed.

16. Notices

All notices regarding the Notes shall be valid if published on the website of the Issuer (being, as at the date hereof, *www.millenniumbcp.pt*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed, including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of publication or, if published more than once or on different dates, on the date of the first publication.

The Issuer shall also comply with the requirements of Interbolsa and of Portuguese law generally in respect of notices relating to the Notes.

17. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder, any right in these Conditions shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

19. Governing Law, Submission to Jurisdiction and Acknowledgement of Portuguese Statutory Loss Absorption Powers

19.1 *Governing law*: The Notes (except Condition 4 (*Status of the Notes*)) and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with, English law save that the form (*forma de representação*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law. Condition 4 (*Status of the Notes*) is governed by, and shall be construed in accordance with, Portuguese law. In each case, the application of such governing law shall be without prejudice to the applicability, under the conflicts rules applicable in the relevant forum, in the light of such submission, of Portuguese law. The foregoing is subject to the right of the Issuer pursuant to Condition 9.7 (*Substitution and variation*) to change the governing law of Condition 19.3 (*Acknowledgement of Portuguese Statutory Loss Absorption Powers*) in accordance with the terms of Condition 9.7 (*Substitution and variation*).

19.2 *Submission to Jurisdiction*: The Issuer has in the Instrument irrevocably agreed, for the exclusive benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Instrument and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Instrument and/or the Notes) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Instrument and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Instrument and/or the Notes) may be brought in such courts.

The Issuer has in the Instrument irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgement in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other competent jurisdiction. Nothing in this Condition 19.2 shall limit any right to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

19.3 *Acknowledgement of Portuguese Statutory Loss Absorption Powers*: Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Notes, each Holder (which for the purposes of this Condition 19.3 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 Statutory Loss Absorption Power by the Relevant Resolution Authority, which shall be notified by the Issuer in accordance with Condition 16 (*Notices*) (it being understood, for the avoidance of doubt, that any delay or failure to give such notice shall not affect the validity and enforceability of the Statutory Loss Absorption Power nor its effects on the Notes) and 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;

(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 each Holder 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;

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

(d) the amendment or alteration of any date set for redemption 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 necessary, to give effect to, the exercise of the Statutory Loss Absorption Power by the Relevant Resolution Authority.

(iii) that the matters described in this Condition 19.3 are exhaustive on the matters described therein, to the exclusion of any other agreements, arrangements or understandings between the Issuer and any Holder.

No exercise of the Statutory Loss Absorption Power by the Relevant Resolution Authority shall be deemed to constitute non-performance of a contractual obligation or a default for any purpose or entitle the Holders to any remedies (including equitable remedies), which are hereby expressly waived.

For the avoidance of doubt, the potential write down or cancellation of all, or a portion, of the Amounts Due on the Notes or the conversion of the Notes into shares, other securities or other obligations in connection with the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority is separate and distinct from a Write Down following a Trigger Event although these events may occur consecutively.

19.4 *Process Agent*: The Issuer has in the Instrument appointed the London Representative Office of Banco Comercial Português, S.A. at 1st Floor, 63 Queen Victoria Street, London EC4N 4UA for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of it ceasing so to act it will appoint another person for that purpose.

20. Rights of Third Parties

No person shall have any right to enforce any term or Condition in respect of a Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

NOTES HELD THROUGH INTERBOLSA

General

Notes registered in the CVM are held through a centralised system ('*sistema centralizado*') composed by interconnected securities accounts, through which such securities (and inherent rights) are created, held and transferred, and which allows Interbolsa to control at all times the amount of securities so created, held and transferred.

The CVM, managed and operated by Interbolsa, provides for all procedures required for the exercise of all ownership rights inherent to the Notes.

In relation to each issue of notes, the CVM comprises, *inter alia*, (i) the issue account, opened by the issuer in the CVM and which reflects the full amount of the notes outstanding from time to time; and (ii) the control accounts opened by each of the Affiliate Members (as defined below) of Interbolsa, and which reflect the notes held by such Affiliate Member by or on behalf of the holders of such notes, being the persons shown in the individual securities accounts held with such Affiliate Member.

Notes held through Interbolsa will be attributed an International Securities Identification Number ("**ISIN**" code), a Common Code, a Classification of Financial Instruments code ("**CFI**") and a Financial Instrument Short Name ("**FISN**"). The Notes will be accepted and registered with the CVM and settled by Interbolsa's settlement system.

Form of the Notes

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

The Notes will be registered in the relevant issue account opened by the Issuer with the CVM and will be also recorded in control accounts by each Affiliate Member of Interbolsa. Such control accounts reflect at all times the outstanding amount of the Notes held in the individual securities accounts opened with each of the Affiliate Members of Interbolsa. Where used in this Offering Circular, the expression "**Affiliate Member**" means any authorised financial intermediary entitled to hold control accounts with the CVM and includes any banks or financial intermediaries appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding individual securities accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the individual securities accounts established in an Affiliate Member of Interbolsa as having title to the Notes shall be treated as the holder of the principal amount of the Notes recorded therein (each, a "**Holder**").

Payment of principal and interest in respect of the Notes

Whilst the Notes are registered at the CVM, payment of principal and interest in respect of the Notes will be (a) credited, according to the procedures and regulations of Interbolsa, by the Agent (acting on behalf of the Issuer) from the payment current account which the Agent has indicated to, and has been accepted by, Interbolsa to be used on the Agent's behalf for payments in respect of the Notes to the payment current accounts held by the Affiliate Members of Interbolsa whose control accounts with the CVM are credited with the Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of the Notes, in accordance with the rules and procedures of Interbolsa, Euroclear and/or Clearstream, Luxembourg, as the case may be.

Transfer of the Notes

The Notes 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 Holder will be able to transfer the Notes, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

Write Down and Discretionary Reinstatement of the Notes held through Interbolsa

A Write Down or a Discretionary Reinstatement (each term as defined in the Conditions) of the Notes held through Interbolsa will be processed through Interbolsa. The Issuer must give Interbolsa advance notice that a Write Down or a Discretionary Reinstatement of the Notes will occur and provide it with all the necessary information for that purpose. Interbolsa, on the Write Down Date or on the date on which such Discretionary Reinstatement is to occur, will, in accordance with the rules and procedures of Interbolsa record the Write Down or Discretionary Reinstatement in: (i) the issue account, opened by the Issuer in the CVM and (ii) the accounts of each Affiliate Member of Interbolsa, whose control accounts with Interbolsa are credited with the Notes.

Each Affiliate Member shall record in the individual securities accounts of the Holders of the Notes the Outstanding Principal Amount of the Notes held by them.

DESCRIPTION OF THE BUSINESS OF THE GROUP

Group Overview

The Millennium bcp Group (the "**Group**") is one of the largest privately owned banking groups based in Portugal, in terms of assets, credit and deposits. The Group offers a wide range of banking products and related financial services, both in Portugal and internationally, namely current accounts, instruments of payment, savings and investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. Internationally, the Group has significant operations in Poland, Angola and Mozambique. In addition, the Bank has a presence in the Cayman Islands and Macao.

In accordance with IFRS as endorsed by the European Union, the Group had, at the end of June 2023, total assets in the amount of EUR 91.0 billion and total customer funds (including customer deposits, debt securities, assets under management, assets placed with customers and insurance products (savings and investments)) in the sum of EUR 92.4 billion. Loans to customers (gross) amounted to EUR 57.9 billion (of which EUR 56.0 billion were recorded in the caption "Financial assets at amortised cost – Loans to customers", EUR 1.9 billion were recorded in the caption "Debt securities held associated with credit operations" and EUR 12 million (gross amount without considering fair value adjustments) were recorded in the caption "Financial assets not held for trading mandatorily at fair value through profit or loss – Loans and advances to customers at fair value"). According to the interpretation of the CRD IV and CRR, CET1 fully-implemented ratio reached 14.0%, as at 30 June 2023. Based on the latest available data from Banco de Portugal, the Group accounted for 17.3% of loans to customers (gross) and 19.2% of deposits in the Portuguese banking sector on 31 March 2023.

In addition, on 30 June 2023, the Bank was the fifth largest company listed on Euronext Lisbon in terms of market capitalisation (EUR 3.3 billion).

The Bank is registered with the Commercial Registry Office of Oporto under the sole commercial registration and tax identification number 501 525 882 and its registered offices are located at Praça Dom João I, 28, 4000–295 Oporto, with telephone number +351 211 134 001 and website www.millenniumbcp.pt/en.

The Bank operates notably under the Portuguese Companies Code and the Banking Law. See "*Legislation regulating the activity of the Bank*" below.

Bank History

BCP was incorporated on 17 June 1985, as a limited liability company ("sociedade anónima") organised under Portuguese law, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than the state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped to solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("**Atlântico**"), which was then the largest private sector bank in Portugal, and that was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP, whereby in the same year BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, BCP, with the aim of increasing its focus on the core business of financial products distribution and optimising capital consumption, sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now

named Ageas) for the management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

The Bank, after the consolidation of its position in the Portuguese banking market, focused on developing its retail business in other geographies, with the aim of attaining significant positions, by replicating its successful Portuguese business model in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large Portuguese origin communities (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's business model could be exported to meet the specific needs of each geography (such as Poland, Greece and Romania).

The Bank has implemented a consistent market segmentation strategy and, until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006, with all banking operations controlled by BCP being developed under the "Millennium" brand. In Portugal, the Group also operates under the "ActivoBank" brand.

Over the last few years, the Bank has refocused on operations that it considers core to its business development. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter composed of non-executive members and with a majority of independent members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, as required by national law and by the applicable European rules on matters of state aid. The Restructuring Plan was formally submitted by the Portuguese government to the European Commission and, in July 2013, the Bank agreed on the plan with the European Commission entailing an improvement of the Bank's profitability in Portugal through continued cost reduction, among other drivers. In September 2013, the Directorate General for Competition announced its formal agreement with the Portuguese authorities regarding the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was considered in compliance with the European Union's state aid rules, demonstrating the Bank's viability without continued state support. The implemented Restructuring Plan aimed to strengthen the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aimed at refocusing on core activities defined as priorities in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements signed in 2004, which included the sale of its 49% interest in the insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. and Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of

loans to the economy, with a market share of approximately 10% in business volumes The entity resulting from this merger ceased to be controlled by BCP.

In January 2017, BCP announced a EUR 1.3 billion rights issue with transferable pre-emptive subscription rights with preference for current shareholders. The aim of this transaction was to bring forward the full repayment of remaining government subscribed securities and the removal of key state aid related restrictions, including the dividend ban, the potential risk of core businesses' sale and the tail risk of conversion. This transaction was designed to strengthen the balance sheet through the improvement of CET1 fully implemented and Texas ratio, aligning BCP with sector benchmarks and placing it above current regulatory requirements.

On 27 December 2019, it was signed the deed of merger of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of BCP, with the Bank by incorporation into the latter.

On 27 August 2019, the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders representing 78.53% of its share capital participated, approved the merger of Bank Millennium S.A. with Euro Bank S.A. The integration of Eurobank S.A. into Bank Millennium S.A. was completed in November 2019, with the Bank resulting from the merger operating under a single brand, a single operating system and a single legal entity.

On 29 June 2021, BCP entered into an agreement with Union Bancaire Privée, UBP SA, regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("**Banque Privée**"). The sale of the entire share capital of Banque Privée to Union Bancaire Privée, UBP SA, was completed on 2 November 2021. The sale of Banque Privée allowed the Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and, thus, increasing value for stakeholders.

On 29 December 2021, BIM (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalised the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, S.A., ("**Fidelidade**") with a view to strengthen capabilities and expand the insurance offer in the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalised the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A. ("**SIM**"), with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed on call and put options with a view to enable Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade.

In the first half of 2023, Bank Millennium completed the sale an 80% stake in Millennium Financial Services to Towarzystwo Ubezpieczeń, with which it established a strategic partnership in the bancassurance business.

Business Overview

Nature of Operations and Principal Activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, being present in the following markets: Poland, Mozambique, Angola (through its associate BMA) and China. In Portugal, the Bank's operations are primarily in retail banking, but it also offers a complete range of additional financial services (in accordance with Article 3 of the articles of association of the Bank, which provides that "the purpose of the Bank is to engage in banking activities with such latitude as may be permitted by law"). The Bank also engages in a number of international activities and partnerships.

The Bank's banking products and services include current accounts, instruments of payment, savings and investments, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others. The Bank's domestic retail banking activities are conducted mainly through its marketing and distribution network in Portugal, which follows a segmented approach to the Portuguese retail banking market and serves the diverse banking needs of specific groups of customers. Back-office operations for the distribution network are integrated in order to explore economies of scale.

The Bank has subsidiaries that offer additional financial services, including investment banking, asset management and insurance. These subsidiaries generally distribute their products through the Bank's distribution networks. The Bank's retail banking and related financial services activities, together with its international operations and partnerships, are described in greater detail below.

Strategy

The strategic cycle launched in 2021 reflects the Bank's determination to accelerate transformation and strengthen its position for the future, preparing to face and overcome the challenges that are shaping both the macroeconomic environment and Bank's competitive landscape.

Successfully executing on the key priorities and levers of the Bank's previous Strategic Plan cycle (2018-2021) was crucial for setting the Bank on a solid normalisation path by significantly reducing its legacy exposures. It also laid important foundations for the future by substantially accelerating Bank's level of digitisation.

This trajectory was particularly influenced by developments in Portugal (a 40% reduction of NPEs compared to 2018 and mobile customers up by 48% in 2020) where the Bank managed to recover its volume growth trend (~5% p.a. growth in lending and customers' deposits over 2018-20) and increase its share of revenues (+0.6pp in 2018-20), despite the environment of margin compression and continued low interest rates.

In Poland, despite a positive operational performance and the ability shown in the swift integration of EuroBank, the bottom-line result has been hindered by negative developments in FX mortgages (despite the Bank having stopped writing new FX mortgages in 2008).

Entering in this cycle, the Bank faced an economic turmoil, whose recovery prospects were expected to bring promising growth opportunities. Greater customer expectations, more digital and e-commerce activity, the increasing threat of tech platforms and digital hackers and the overriding requirement of sustainability were factors that together presented significant challenges but also major opportunities.

The Bank's profitability performance was also constrained by legislative developments in Portugal, namely in relation to contributions to the National Resolution Fund and limitations regarding fair commissions and fees.

The Strategic Plan update was designed to preserve relevant priorities from the previous strategic cycle, consolidating the progress made and adding elements consistent with the new framework.

This Strategic Plan reflected the Bank's aspiration to achieve robust profitability and balance sheet position levels and to manage the impact from the crisis caused by the pandemic, while accelerating its competitive differentiation in efficiency and customer engagement levels, supported by targeted human touch and new mobile/digital solutions and business models, enabled by a highly skilled and effective talent base, while at the same time addressing social sustainability challenges with a focus on climate change risks and the opportunities that may unfold from their mitigation.

Therefore, the main strategic priorities for the Bank in Portugal have been set out for this cycle, preserving a balance between continuity and the implementation of bolder initiatives to reinforce its competitive edge and innovation in the Bank's positioning:

- serving the financial and protection needs of customers with personalised solutions which combine targeted human touch with a leading mobile platform: aiming to expand relevance and develop high engagement relationships that empower the Bank's customers in their financial lives. This priority is about serving customers in meeting all of those profitable retail needs in which Millennium holds a leadership position: investment management, bancassurance and personal lending solutions.

- being a trusted partner for corporate recovery and transformation: supporting customers' pursuit of opportunities driven by EU funds for economic recovery (PRR, PT 2030), while enabling solutions fit for a more digitised, competitive and export-oriented corporate landscape.

- capital and risk resilience: reinforcing balance sheet and ensuring readiness for the post-pandemic world, strengthening both of the Bank's risk and capital management practices.

- best in class efficiency: realising cost savings enabled by productivity gains already achieved in the previous cycle by several transformational changes including the full exploitation of mobile and automated capabilities, increased efficiency in the branch network and tech and data-driven process reengineering and automation.

- data and technology edge: focusing efforts on the implementation of the Bank's next-generation data platform while scaling advanced analytics models to gain differentiating mass personalisation capabilities, intelligent automation and informed and agile business and regulatory management. In parallel, the Bank will expand the deployment of its new technology foundations by advancing its cloud platform, using modular IT building blocks augmented by the digital experience platform and new cybersecurity solutions, designed to deliver agility and speed to market, scale, resilience and cost efficiency.

- capability building and talent renewal: reinforcing the Bank's ability to attract, develop and retain the best talent to embrace modern challenges in critical domains and adapt working practices to reflect the new paradigm while promoting an equal-opportunity environment.

- sustainability-driven: adapting the Bank's business model to increase differentiation towards the communities and customers' rising expectations of sustainability while capturing associated business opportunities as well as addressing regulatory demands.

- Finally, the Bank's innovation initiatives enable the Bank to explore broader opportunities, going beyond traditional banking, not only in order to go on delivering a superior customer experience but also to support the Bank's income growth and cost-containment goals.

The execution of these priorities in Portugal was combined with consistent initiatives to explore prudently the full growth potential of the international operations, continuously looking for ways to optimise their footprint.

This plan will enable the Bank to deliver against a set of bold targets for 2024. The Group aspires to improve C/I (to ~40% in 2024) and profitability (aiming at a ROE of ~10%). In parallel, the Bank will focus on risk management, aiming to significantly lower the cost of risk (to ~50 bps) and the NPE ratio (to ~4%), while keeping a prudent CET 1 ratio (>12.5%).

Additionally, the Bank continued to invest in increasing its mobile penetration (from 48% to more than 65%) and maintaining its leading digital customer satisfaction (#1 in digital NPS).

Targets for 2024

In this Strategic Plan cycle the Bank's aims to speed up transition to a position of strength and ready for the future position in Portugal, notwithstanding the risks that shape the macroeconomic environment and the competitive landscape.

The Bank’s aspiration can be summarised as:

i) achieve robust levels of profitability, asset quality and capital, managing the impact of the crisis caused by the pandemic and the effects of the war in Ukraine and Middle East with consequent prices inflation;

ii) accelerate the Bank's competitive differentiation in efficiency and customer engagement, supported by targeted human touch, mobile/ digital solutions and in new business models supported in a talent base of excellence;

iii) address social, environmental and corporate governance challenges with a focus on the risks arising from climate change and the opportunities associated with the adoption of mitigation and adaptation solutions to this new reality.

In the international business, the Bank continued the journey started in 2018, making adjustments in the light of recent developments. In Poland, where it is implementing a resilience plan, the focus is on responding to the risks of exposure to mortgage loans in Swiss francs, actually reducing the need for provisions for this risk, ensuring the continued development of the commercial franchise and customer satisfaction. In Mozambique, it will continue to adapt the business model to improve the service and address to the evolving needs of customers, maintaining a strong commitment to profitability, efficiency and risk control.

The successful execution of the Bank's strategic priorities will reinforce its franchise position and business model sustainability.

By 2024, the Group’s bold ambition is to improve C/I to ~40% and to grow ROE profitably to ~10%. In parallel, the Bank will focus on risk management, with the goal of reducing the cost of risk (to ~50 bps), its NPE ratio (to ~4%) and a prudent objective for the CET 1 ratio (>12.5%). Finally, there will be a continued investment around rising levels of mobile penetration (from 48 to >65%) and a focus on delivering leading digital customer satisfaction.

Ambitious goals aligned with strategic priorities — Group level

	9M 2023	2024
C/I ratio	32%*	**~40%**
Cost of risk	50 bp	**~50 bps**
ROE	16.7%	**~10%**
CET1 ratio	14.9%	**>12.5%**
NPE ratio	3.6%	**~4%**
Share of mobile customers	66%	**>65%**
Growth of high engagement customers (vs. 2020)**	+12.6%	**+12%**
Average ESG rating***	69%	**>80%**

*Adjusted cost to income: without the positive one-off effect of 127 million related with the sale of Millennium Financial Services stake (80%).

**Active customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)

***Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.

The bank expects to achieve the strategic objectives in 2024, as measures are being taken in this direction.

Business Model

The internal organisational model of the Bank covers four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units: Processes and Banking Services and Corporate Areas.

Regarding the internal organisation and decision-making structure, it is important to note the existence of a series of Commissions and Sub-Commissions directly appointed by the Executive Commission which, apart from the Directors who are specifically entrusted with the monitoring of matters, include the employees of the Bank or Group who are the heads of their respective areas.

As at 5 September 2023 there were 14 Commissions and 2 Sub-Commissions aimed at facilitating the coordination of current managerial decisions, involving the senior management of the units included in each

business area, with a view to reconciling perspectives and supporting the managerial decision-making process of the Executive Commission, as follows:

a) *Costs and Investments Commission*: This Commission has the mission of regular follow-ups on the evolution and optimisation of the contracts for the purchase of goods and services which are more significant for the Bank and of the respective negotiations and costs authorisation;

One Sub-Commission operates under the *Costs and Investments Commission, the Costs and Investments Sub-Commission* whose mission is the regular follow-up of the evolution and optimisation of the contracts for the purchase of goods and services which are more significant for the Bank and of the respective negotiations; also issues opinions or authorisations in respect of costs for the purchases of goods and services that are not within the competence of the coordinator managers, in accordance with the regulations in effect;

b) *Corporate Commission*: The functions of this Commission are: (i) follow-up of and decision-making on the activity related to Company Clients, Corporate and Large Corporate, public sector, Institutional and Investment Banking for analysis of objective fulfilment levels; (ii) definition and approval of the business activities priorities; (iii) analysis of the business context and proposal of commercial actions in order to respond to the needs of the business segments of clients; (iv) assessment of the business main risk indicators; (v) assessment of the models for the articulation of the business concerning its value proposal and the interconnection of the bank's networks; and (vi) generating opportunities through cross networking with other business units of the Group;

c) *Human Resources Commission*: The primary mission of this Commission is the definition of the strategy and approval of the Bank's human resources policies, including the overview of the top 10 Key Performance Indicators ("**KPIs**"), contracts and internal mobility, span of control, compensation, benefits and recognition programmes. The Human Resources Commission is internally aiming to reinforce the culture, strategic alignment and mobilisation, and externally, in terms of value proposal and image, as well as the approach/relationship with relevant stakeholders, and the identification of policies, practices and systems to introduce/recommend actions in other countries where the Group operates are also functions of this Commission;

d) *Retail Commission*: This Commission is entrusted to management and monitors the Retail business with the purpose of ensuring a value proposal and a distribution model that allows the Bank to comply with its priorities, particularly in terms of profitability and management of the offer provided to customers. This Commission also analyses the main indicators for products and services and the decisions on changes to the Bank's product range, as well of the main indicators for quality and customer experience, claims and customer satisfaction (external and internal). The Commission has decision-making powers on the value proposal, the distribution model and issues related to the profitability and management of customer offer;

e) *Compliance and Operational Risks Commission*: The main mission of this Commission is monitoring the activity of the Bank and/or of the subsidiaries of the Group in each jurisdiction, regularly coordinating and managing the policies and obligations of the Bank and/or of the subsidiaries of the Group, in order to ensure compliance with the legal and compliance regulations, the alignment of the Group strategies and the definition of priorities; monitoring the risk management framework (including IT and Outsourcing risks), ensuring its application in the Group's operations; monitoring the exposure to the operational risks and the status of the implementation and efficiency of the actions identified to strengthen the internal control environments; monitoring the management and improvement of the Bank's processes, in order to monitor and reduce the levels of exposure to compliance and operational risks;

f) *Capital Assets and Liabilities Management Commission* (*CALCO*): This Commission is entrusted with (i) the establishment of the Bank's global policy for the allocation of capital and management

of structural market and liquidity risks; (ii) monitoring and managing market risks associated to assets and liabilities, planning and making capital allocation proposals and proposals to define policies for liquidity and market risk management, in terms of the Group consolidated balance sheet;

g) *Credit Commission*: This Commission decides on credit proposals transversally related with the banking activity of the Group and issues an advisory opinion on the credit proposals made by entities operating abroad and part of the Group;

h) *Risk Commission*: The main duty of this Commission is the definition of the framework and of the Group's risk management instruments and policies, establishing the respective principles, rules, limits and practices for the Group's entities, taking into account the risk thresholds set forth in the Risk Appetite Statement ("**RAS**"). This commission is responsible for (i) monitoring compliance of the group´s risk levels with the RAS, (ii) monitoring global risk levels for all types of risk (particularly the credit, market, and liquidity risks), ensuring that these are compatible with the goals, financial resources available and strategies approved for the development of the Group's activity, and (iii) verifying if the management of risks complies with the applicable legislation/regulations;

i) *One Sub-Commission operates under the Risk Commission*, *the Validation and Monitoring of Models Sub-Commission*, that monitors and confirms the validity of the various models used by the Bank's risk management function, including the technical analysis of models, indicators and monitoring results, qualitative validations, back testing, benchmarking and analysis of adequacy and adhesion to the reality meant to be modelled. It also identifies the measures necessary to improve model quality and propose to the Risk Commission the methodology to assess model risk and respective tolerance level;

j) *Pension Funds Risk Monitoring Commission*: This Commission is entrusted for monitoring the performance and risk of the Group's pension funds and the establishment of appropriate investment policies and hedging strategies;

k) *Operational Resilience Commission*: The primary mission of this Commission is integrated management of the Group's security policies and business continuity and follow-up of the main security risks, policies, data quality processes inherent to the protection and quality of data and of the initiatives to be developed in this particular area. This Commission resolves on matters related with security management policies of IT systems, management and quality of data, management of physical security, management of the business continuity and protection of personal data, definition of safety requirements and Disaster Recovery Plan and business continuity annual exercises. This Commission is namely responsible for: (i) periodical review of emerging threats and more relevant trends in terms of information and IT safety, particularly focusing on cyber-security, promoting, when recommended, the evaluation of new protection controls and solutions; and (ii) revision of the results on the security evaluation and business continuity, including internal and external audits and supervision of the improvement processes and completion of associated recommendations;

l) *Credit and Non-Performing Assets Monitoring Commission*: The objective of this Commission is to follow-up the evolution of the credit exposures, foreclosed assets and of their quality, as well as of the main risk and performance indicators. For this purpose, this Commission: (i) monitors the evolution of credit exposure and the credit underwriting process; (ii) monitors the evolution of the credit portfolio's quality and of the main performance and risk indicators; (iii) monitors the results achieved by the credit monitoring systems; (iv) follows-up the counterparty risk and the largest exposures concentration risk; (v) monitors the impairment evolution and the main cases of individual analysis; (vi) assesses the performance of the recovery procedures and (vii) monitors the divestment in the foreclosed assets portfolio;

m) *Sustainability Commission*: the mission of this Commission is the definition and the monitoring of the initiatives that will allow the implementation of the Sustainability Master Plan (SMP) in compliance with the guidelines of the Plan approved by the Executive Committee. Always abiding by the internal regulations applicable to each Commission and by the functions and competences defined in the respective regulations, the competences that the Board of Directors has not reserved for itself or for the Audit Committee, for the Committee for Risk Assessment, for the Committee for Nominations and Remunerations and for the Committee for Corporate Governance, Ethics and Sustainability, are delegated to the Sustainability Commission. However, the aforementioned delegation is subject to the condition that any of the executive directors attending the Sustainability Commission decide that the subject should be submitted to the Executive Committee for resolution;

n) *Corporate Risk Monitoring Commission*: the functions of this Commission are to monitor the evolution recorded by the main performing credit exposures of corporate clients, particularly assessing the implications of the Covid-19 pandemic versus the specific risk factors of each client (activity sector, prior Covid-19 financial standing, costs structure, etc), issuing opinions regarding the credit strategy to be adopted; and to follow-up the counter party risk and the largest exposures concentration risk; and

o) *Private Banking and Investment Products & Services Commission*: the objective of this Commission is the management and follow-up of the Private Banking business with the purpose of ensuring a value proposal and distribution model that allows the Bank to comply with its priorities, particularly in terms of profitability and management of the offer provided to customers. Monitoring and follow-up of the investment products and services sold in the Private Banking network. This Commission may resolve on the following matters: (i) the Private Banking value-proposal; (ii) the Private Banking distribution model, including the priorities to be defined for the Commercial Network; (iii) the Private Banking's offer, including recommendations addressed to the areas involved in the development and management of investment services and products, including deciding on the analysis of transactions, as well as the approval of the products that should appear in the Execution Display.

Other Financial Services in Portugal

Online Banking

ActivoBank is a leading internet bank in Portugal. Launched in 2010, ActivoBank offers a streamlined and convenient service with an emphasis on emerging distribution and communication channels (e.g. internet banking, mobile banking). ActivoBank targets younger, technologically savvy customers who prefer simple, modern banking products and services.

ActivoBank's main goal is to maintain a strong focus on its online presence through its website and social media. The pillar of ActivoBank's client relationship is based on online channels, despite also having 16 physical branches, as at 30 June 2023. ActivoBank was the first Portuguese bank to launch an exclusive application for smartphones. ActivoBank continues to invest heavily in developing new services and features, in alignment with new trends, with a primary emphasis on innovation.

Insurance

The Bank has an interest in insurance activities through Millenniumbcp Ageas, a joint venture with Ageas for bancassurance business in Portugal. On 26 May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it had agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (at that time jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros,

S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. Currently, the Group holds 49% of Millenniumbcp Ageas' share capital in the life insurance business, while the remaining 51% is held by Ageas.

On 28 July 2014, the Bank announced about the qualifying holding of Ageas and Ocidental Vida that was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in BCP prior to the rights issue of 156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida. Following the settlement of the rights issue on 23 July 2014 and allotment of the oversubscription on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus the Ageas Group increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of the Bank.

On 16 June 2015, the Bank announced to have received a notification from Ageas Group informing that its holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding. The dilution of the former qualifying holding was a result of the Bank's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275. At that date, the Ageas Group's holding was 1.84%.

Foreign Business

BCP has concentrated on those businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of residents with a Portuguese heritage (such as Angola and Mozambique), as well as in markets to which the Bank's successful business model in Portugal can be effectively exported and tailored to suit local markets, in particular in Poland.

Poland

In Poland, the Bank operates through Bank Millennium, and focuses its offerings on individuals and small and medium-sized companies. Bank Millennium is a full-service national bank which, jointly with its subsidiaries, offers a complete range of financial products and services, including deposit-taking, savings and investment products, short-, medium- and long-term lending (including mortgage lending and consumer credit), debit and credit cards, fund transfers and other payment methods, mutual funds, insurance, leasing, treasury services and money market transactions.

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Bank launched a retail operation with BBG in the Polish market under the "Millennium" brand.

The Bank currently owns 50.1% of Bank Millennium.

On 17 October 2018, Bank Millennium took over management of the assets of Spółdzielcza Kasa Oszczędnościowo-Kredytowa Piast ("**SKOK Piast**") (Cooperative Credit Union SKOK Piast), based on a decision of the Polish Financial Supervision Authority, and, on 1 November 2018, Bank Millennium acquired SKOK Piast. Bank Millennium joined other banks involved in the SKOK turnaround process supported by the Polish Financial Supervision Authority and the Bank Guarantee Fund. The acquisition of SKOK Piast corresponded with efforts to ensure stability of the national financial system and to ensure safety for all clients of financial institutions in Poland.

In 2019, the merger of Bank Millennium with Eurobank was approved, on an Extraordinary General Meeting of Bank Millennium. The completion of the integration of Eurobank into Bank Millennium took place on 27 December 2019, with the Bank Millennium being the surviving entity from the merger and now operating under a single brand, a single operating system and a single legal entity.

Bank Millennium acquired a 99.79% stake in Eurobank from Société Générale Financial Services Holding ("**SocGen**"), a subsidiary of Société Générale S.A. The completion of the integration of Eurobank into Bank Millennium took place on 27 December 2019.

Bank Millennium stopped granting mortgage loans in foreign currencies in 2009. Consequently, the Polish foreign exchange ("**FX**") mortgage loans are a mature portfolio, constantly decreasing according to the repayment rate and with a low impairment ratio and high coverage by provisions. As at 30 June 2023, Bank Millennium's foreign exchange mortgages amounted to EUR 2.1 billion, which represents 5.5% of the Group's total loans. These figures exclude PLN 0.5 billion (approximately EUR 99 million) CHF indexed mortgages from Eurobank, the litigation/political risk on this portfolio being covered by a 20-year indemnity provided by SocGen, which also provided a 10-year guarantee on 80% of the credit risk on that portfolio. FX mortgages represent 10% of its Polish subsidiary total gross loans (approximately 6% market share).

In the first semester of 2023, Bank Millennium completed the sale of 80% of Millennium Financial Services stake to the Group Towarzystwo Ubezpieczeń, with which it established a strategic partnership in the bancassurance business.

Mozambique

The Bank has had banking operations in Mozambique since 1995. BIM is the second Mozambique's largest bank in terms of assets, loans and deposits market shares (Source: Central Bank of Mozambique). On 29 December 2021, BIM formalised the entry into force of a long-term agreement with Fidelidade, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalised the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of SIM with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade. The amount received by BIM for the sale of 70% of SIM is EUR 46.8 million. Considering this value, the operation had a (positive) impact on BCP's consolidated results for the current year, on a *pro forma* basis as of 11/30/2021, of approximately EUR 5.2 million and a positive impact on the consolidated CET1 ratio and in the total capital of 7 basis points.

In June 2023, BIM recorded a net income of EUR 48.5 million, a 4.4% increase when compared to the same period of the previous year. In this period, banking income[3] increased by 9.4% amounting to EUR 135.5 million, driven by the increase of net interest income (+14.7%) and commissions (+7.1%). Operating costs increased 14.7% to EUR 61.1 million, and cost-to-income stood at 45.3%. ROE stood at 23.2%. Loan impairment amounted to EUR 5.6 million (EUR 6.8 million recorded in June 2022) and the cost of risk decreased from 211 basis points to 153 basis points. As at 30 June 2023, BIM had a capital ratio of 41.9%.

Total customer funds on 30 June 2023 stood at EUR 2.0 billion, down from EUR 2.2 billion, recorded on 30 June 2022, showing a decrease of 8.4%. Loans to customers (gross) amounted to EUR 725 million in June 2023, compared to EUR 676 million in June 2022, an increase of 7.2%.

As at 30 June 2023, BIM had 196 branches, 1 less than in June 2022. At that date, the bank had 2,524 employees (excluding employees from SIM, the insurance company) and had 2,539 employees as at 30 June 2022.

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[3] "Banking income" or "net operating revenues" is the sum of net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Angola

BMA was incorporated on 3 April 2006, as a result of the transformation of the BCP branch in Angola into a bank incorporated under the laws of the Republic of Angola.

In February 2009, the Bank carried out financial transactions relating to the strategic partnership agreements established with Sonangol (a company that held, as at 30 June 2017, 15.24% of the Bank's share capital and voting rights) and Banco Privado Atlântico, S.A. ("**BPA**") (in which BMA held a shareholding of 6.66%), as a result of which the Bank reduced its stake in BMA to 52.7% through BMA's share capital increase of USD 105,752,496.80.

In April 2012, the Bank reduced its stake in BMA to 50.1%, following BMA's share capital increase, which was fully subscribed to by Global Pactum - Gestão de Activos (main shareholder of BPA), in line with the partnership agreement entered into with Sonangol and BPA. Within the scope of this partnership, the Bank, Sonangol and BPA entered in May 2008 into a shareholders' agreement regarding BMA, which included, among others, clauses on corporate bodies and preferential rights in case of transfer of BMA's shares.

On 8 October 2015, the Bank announced it had signed a memorandum of understanding with the main shareholder of BPA for the merger of BMA with BPA. The public deed for the merger was executed on 22 April 2016. Following the merger, BCP owns 22.5% of the share capital of Banco Millennium Atlântico, S.A.

In the context of the BMA merger with BPA, BMA was considered a discontinued operation in March 2016. As of the completion of the merger in May 2016, the new merged entity in which the Bank maintains a 22.5% shareholding, Banco Millennium Atlântico, S.A., is consolidated using the equity method.

Banco Millennium Atlântico, S.A. contribution to the Group's earnings in June 2023 was EUR 0.8 million which compares to EUR -2.2 million in June 2022.

Macao

The Group's presence in Macao goes back to 1993, initially through an offshore license. In 2010, the Group began operating its first fully licensed (on shore) branch in Macao. This branch is directed at providing services to the Bank's network through support to individual and company customers, broadening the base of local customers and expanding the activity around the China-Macao-Portuguese speaking countries platform, focusing on the offer of investment banking services.

As at 30 June 2023, customer funds stood at EUR 487 million and gross loans reached EUR 953 million. In June 2023, net income amounted to EUR 9.1 million.

Other

The Bank also has six representative offices (one in the United Kingdom, two in Switzerland, two in Brazil and one in China in Canton), and three commercial protocols (United States, France and Luxembourg).

International Partnerships

Ageas

In 2005, the Group and Fortis (currently, Ageas) established a joint venture for bancassurance business, through the insurance company Millennium bcp Fortis (currently, Millenniumbcp Ageas). The Group holds 49% of Millenniumbcp Ageas' share capital, while the remaining 51% is held by Ageas. In September 2005, Ageas increased its shareholding in the Bank to 4.99%. As a consequence of the two Bank share capital

increases that took place in 2006, Ageas' shareholding in the Bank decreased to 4.94%. In September 2007, Ageas disposed of its qualifying holding in the share capital of the Bank.

On 26 May 2014, the Bank announced that, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, it had agreed with the international insurance group Ageas to partially recast the strategic partnership agreements entered into in 2004. These include the sale of its 49% interest in the (at that time jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental-Companhia Portuguesa de Seguros, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., for a base price of EUR 122.5 million, subject to a medium term performance adjustment. In 2013, the non-life activity posted gross inflows of EUR 251 million and a net profit of EUR 12 million.

On 28 July 2014, the Bank announced that Ageas, on behalf of itself and its subsidiary Ocidental-Companhia Portuguesa de Seguros de Vida, S.A. ("**Ocidental Vida**"), had acquired a qualifying holding in the share capital of the Bank. The qualifying holding was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in the Bank prior to the rights issue (156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida).

Following the settlement of the rights issue, on 23 July 2014, and allotment of the oversubscription, on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of BCP.

On 16 June 2015, the Bank announced that it had received an announcement from Ageas, issued on behalf of itself and Ocidental Vida, informing that Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding (1.84%). The dilution of the former qualifying holding is a result of BCP's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275.

Sonangol and BPA

Following the announcement made by the Bank on 8 October 2015, the Bank informed on 25 April 2016 that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

Developments in 2023

On 9 January 2023, the Bank announced, in addition to the announcement made on 29 December 2022, regarding the conclusion of the so-called Project Crow, in which the Bank sold the participation units in Fundo de Recuperação Turismo, FCR and FLIT-PTREL-SIF, S.C.A., as well as other hospitality assets, that the completion of this transaction resulted in the receipt of approximately EUR 233 million.

The Bank informed that the conclusion of the Project Crow had a positive marginal impact of EUR 1.6 million on the consolidated results for the year 2022. In terms of capital ratio (CET1 fully implemented), the reduction in exposure on the balance sheet to these assets, due to the sales made, was reflected in an increase of approximately 15 bps.

On 17 March 2023, the Bank announced that Fitch Ratings upgraded its long-term deposits rating to 'BBB-' and the long-term Issuer Default Rating to 'BB+', with a stable Outlook.

On 24 March 2023, the Bank announced that it was notified of the favourable decision of the supervisory authority on the request for the application of article 352 (2) of the CRR for the exclusion of the calculation of weighted assets for market risk of certain structural exchange positions for hedging of regulatory ratios against changes in exchange rates. The Bank also announced that the change had an estimated impact on the fully implemented CET1 ratio of around 50 bps and of around 70 bps in the total capital ratio.

On 5 April 2023, the Bank announced that it was notified by Bank Millennium about the creation of additional provisions against legal risk related to the foreign exchange ("**FX**") mortgage loans portfolio, according to the following report: "(references in the extract below to the Bank are to Bank Millennium S.A.):

"*The Management Board of Bank Millennium S.A. ("the Bank") informs that it took a decision to create in its first quarter 2023 accounts, PLN 484 million of provisions for legal risk connected with FX mortgage loans originated by the Bank. Additionally, PLN 43 million worth of provisions were created against legal risk related to the loan book originated by former Euro Bank, S.A. but without a bottom line impact. Furthermore, the Management Board decided to make conservative adjustments in the methodology used to calculate such provisions in anticipation of further potential negative trends. These translated into an additional provision of PLN 337 million for Bank Millennium originated loans. Taking into consideration the positive results from the core business activity, the gain on transaction communicated in current report no. 7/2023 of 13 February 2023 and the above mentioned provisions, the Management Board expects the Bank to have a positive net result in first quarter 2023 at a level broadly similar to this reported in the fourth quarter of 2022* (which was later confirmed). *More information about these factors and first quarter 2023 financial results will be disclosed in a quarterly report scheduled for 28 April 2023.".*

On 28 April 2023, the Bank announced its Annual General Meeting of Shareholders, to be held on 24th May 2023, with the following agenda:

Item One – To resolve upon the management report, the balance sheet and the individual and consolidated accounts for the 2022 financial year, the Corporate Governance Report, which includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report;

Item Two – To resolve upon the proposal for the appropriation of profit regarding the 2022 financial year;

Item Three – To carry out a generic appraisal of the management and supervision of the company;

Item Four – To resolve on the update of the Remuneration Policy of Members of the Management and Supervisory Bodies and Revoking the Retirement Regulation of the Executive Directors;

Item Five – To resolve on the update of the Policy for Selection and Appointment of the Statutory Auditor or Audit Firm and the Hiring of Not Prohibited Non-Audit Services under the terms of the legislation in force; and

Item Six – To resolve upon the acquisition and sale of own shares and bonds.

On 24 May 2023, the Bank announced that it concluded, through electronic means and, simultaneously, at the Bank's facilities, with 64.29% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated Annual Report, the balance sheet and financial statements of 2022, and the Corporate Governance Report, which includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report;

Item Two – Approval of the proposal for the appropriation of profit concerning the 2022 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies and revoking the retirement regulation of the Executive Directors;

Item Five – Approval of the update of the policy for selection and appointment of the Statutory Auditor or Audit Firm and the hiring of not prohibited non-audit services under the terms of the legislation in force; and

Item Six – Approval of the acquisition and sale of own shares and bonds.

On 16 June 2023, the Bank announced that it was notified by Bank Millennium about the preliminary estimation of provisions against legal risk related to FX mortgage loans portfolio of Bank Millennium in the second quarter of 2023, according to the following report (references in the extract below to the Bank are to Bank Millennium and references to the Group are to Bank Millennium and its subsidiaries):

«*The Management Board of Bank Millennium S.A. ('the Bank') informs that the preliminary estimation of 2nd quarter 2023 provisions for legal risk connected with FX mortgage loans originated by the Bank amounts to PLN 680 million, bringing the total accumulated amount of provisions created during the 1st half 2023 to circa PLN 1,500 million. Additionally, PLN 38 million worth of provisions are estimated to be created against legal risk related to the loan book originated by former Euro Bank S.A. (1H23: circa PLN 81 million) but without a bottom line impact. These preliminary, unaudited, estimates take into consideration the judgement of the European Court of Justice of June 15, 2023 on case C-520/21, with resultant elimination from the Bank's legal risk provisioning methodology of the probability of receiving remuneration for the use of capital it had provided. Additionally, the Bank also updated other parameters in this methodology. Assuming the above mentioned preliminary estimation of provisions and no other unexpected events, and taking into consideration the continuation of positive results from the core business activity, the Management Board expects the Bank to post a positive net result in 2nd quarter 2023 and consequently a positive net result in the 1st half of 2023. Final value of legal risk provisions in 2nd quarter 2023 and 1st half 2023 financial results will be disclosed in the 1st half report scheduled for July 26, 2023.*»

On 12 July 2023, the Bank announced that it has been notified by Banco de Portugal, as the national resolution authority, about the update of its minimum requirement for own funds and eligible liabilities ("**MREL**") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry.

The MREL requirements to be met by the Bank's resolution group (consisting of the Bank, Banco ActivoBank, S.A. and all the subsidiary companies of the Bank apart from Bank Millennium and BIM and their respective subsidiaries), from 1 January 2024 is of:

- 24.65% of the total risk exposure amount ("**TREA**") (to which adds further a combined buffer requirement ("**CBR**") of 3.5%, thus corresponding to total requirements of 28.15%); and

- 6.71% of the leverage ratio exposure measure ("**LRE").**

The Bank is not subject to any subordination requirements.

In accordance with the regulations in force, MREL requirements could be annually updated by the competent authorities, and therefore these targets replace those previously set.

The Bank complies with the currently applicable MREL requirement, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

The MREL requirements, now communicated to the Bank resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan.

On 28 July 2023, the Bank announced that it was subject to the 2023 EU-wide stress test conducted by the EBA, in cooperation with Banco de Portugal, the ECB and the ESRB.

The 2023 EU-wide stress test did not contain a pass-fail threshold and instead was designed to be used as an important source of information for the purposes of the SREP. The results assisted competent authorities in assessing the Bank's ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covered a three-year time horizon (2023-2025). The stress test was carried out applying a static balance sheet assumption as of December 2022, and therefore did not take into account future business strategies and management actions. It was not a forecast of the Bank's profits.

The Bank also informed that when analysing the results, it should be taken into account that the projections made under the adverse scenario incorporated a significant increase in provisions associated with the legal risk related to credits indexed to Swiss Francs at Bank Millennium in Poland.

It should also be noted that, since the end of 2022, the reference date for the stress test, there has been: (i) an increase of 150 b.p. in the Bank's CET1 ratio, currently standing at 14%[4]; (ii) a reinforcement of provisions for loans indexed to the Swiss Franc by EUR 332 million.

Also, considering the results of the Bank in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 448 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average reduction of 459 b.p. in the universe of the 70 banks submitted to this exercise.

- the application of the baseline scenario resulted in an increase of 256 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average increase of 136 b.p.

Lastly, the Bank announced that detailed information on these results in the stress test was available on the EBA website (www.wba.europa.eu).

On 12 September 2023, the Bank announced that S&P Global Ratings upgraded the Bank's senior unsecured debt ratings to Investment Grade, from BB+/B to BBB-/A-3. The Bank also announced that this upgrade reflected the view that the Bank creditworthiness gradually improved in absolute terms and relative to peers due to a combination of extraordinary measures and solid internal capital generation driven by improving profitability, based on better-than-peer efficiency levels and the expectation that a possible asset quality deterioration will be manageable. The Bank also informed that this rating also incorporated potential downside risks arising from the group's Polish operations and its impact on earnings in 2023 and 2024.

The stable Outlook reflected the expectation that the Bank can defend its solid domestic retail franchise and financial profile over the next 18-24 months and the fact that possible further unpredictable government interventions in the Polish market would have a manageable effect on the Bank's capitalisation, which would remain adequate.

The Bank also announced that S&P Global Ratings also raised the ratings on the Bank's Additional Tier 1 and Tier 2 instruments by two notches.

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[4] Including unaudited net income for 1H23. Includes the implementation of CRR 352 (2) following the ECB approval in March 2023

On 21 September 2023, the Bank announced that Fitch Ratings upgraded its long-term senior unsecured debt ratings to Investment Grade, from BB+ to BBB-, following the upgrade of the long-term Issuer Default Rating ("**IDR**") from BB+ to BBB- and the Viability Rating ("VR") from bb+ to bbb-. The Bank also informed that this upgrade reflected Fitch Ratings' view that the Banks' capital ratios have increased to levels considered adequate. This improvement has been supported by materially stronger profitability given higher interest rates, strong cost efficiency and a balance sheet with reduced credit risk. The upgrade also reflected reduced risks surrounding litigations costs coming from its Polish subsidiary in relation to legacy Swiss franc-denominated mortgage loans. The Outlook on the Long-Term IDR is Stable.

S&P Global Ratings also raised the ratings on the Bank's Additional Tier 1 and Tier 2 instruments by one notch.

On 25 September 2023, the Bank informed that it has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its euro note programme.

The issue, in the amount of EUR 500 million, will have a tenor of 3 years, with the option of early redemption by the Bank at the end of year two, an issue price of 99.825% and an annual interest rate of 5.625% during the first two years (corresponding to a spread of 1.90% over the two-year mid-swap rate). The interest rate for the third year was set at three-month Euribor plus a 1.90% spread.

The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than three times.

On 4 October 2023, the Bank announced that it was notified by Bank Millennium about the creation of additional provisions against legal risk related to the foreign exchange (FX) mortgage loans portfolio, according to the following report (references in the extract below to the Bank are to Bank Millennium S.A.):

"*The Management Board of Bank Millennium S.A. ('the Bank') informs that the estimated level of 3rd quarter 2023 provisions for legal risk connected with FX mortgage loans originated by the Bank amounts to PLN 673 million. Additionally, PLN 71 million worth of provisions are estimated to be created against legal risk related to the loan book originated by former Euro Bank S.A. without a bottom-line impact.*

Assuming the above-mentioned estimation of provisions and no other unexpected events and taking into consideration the continuation of positive results from the core business activity, the Management Board expects the Bank to post a positive net result in 3rd quarter 2023.

Final value of legal risk provisions in the 3rd quarter 2023 and financial results will be disclosed in the 3rd quarter report scheduled for October 27, 2023."

On 13 November 2023, the Bank announced that it had received permission from the ECB to reduce its own funds, through the exercise of the early redemption option of the currently outstanding Additional Tier 1 instruments, considering that following said reduction, BCP's own funds and eligible liabilities, on a consolidated basis, are expected to exceed the requirements laid down in Regulation (EU) 575/2013, Directive 2013/36/EU and Directive 2014/59/EU of the European Parliament and of the Council by a margin that ECB considers necessary.

On 17 November 2023, the Bank announced that it was notified by the Banco de Portugal on the decision to implement a reserve for sectoral systemic risk, which aims to reinforce the resilience of the banking sector of a potential deterioration in economic conditions and/or unexpected significant correction in residential property prices. The reserve for sectoral systemic risk complements the current prudential recommendation and consists of a preventive measure to address the possible materialisation of potential risks.

The Banco de Portugal's decision translates into the requirement to comply with a reserve for sectoral systemic risk of 4% on the amount of risk exposures on the retail portfolio of loans to individuals collateralised by residential properties located in Portugal, calculated in pursuant to paragraph 3 of article 92 of Regulation (EU) 575/2013, from 1 October 2024, onwards, at the highest level of consolidation in Portugal, considering the applicable legal framework.

The Bank informed that the decision to impose this measure, that aims to create a reserve for sectoral systemic risk, would translate on a pro forma basis into an estimated increase in own funds requirements of 26 basis points.

On 22 November 2023, the Bank announced that Moody’s rating agency upgraded the Bank’s senior unsecured debt ratings from Baa3 to Baa2 and deposits ratings from Baa2 to A3, positioning the rating assigned to deposits at the same risk level to that assigned to the Portuguese Republic.

The upgrade of BCP’s ratings by Moody’s reflects the reduction in the stock of non-performing assets, the improvement in capitalisation levels as well as the improvement in domestic recurrent profitability. The rating action on BCP also reflects the recent upward revision of the Portuguese Republic’s debt rating, from Baa2 to A3.

In the scope of the review carried out by Moody’s, it was simultaneously communicated by the Bank that the upgrade of the base line credit assessment (“**BCA**”) and adjusted BCA from Ba2 to Ba1, the junior senior debt rating to (P)Ba1, the dated subordinated debt to (P)Ba2 and the preference shares rating to B1(hyb).

The outlook on the long-term deposit and senior unsecured debt ratings is currently stable, reflecting Moody’s view of the expected performance of the Bank over the next 12 to 18 months.

On 4 December 2023, the Bank informed that, under the context of the SREP, it has been notified of the decision of the ECB regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2024. The minimum prudential requirements to be in force from January 2024 remain unchanged compared to the requirements in force in 2023.

The Bank also informed the decision from Banco de Portugal on its capital buffer requirement as an O-SII. The ECB’s decision prescribes the following minimum ratios as a percentage of total RWA from 1 January 2024:

	September 30, 2023*	***Minimum capital requirements***			
BCP Consolidated	***Fully implemented***	***Capital requirements***	*Of which:*		
			Pillar 1	*Pillar 2*	*Buffers*
CET1	***14.9%***	***9.41%***	*4.50%*	*1.41%*	*3.50%*

Tier 1	***16.2%***	***11.38%***	*6.00%*	*1.88%*	*3.50%*
Total	***19.4%***	***14.00%***	*8.00%*	*2.50%*	*3.50%*

*Including unaudited earnings for the first nine months of 2023.

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 1.0%)."

On 18 December 2023, the Bank informed that DBRS Morningstar rating agency upgraded the Bank's senior unsecured debt ratings from BBB (low) to BBB and deposits ratings from BBB to BBB (high), one notch above the Intrinsic Assessment, reflecting the legal framework in place in Portugal which has full depositor preference in bank insolvency and resolution proceedings.

This upgrade of BCP's ratings by DBRS Morningstar reflects the improvement in profitability and the strengthening in capitalisation levels while maintaining adequate asset quality. The stable trend reflects DBRS Morningstar expectations that the Bank will maintain adequate profitability levels and solid capital buffers. The stable trend also takes into consideration the Bank’s adequate funding structure coupled with solid liquidity buffers.

Principal Markets and Competition

The Portuguese banking market has become well-developed, including both strong domestic and foreign competitors. These competitors follow a multi-product, multi-channel and multi-client segmented approach, offering a broad range of services from retail products to investment banking coupled with sophisticated payment capability. Foreign banks are present in the Portuguese market, in areas such as corporate banking, asset management, private banking and brokerage services, as well as universal banking services, namely traditional retail banking.

Domestic banking penetration levels rank favourably on a comparable basis and branch network and automated channels are widely disseminated across the country. There has been significant development of remote access to banking services (ATM, home banking, and mobile banking) together with market intelligence techniques enabling banks to accurately track customers' requirements and augment customer proximity. Cross-selling has benefited from the use of such techniques and has increased the proportion of banks' non-interest income over the years.

The Portuguese banking sector will face the potential entry of new and disruptive players benefiting from the PSD2 environment. This is happening against a backdrop of progressive change towards a new digital age in which consumers' behaviour and expectations are evolving. Current trends point to an accelerated mobile/digital banking adoption and customers demanding personalisation. Also, security and trust have reinforced the importance of digitalisation given cyber-risk concerns and cases of misselling. Advances in the ability to deploy technologies (e.g., robotics, machine learning) and the expanded capabilities these enable are setting new ways of working, requiring new skills.

The deregulation and liberalisation process experienced by the Portuguese banking sector, including Eurozone participation, catalysed an increase in business and competition, particularly in the credit market. Customer loans and advances increased significantly in advance of the implementation of the euro and during the early years of economic convergence and integration within the single currency project (Source: Banco de Portugal).

At the same time, the Portuguese banking system experienced a consolidation, which was driven by the need to achieve economies of scale and operating synergies. More recently, against the background of the financial instability beginning in the summer of 2007 and the subsequent euro periphery crisis, deleveraging and strategic repositioning took place. Some foreigner players reappraised their presence and business models and networks developed in Portugal. More recently, major banks in the Portuguese banking system have rationalised their operating structures.

The Portuguese banking market is concentrated with the biggest five banks representing more than 80% of the market share in terms of business volumes. The Bank is the largest private sector bank in Portugal in terms of business volumes (market share of 18% by gross loans + customer funds), generates 16% of the system core net income and is one of the most efficient banks in Portugal with only 12% of the system branch network (data as at 30 June 2023).

The growing maturity of the domestic market and globalisation trends led domestic banks to further develop their operations abroad, namely in countries with which Portugal had strong economic and historical relations. Hence, currently, the biggest domestic banking groups manage operations in European and African countries, which bear an increasing strategic relevance for their businesses.

The Portuguese Competition Authority ensures compliance with Portuguese competition rules, asserting regulatory powers over competition in all sectors of the economy, including regulated sectors in coordination with the relevant sector regulators. Banco de Portugal is responsible for the prudential and market conduct supervision, ensuring the stability of the financial system as well as compliance with rules of conduct and transparency for banks' customers. As the national supervisory authority, Banco de Portugal is part of the Single Supervisory Mechanism, the European banking supervision system, entrusted with the safety and robustness of European banks. National competition authorities and the EU have parallel competencies for enforcing European antitrust laws in close co-operation.

In Portugal, the Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos, Banco Santander Totta, CaixaBank/BPI and Novo Banco. BCP's extensive distribution network, which is the fourth largest, has enabled it to maintain a reference position among its competitors. According to system data from Banco de Portugal, as at 30 June 2023, BCP had a market share of 17.3% of loans to customers (gross) and 19.0% of deposits in its domestic market.

As at the end of June 2023, 164 credit institutions were registered in Portugal (Source: Banco de Portugal). Financial institutions with head offices in the European Economic Area providing cross-border services amounted to 1,059, as at the end of March 2021 (according to the last data available from Banco de Portugal). Common indicators do not indicate levels of concentration significantly divergent from those of the Eurozone. For instance, as of 2019, the total asset share of the five largest credit institutions represented 73% for Portugal, which is above Germany's 31% but below Greece with 97%, Estonia with 93%, Lithuania with 90%, the Netherlands 85%, Cyprus with 86%, Finland with 80%, Latvia 83%, Croatia with 80%, Belgium with 74%, Malta 75% and Slovakia with 76% (Source: ECB).

The following table shows the development of the percentage of the Bank's market share in Portugal in terms of loans to customers as at 30 June 2023 (last available data), 31 December 2022 and 2021:

	As at 30 June	*As at 31 December*	
	2023	*2022*	*2021*
Loans to customers	17.3%	17.5%	17.3%

Source: BCP and Banco de Portugal.

The following table shows the number and geographic location of the Bank's branches as at 30 June 2023, 31 December 2022 and 2021:

	As at 30 June	*As at 31 December*	
	2023	*2022*	*2021*
Portugal	402	408	434
Bank Millennium	621	635	655
BIM - Banco Internacional de Moçambique. S.A.	196	197	199
Banco Millennium Atlântico, S.A.	0	0	0
Total in the International activity	817	832	854
	1,219	1,240	1,288

The following table illustrates the competitive environment in Portugal for the two years ended 31 December 2022 and 2021:

	As at 31 December	
	2022	*2021*
Number of banks[(1)]	29	29
Number of branches	3,363	3,514
Population (thousands)	10,444	10,407
Inhabitants per branch	3,106	2,962
Branches per bank	116	121

(1) Banks associated with the Portuguese Banking Association.
Source: Portuguese Banking Association and Portugal's National Statistics Institute.

The Bank is also subject to strong competition in the international markets in which it operates.

The banking sector in Poland is characterised by a relatively low concentration sustaining strong competitive pressure. However, significant opportunities have led to increased competition in recent years, driven by privatisation and consolidation initiatives. In addition, in Poland, European Union integration has created strong incentives for the cross-border provision of financial services and for cross-border mergers, which have resulted in significantly increased competition from foreign banks. As at June 2023, Bank Millennium's market share in Poland, according to the Bank's estimates derived from data published by the National Bank of Poland, was 5.7% of loans to customers (gross) and 5.5% of deposits.

In Mozambique, BIM is a market leader with a market share of 15.9% of loans to customers and 22.5% of deposits in 30 June 2023, according to the Bank of Mozambique. Currently, 16 banks operate in Mozambique and management expects increasing competition from foreign banks, particularly those based in South Africa and Portugal (Source: Mozambican Banking Association).

Banco Millennium Angola merged with Banco Privado Atlântico, resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume: market share above 10% in terms of loans and above 12% in terms of deposits (Source: Bank of Angola).

Trends Information

Framework

In 2022 GDP grew 6.7%, which represented an acceleration compared to a 5.5% growth observed in the previous year. The dynamism of private consumption and of tourism exports was crucial to boost economic activity and mitigate the impact of the slowdown in investment.

In 2023, the Banco de Portugal predicts a more contained acceleration of the Portuguese economy - 2.6% growth - hindered by the uncertainty regarding external demand and the evolution of the inflation rate, which is expected to rise to 5.6%, after reaching 8.1% in 2022.

The strong nominal growth of the Portuguese economy contributed to a reduction of the Portuguese public debt as a percentage of GDP, from 125.4% to 113.8% of GDP in 2022, being the estimation for 2023 of 107.9% of GDP.

The profitability of Portuguese banks continues to improve in 2023. The rise in interest rates is benefiting the banking system, although controlling the cost of deposits is being crucial. Inflation continues to put pressure on operating costs. However, Portuguese banks remain efficient, with the system's cost-to-income ratio below 50%.

The cost of risk maintains the normalisation trend, with no significant impact until now, from an eventual deterioration in the quality of assets. Portuguese banks have solid lending policies due to the Banco de Portugal's macroprudential recommendations issued in 2018.

Portuguese banks have improved their funding profile over the past decade, with bank deposits representing the large majority of their funding structures. The loan-to-deposit ratio is expected to remain below 80% in 2023.

The sector has improved its asset quality and capitalisation since 2016 and is now more resilient.

Impact on the Group's activity

In 2023, BCP continues the path of convergence to achieve the objectives of its Strategic Plan.

The Bank should improve its profitability, benefiting from the environment of higher interest rates in the geographies in which it operates, and from strict control over the evolution of operating costs. The cost of risk should maintain the normalisation trend, even in a context of deceleration of the Portuguese economy, given the level of almost full employment.

BCP reinforced its liquidity position in the first half of 2023. On-balance sheet customer funds grew by 2.9% to EUR 76.7 billion, reflecting growth of EUR 2.1 billion (9.3%) in international operations. And simultaneously, at Group level, the customer base increased by 3.7%, to 6.6 million, with emphasis on the 13% increase in mobile customers compared to June 2022, which represent 66% of total assets of Group customers (55% in Portugal). As a result of the higher interest rate environment, credit is growing moderately. In 2023, the Bank continues to present a solid liquidity position.

The Group has been pursuing a trend of improving asset quality, particularly in Portugal, with the NPE ratio standing below 4% at the end of June 2023, an objective set out in the Strategic Plan. A significant deterioration in asset quality is not expected even in a scenario of economic slowdown.

In the first half of 2023, the Bank managed to demonstrate its ability to generate organic capital, with the CET1 ratio reaching the strategic objective established for 2024. In the second half of 2023, the Bank does not anticipate any adverse effect in terms of evolution of the capital ratio and should continue to generate capital organically. In steady state, the Bank should be able to distribute dividends, according to a dividend payout ratio in line with the benchmark for the sector.

Summary of the developments between 2011 and first half of 2023 of some relevant indicators of the Bank[5]

The Bank has successfully executed an operational turnaround, reinforcing its financial and capital position despite adverse market conditions in the Portuguese banking sector. This position is reflected by achievements such as the reduction of the commercial gap from EUR 13.2 billion at 31 December 2012 to EUR -19.0 billion at 30 June 2023, following a significant deleveraging (net loans decreased by 10% and deposits increased by 53%), a recovery of net interest income in Portugal from EUR 343 million in 2013 to EUR 805 million in 2020, EUR 831 million in 2021, EUR 951 million in 2022 and EUR 708 million in the first half of 2023, a reduction of operating costs from EUR 853 million in 2013 to EUR 650 million in 2020, EUR 693 million in 2021, EUR 602 million in 2022 and EUR 307 million in the first half of 2023, and a reduction of cost of risk from 157 basis points in 2013 to 53 basis points in the first half of 2023. The Group's pre-provision profit[6] increased from EUR 474 million in 2013, EUR 1.2 billion in 2020, EUR 1.2 billion in 2021, EUR 1.8 billion in 2022 and EUR 1.3 billion in the first half of 2023. As a percentage of assets, pre-provision profit increased from 0.6% in 2013 to 1.4% in 2020, 1.3% in 2021, 2.0% in 2022 and 1.4% in the first half of 2023. As a result of the significant deleveraging, reliance on ECB funding has decreased from EUR 10.0 billion in 2013 to an excess of EUR 0.9 billion as at 30 June 2023.

The balance sheet breakdown as at 30 June 2023 is, on the assets side: gross loans and advances to customers (including debt securities and commercial paper) in the amount of EUR 57.9 billion (EUR 56.0 billion recorded in "Financial assets at amortised cost – Loans to customers"; EUR 1.9 billion recorded in "Debt securities held associated with credit operations" and EUR 0.012 billion (gross amount without considering fair value adjustments) recorded in "Financial assets not held for trading mandatorily at fair value through profit or loss – Loans and advances to customers at fair value"), securities portfolio (including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and debt securities held not associated with credit operations) in the amount of EUR 23.4 billion and other assets net in the amount of EUR 5.9 billion; and on the liabilities side: deposits in the amount of EUR 75.4 billion (at the amortised cost), money market net (the difference between resources from credit institutions and cash and deposits at central banks, loans to credit institutions and loan agreements) in the amount of EUR -2.9 billion, debt issued by the Bank in the amount of EUR 4.5 billion and shareholders' equity in the amount of EUR 6.6 billion. The balance sheet breakdown as at 31 December 2011, was on the assets side: loans and advances to customers in the amount of EUR 68.0 billion, securities in the amount of EUR 12.1 billion and other assets net in the amount of EUR 3.2 billion; and on the liabilities side: deposits in the amount of EUR 47.5 billion, money market net in the amount of EUR 12.9 billion, debt issued by the Bank in the amount of EUR 18.5 billion and shareholders' equity in the amount of EUR 4.4 billion.

The breakdown by instrument of the outstanding amounts of the debt issued by the Bank as at 30 June 2023 (EUR 2.9 billion) is as follows (which are recorded in the captions "Financial liabilities at amortised cost – non subordinated debt securities issued", "Financial liabilities at amortised cost – subordinated debt" and "Financial liabilities at fair value through profit or loss"): MTN (EUR 1.7 billion), bonds and certificates (EUR 1.0 billion), securitisations (EUR 0.1 billion), subordinated debt (EUR 1.4 billion) and loan agreements (EUR 0.3 billion). As at 31 December 2011, the breakdown by instrument of the outstanding amounts of the debt issued by the Bank (EUR 18.5 billion) was as follows: MTN (EUR 7.6 billion), bonds and certificates (EUR 4.1 billion), covered bonds (EUR 3.3 billion), securitisations (EUR 1.2 billion), subordinated debt (EUR 1.1 billion) and loan agreements (EUR 1.2 billion).

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[5] In this section, the terms listed below shall have the following meaning:
"**Net loans**" means loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss;
"**Commercial gap**" means loans to customers (gross) minus on-balance sheet customer funds;
"**Net Interest Margin**" means net interest income for the period as a percentage of average interest earning assets;
"**Cost of time deposits**" means spread on term deposits book minus 3m Euribor;
"**Total funding costs**" means interest expenses divided by interest bearing liabilities; and
"**Performing loans**" means loans to customers (gross) minus the stock of non-performing exposures.
[6] "**Pre-provision profit**" means net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings minus operating costs.

The amount of the debt outstanding repaid from 2011-2017 was on average EUR 2.3 billion per year, from 2018-2022 was on average EUR 0.6 billion and in 2023 EUR 0.1 billion. The amount of debt to be repaid in the years after 2023 amounts to EUR 4.5 billion. Future debt repayments (medium-long term) are significantly lower than in the past.

The securities portfolio totaled EUR 12.1 billion as at December 2011 of which EUR 7.3 billion is sovereign debt (Portuguese Government Bonds totaled EUR 4.7 billion of which EUR 3.0 billion are Bonds and EUR 1.7 billion are T-Bills, Polish Government Bonds totaled EUR 0.8 billion; Mozambican long-term Government Bonds totaled EUR 0.3 billion and other totaled EUR 1.5 billion) and EUR 4.8 billion other instruments. The securities portfolio totaled EUR 23.4 billion as at 30 June 2023 of which EUR 19.8 billion is sovereign debt (Portuguese Government Bonds totaled EUR 6.5 billion of which EUR 6.1 billion are bonds and EUR 0.4 billion are T-Bills, Polish Government Bonds totaled EUR 3.5 billion; Mozambican Government Bonds totaled EUR 0.5 billion and other totaled EUR 9.2 billion) and EUR 3.7 billion other instruments.

Evolution of some relevant indicators of the Bank between 2011 and June 2023

Consolidated	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Jun 2023**
Pre-Provision Profit (€mn)	-	-	474	1 143	1 286	1 317	1 243	1 159	1 169	1 166	1 219	1 784	1 283
Contribution to consolidated results of international operations *(€ mn)*	-	-	159	178	170	173	175	187	144	49	-35	-146	69.5
Net loans *(€ bn)* ...	68.0	62.6	56.8	53.7	52	48	47.6	48.1	52.3	54.0	56.4	56.2	56.3
Deposits *(€ bn)*.....	47.5	49.4	49.0	49.8	51.5	48.8	51.2	55.2	60.9	63.3	69.6	75.9	75.4
Commercial gap *(€ bn)*...............	20.5	13.2	7.8	3.9	0.4	-0.8	-3.6	-7.1	-8.6	-9.2	-13.2	-19.7	-19.0
ECB funding (*total collateral*) (*€ bn*)...............	15.7	22.3	19.9	14.2	13.9	12.1	12.8	16.9	17.1	22.5	25.5	23.9	24.2
ECB funding (*€ bn*)...................	12.4	10.5	10.0	6.6	5.3	4.4	3.0	2.7	0.3	3.3	1.7	-2.6	-0.9
Net Stable Funding Ratio (NSFR) (%)	-	-	-	114 %	116 %	112 %	124 %	133 %	135 %	140 %	150 %	154 %	155%
Liquidity Coverage Ratio (LCR) (%)	-	-	-	136 %	158 %	124 %	158 %	218 %	216 %	230 %	269 %	212 %	214%
CET1 fully implemented (%)	-	-	9.3%	8.9%	10.2 %	9.7%	11.9 %	12.0 %	12.2 %	12.2 %	11.7 %	12.5 %	14%
RWAs Density (fully implemented) (%)	-	-	52%	56%	57%	54%	55%	55%	55%	54%	49%	48%	46%
Leverage Ratio (%)	-	-	-	-	5.6%	6.0%	6.5%	6.2%	7.0%	6.7%	5.9%	6.0%	6.0%

Individual (Portugal)	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Jun 2023**
Pre-Provision Profit (€mn)	54	666	908	888	764	672	660	687	721	970	645
Net Interest Income (*€ mn*) ...	343	527	711	736	808	803	789	805	831	951	708
Net Interest Margin (*%*)........	0.6%	1.0%	1.5%	1.6%	1.8%	1.8%	1.7%	1.6%	1.4%	1.5%	2.5%
Cost of time deposits (*bps*) ...	-239	-173	-123	-83	-69	-56	-56	-52	-57	27	255
Total funding costs (*%*).........	2.41 %	1.92 %	1.21 %	0.78 %	0.44 %	0.33 %	0.26%	0.13%	0.01%	0.09%	0.48%
Operating costs (*€ mn*)(*).......	853	690	644	624	588	641	674	650	693	602	307

Recurring Operations Costs (€mn) (**)	-	690	638	624	602	609	631	619	602	585	295
Number of branches(***)	774	695	671	618	578	546	505	478	434	408	402
Number of employees(****) ...	8,584	7,795	7,459	7,333	7,189	7,095	7,204	7,013	6,289	6,252	6,256
Impairment charges (*€ mn*) ...	743	1,021	730	1,045	533	389	279	354	273	218	106
Cost of risk (*bps*)	157	233	175	266	140	105	76	92	69	54	53
Non Performing Exposures (€mn)	12 783	10 921	9 777	8 538	6 754	4 797	3 246	2 363	1 878	1 361	1 262
NPE Total Coverage (%) (*****)	-	87%	89%	100%	100%	108%	112%	120%	130%	126%	131%
NPE Coverage by LLRs (%)	23%	28%	31%	39%	42%	50%	58%	63%	68%	69%	75%
Foreclosed Assets (net of impairments) (€bln)	1.0	1.0	1.2	1.6	1.5	1.3	0.8	0.7	0.4	0.2	0.1
Restructuring Funds (€bln)	1.0	1.3	1.4	1.2	1.0	1.0	0.9	0.8	0.8	0.4	0.4
Performing loans (*€ bn*)	34.5	32.9	31.8	30.8	31.2	32.4	33.5	36.1	38.0	38.8	38.6
Customer deposits (*Term deposits*) (*€ bn*).................	24.9	24.3	21.9	19.9	18.9	18.2	16.7	16.1	15.9	19.2	19.7
Customer deposits (*On-demand deposits*) (*€ bn*)	9.0	10.1	12.9	14.1	16.4	19.5	22.7	27.2	31.8	33.5	30.9

(*) FY 2011: 1,039 ....

(**) Excluding non-usual items)

(***) 885 in 2011.....................

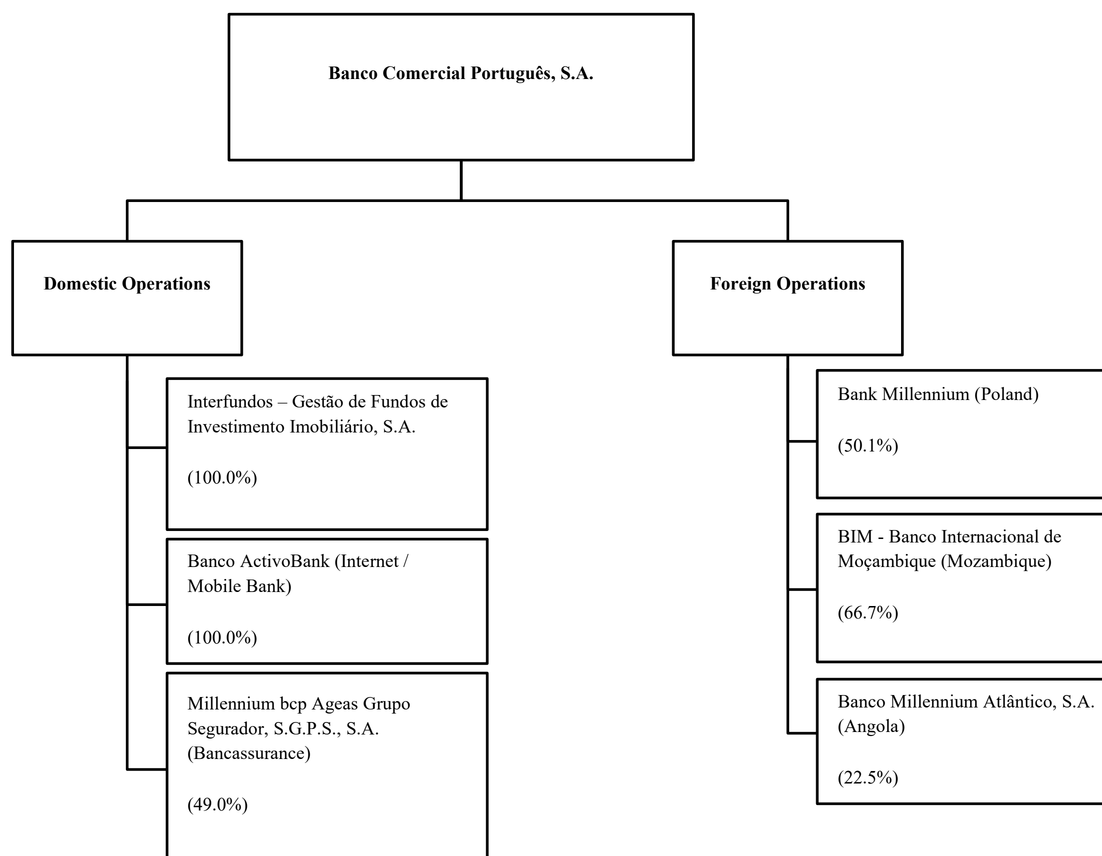
(****) 9,959 in 2011.................

(*****) Coverage by LLRs and collateral

Organisational Structure

The Bank and the Group

The following diagram summarises the organisational structure of the principal subsidiaries of the Group as at 30 June 2023:



In addition, the Bank's subsidiary, Millennium bcp – Prestação de Serviços ACE represents its associates regarding third parties, namely in the areas of IT, operational, administrative and procurement. The Bank is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. Being the ultimate holding company of the Group, the activities developed by the other members of the Group have an impact on the Bank.

Ownership and Control

The Bank is not aware of any shareholder or group of connected shareholders who directly or indirectly controls the Bank.

Significant Subsidiaries

The following is a list of the main subsidiaries of the Bank as of 30 June 2023:

Subsidiary companies	Head Office	Activity	% held by the Group	% held by the Bank
Banco ActivoBank, S.A.	Lisbon	Banking	100	100
Banco Millennium Atlântico, S.A.	Luanda	Banking	22.5	–

Bank Millennium, S.A..............	Warsaw	Banking	50.1	50.1
BIM - Banco Internacional de Moçambique, S.A.....................	Maputo	Banking	66.7	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	Investment fund management	100	100
Millennium bcp – Prestação de Serviços, A. C. E.	Lisbon	Services	98.6	93.0
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	Holding company	49	49

General information

So far as the Bank is aware, there are no arrangements in place, the operation of which may result in a change of control of the Bank.

The Bank has made no material investments since the date of the last published financial statements and the Bank has not made relevant firm commitments on future investments.

There have been no recent events particular to the Bank, which are to a material extent relevant to the evaluation of the Bank's solvency.

Share Capital

The authorised, issued and fully paid up share capital of the Bank is EUR 3,000,000,000.00 divided into 15,113,989,952 shares with no nominal value. The shares are ordinary, issued in a dematerialised book-entry form (*escriturais*) and *nominativas*, and are integrated in a centralised system recognised under the Portuguese Securities Code (Central de Valores Mobiliários) managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., with its registered office at Avenida da Boavista, 3433, 4100 -138 Oporto.

Legislation regulating the activity of the Bank

The Bank is governed by European Union rules, banking and commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code (*Código das Sociedades Comerciais*) – and, in particular, by the Banking Law, by the Portuguese Securities Code (*Código dos Valores Mobiliários*) and other complementary legislation. Further, subsidiaries located in EU countries and third countries are subject to local laws and regulations.

In general terms, the Bank's activities are subject to the supervision of the following supervisory entities: (i) as a credit institution, the European Central Bank ("**ECB**") under the Single Supervisory Mechanism ("**SSM**"), that supervises the Bank on a consolidated basis (at solo basis for the group's entities located in the euro area) and of Banco de Portugal, (ii) as an issuer and a financial intermediary, the Comissão do Mercado de Valores Mobiliários, the Portuguese securities market authority ("**CMVM**"); and (iii) when acting as insurance intermediary, the Autoridade de Supervisão de Seguros e Fundos de Pensões, the Portuguese insurance and pension funds supervisory authority ("**ASF**"). It is also subject to the authority of the Single Resolution Board ("**SRB**"). In Poland the Polish Financial Supervision Authority ("**UKNF**") ensures the orderly functioning and safe development of the financial market and in Mozambique the supervisor is the Banco de Moçambique.

Recent developments on the banking regulation

Regulatory requirements

Capital requirements:

On 12 September 2010, the Basel Committee on Banking Supervision announced the Basel III framework setting out enhanced standards to strengthen financial institutions' capital base, improving risk management and governance, and increasing transparency for market participants. The Basel III framework is built on the Basel II three-pillar architecture, according to which: (i) Pillar 1 (minimum prudential requirements) sets the binding minimum level of capital banks and investment firms need to face major risks; (ii) Pillar 2 (supervisory review) allows supervisors to evaluate institution-specific risks and impose additional capital charges to face them; and (iii) Pillar 3 (market discipline) aims to increase transparency in banks' financial reporting allowing marketplace participants to better reward well-managed banks.

The Basel III framework was implemented in the EU through the adoption of Regulation 575/2013/EU of the European Parliament and of the Council of 26 June 2013, as amended, on prudential requirements ("**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended, on access to the activity of credit institutions on prudential requirements ("**CRD**"). The CRR and the CRD establish the prudential regulatory framework for credit institutions and investment firms. The directive governs the access to banking activity, and the CRR establishes how to calculate the amount of capital that banks and investment firms must set aside, and it also lays down requirements on reporting and liquidity.

The CRR is directly applicable to Member States since January 2014 and includes the following provisions in addition to the minimum capital requirement for CET1 capital of 4.5% of risk weighted assets ("**RWA**"), of 6% for Tier 1 capital ratio and the total capital ratio of 8.0%:

(i) an additional capital conservation ratio requirement of 2.5% over common equity;

(ii) a countercyclical capital buffer, which will be between 0.0% and 2.5% of RWA with the ability to absorb losses as a function of the credit cycle subject to its application by national supervisory authorities;

(iii) a systemic risk buffer and a buffer for other systemically important institution; and

(iv) the leverage ratio of 3.0%.

As of June 2021, CRD V/CRR II introduced additional own funds requirements for the leverage ratio for which competent authorities are obliged to assess the risk of excessive leverage and potentially impose a P2R-LR on top of the P1R-LR if risk of excessive leverage is not covered or not sufficiently covered by P1R-LR. Similar to the P2G, the P2G-LR is based on the outcomes of the adverse scenario of the relevant supervisory stress tests.

Following from the regular supervisory review performed by the competent supervisory authorities, additional requirements may be established (Pillar 2 requirements - including Pillar 2 requirement for the risk of excessive leverage (P2R-LR) - and Pillar 2 guidance, including Pillar 2 guidance for the risk of excessive leverage (P2G-LR)).

The CRD empowers the European Banking Authority ("**EBA**") to draw up regulatory technical standards that specify some of the aspects covered by CRD and CRR. Upon their adoption by the European Commission, these norms are directly applicable under Portuguese law. Guidelines issued by the EBA are subject to their adoption by the national competent authorities.

The supervision of internal models implemented by banks and other financial institutions is based on current applicable EU and national law, including CRR, the relevant regulatory technical standards of the EBA and the EBA guidelines with which the ECB has announced its intention to comply. The internal risk models that the Bank has implemented are supervised and monitored continuously by the supervisory authorities, with whom the Bank maintains a regular dialogue on the matter.

On 23 November 2014, Decree-Law No. 157/2014, of 24 October 2014 ("**Decree-Law No. 157/2014**"), entered into force, amending the Legal Framework of Credit Institutions and Financial Companies, and implementing the then applicable versions of CRD and CRR at domestic level.

Since entering into force, CRR and CRD have been amended several times addressing identified issues in the prudential regulatory framework and implementing some outstanding elements of the global financial services reform that are essential to ensuring the resilience of institutions or adjusting to extraordinary circumstances. Examples of such adjustments are the introduction of 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, the requirement for minimum loss coverage for non-performing exposures ("**prudential backstop**") and the adjustments to mitigate impacts of the COVID-19 pandemic ("**quick fix**").

On 7 December 2017, the Basel Committee on Banking Supervision reached an agreement on the remaining Basel III reforms ("**Basel IV**"). Basel IV aims at reducing excessive variability of RWA. The agreed reforms address the following topics:

(i) Improvement of the standardised approaches for credit risk;

(ii) Constraints to the use of internal models: banks may, for example, for their exposures to large and mid-sized corporates no longer use own estimates for two parameters (the loss-given-default and exposure at default) but rather use fixed values instead. Moreover, after the reform, internal ratings-based approaches will no longer be allowed for exposures to equities;

(iii) Improvement of the operational risk framework: current approaches are replaced with a single risk-sensitive standardised approach to be used by all banks; internal models will no longer be allowed to address losses that stem from misconduct, inadequate systems and controls, *etc*.;

(iv) Introduction of a different output floor set at 72.5% introducing a limit to the regulatory capital benefits that a bank using internal models can derive compared to the standardised approaches; and

(v) Revised procedure for calculating credit valuation adjustments (CVAs) in derivatives.

Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 (regarding the ranking of unsecured debt instruments in insolvency hierarchy), which amended BRRD, was implemented in Portugal through Law No. 23/2019, of 13 March 2019, creating a new asset class of "non-preferred" senior debt that ranks in insolvency above own-funds instruments and subordinated liabilities that do not qualify as own funds, but below other senior liabilities. Further, it confers a preferential claim to generally all deposits vis-à-vis unsecured senior debt. Additionally, under the final rules to be implemented following the European Commission's recent proposal to adjust and further strengthen the existing EU CMDI framework, the ranking in insolvency of depositors may be further changed or enhanced.

The banking package approved by the Council in May 2019 implemented some material elements of the Basel III framework (Basel IV) by the way of amendments to the CRR, CRD, the BRRD and the SSM Regulation.

This legislative package included revised rules on calculating capital requirements for market risk (the "Fundamental review of the trading book"), introduction of a binding leverage ratio and a binding net

stability funding ratio ("**NSFR**") and streamlining Pillar 2 capital requirements. This legislative package also adjusts the minimum requirement for own funds and eligible liabilities ("**MREL**"). The above regulations and directives entered into force on 27 June 2019. Member States shall adopt and publish the measures necessary to comply with the directives.

The Bank also operates under Banking Law, applicable to credit institutions in Portugal. On 9 December 2022, Law no. 23-A/2022 implemented CRD V and BRRD II on access to banking and prudential supervision and the recovery and resolution of credit institutions and investment firms, respectively.

Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, which contains amendments to the CRR in response to the COVID-19 pandemic, brought forward the application dates for certain reforms introduced by the CRR, such as the exemption of certain software assets from capital deductions, specific treatment envisaged for certain loans backed by pensions or salaries, as well as small and medium-sized enterprises and infrastructure supporting factors.

On 27 October 2021, the European Commission published a proposal aiming to finalise the EU's implementation of the Basel III framework in the EU consisting of a legislative proposal to amend the CRD, the CRR, which is scheduled to apply from 1 January 2025. Amendments to the existing framework comprise, among others, fit and proper requirements, the application of output floors on RWAs for IRB banks, possibility to revert from IRB to standardised, higher risk weights for equity exposures, changes on the market risk and operational risk and requirements to identify and manage environmental, social and governance risks. Some of these measures will be phased-in. The amended versions are subject to approval by the European Parliament on plenary session scheduled for April 2024.

Capital buffers: The macroprudential toolkit for banks has been applicable since 2014, mostly comprising a set of prudential tools designed to limit systemic risks and safeguard financial stability. The European Commission is working on improving the EU macroprudential framework for the banking sector. Such changes may have an impact on some of the above-mentioned buffer requirements. The setting of the countercyclical buffer or systemic risk buffer has to be disclosed by the NCA with one year in advance to its implementation.

The criteria for maintenance by credit institutions and certain investment companies of additional own funds' buffers include:

(a) a capital conservation buffer;

(b) the institution's specific countercyclical capital buffer;

(c) the systemic risk buffer; and

(d) the other systemically important institutions buffer.

The combined buffer requirement ("**CBR**") with which each institution is required to comply corresponds to the sum of the capital conservation buffer, the institution-specific countercyclical capital buffer, and the higher of the O-SII buffer and the systemic risk buffer (except where the latter only applies to risk exposures in the Member State which activated the measure, in which case it is additive).

These measures have the objective of safeguarding financial stability, by strengthening the resilience of the financial sector and preventing systemic risk. The set of instruments and intermediate objectives will be revised and adjusted by the competent authorities where necessary to better safeguard financial stability. In addition, other macroprudential policy instruments may be activated if deemed necessary. Failure to comply with these buffers implies restrictions on distributions relating to CET1 own funds as well as an obligation to submit to the competent authorities a capital conservation plan within 5 business days of the breach.

Capital conservation buffer: The capital conservation buffer requirement aims to accommodate losses from a potential adverse scenario. The Bank has a requirement (at an individual and consolidated level) to maintain a minimum CET1 capital buffer of 2.5%, as provided in Article 138-D of the Banking Law.

Countercyclical buffer: The countercyclical capital buffer is a macroprudential instrument aiming to improve the banking system's resilience to periods of excessive credit growth. The establishment of variable capital requirements over the cycle is expected to contribute to mitigating the pro-cyclicality of banks' credit policies. The following apply to this buffer:

(i) the rate will be set between 0% and 2.5% of the total risk exposure amount;

(ii) the rate is calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points; and

(iii) in exceptional cases, the rate may be set at a level above 2.5%.

The buffer rate for each institution, known as the "institution-specific countercyclical buffer rate", is a weighted average of the countercyclical buffer rates that apply in the countries where the credit exposures of that institution are located. This requirement is met with CET1 capital. Under the SSM, the ECB can propose higher minimum capital requirements than the ones defined by the national authorities. This capital buffer will apply to all credit risk exposures, with credit exposures to the domestic private non-financial sector, of credit institutions and investment firms subject to the supervision of Banco de Portugal or the ECB (SSM), as applicable.

The countercyclical buffer rate for credit exposures to the domestic counterparties (Portugal) will remain at zero per cent. of the total risk exposure amount in effect since 1 October 2023. This decision is reviewed on a quarterly basis by Banco de Portugal.

Systemic risk buffer: In order to calculate the systemic risk buffer, Banco de Portugal categorises institutions as global systemically important institution ("**G-SII**") or other systemically important institution ("**O-SII**"). Banco de Portugal can also impose a systemic risk buffer of CET1 capital on an individual, sub-consolidated or consolidated basis of at least 1% of the risk exposure to which such buffer is applicable, to prevent or reduce the long-term non-cyclic systemic or macroprudential risks.

The Bank is currently classified as an O-SII, and as such it is subject to concurrent additional capital requirements. The O-SII buffer consists of CET1 capital on a consolidated basis. The cap on the O-SII buffer rate of 2% has been lifted with CRD V to 3%, subject to the approval of the European Commission. These buffers are revised each year or in the event of a significant restructuring process, particularly, a merger or acquisition.

The ECB revised its floor methodology for assessing capital buffers for O-SIIs. The revised floor methodology increases the number of buckets to which O-SIIs are allocated from four to six and raises the floor level for the highest bucket to 1.50% while keeping the floor of the lowest bucket unchanged at 0.25%. The ECB will use the revised floor methodology to assess O-SII buffers proposed by national authorities as of 1 January 2024.

The Bank's O-SII buffer was set at 1% and is to be complied with from 1 January 2024 onwards. Banco de Portugal revises or confirms the buffer usually on a yearly basis. A G-SII could face additional requirements. Although it is currently not anticipated that Portuguese banks may be classified as G-SIIs, there is no assurance that this will not change in the future.

On 15 November 2023, Banco de Portugal announced the introduction of a 4% sectoral systemic risk buffer applicable to institutions using the IRB approach, on the risk exposure amount of all retail exposures to natural persons secured by residential real estate located in Portugal. This measure will apply from 1 October 2024 and will be reviewed at least every two years. On 17 November 2023, the Bank informed that the

implementation of this measure would result, on a pro-forma basis, of an estimated increase of 26 b.p. in own funds requirements.

Leverage ratio

The leverage ratio is a (non-risk-sensitive) measure of a bank's ability to meet its long-term financial obligations, calculated by dividing the Tier 1 capital by a non-risk-based measure of an institution's on-balance and off-balance sheet items and expressed as a percentage.

CRD imposes a binding leverage ratio minimum requirement of 3%. Under the CRD rules, additional leverage ratio requirements can be imposed to address the institution-specific risk of excessive leverage.

The Bank's leverage ratio was 6.5% fully implemented, as at 30 September 2023.

Liquidity requirements

Basel III and CRD and CRR, provide for the setting of short- and long-term liquidity ratios and funding ratios, namely the liquidity coverage ratio ("**LCR**") and the NSFR.

The Bank's LCR calculated in accordance with the Commission Delegated Regulation (EU) 2015/61, of 10 October 2014, as amended, and the NSFR, estimated in accordance with Basel III methodology, were 244% and 160%, respectively, as at 30 September 2023, higher than the reference value of 100% (fully implemented).

The LCR requires that banks have sufficient high-quality liquid assets ("**HQLA**") in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period. The value of the ratio is to be no lower than 100% (the stock of HQLAs should at least equal total net cash outflows).

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "**Available stable funding**" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The ratio aims at ensuring that the funding of illiquid assets is made through stable sources, both in normal as well as adverse conditions.

Following the failures of certain American and Swiss banks, the authorities may devise targeted changes to liquidity requirements.

Sustainable Finance

The European Union is strongly supporting the transition to a low-carbon, more resource-efficient and sustainable economy and it has been at the forefront of efforts to build a financial system that supports sustainable growth. On 11 December 2019, the European Commission presented the European Green Deal, a growth strategy aiming to make Europe the first climate neutral continent by 2050. To this end, the European Commission has developed a comprehensive policy agenda on sustainable finance since 2018, comprising the action plan on financing sustainable growth and the development of a renewed sustainable finance strategy in the framework of the European Green Deal. On 18 June 2020, a sustainable taxonomy for the EU was put forward through Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment ("**EU Taxonomy**"), applicable to financial market participants offering financial products, financial and non-financial firms under Directive 2014/95/EU (NFRD).

It establishes a classification scheme for economic activities based on their environmental sustainability which is primarily aimed at supporting mandatory disclosures. On 21 April 2021, the European Commission

approved in principle the first delegated act aimed to support sustainable investment by making it clearer which economic activities most contribute to meeting the EU's environmental objectives. Specifically, for the banking sector, the EBA was given several mandates to assess how environmental, social and governance (ESG) risks can be incorporated into the three pillars of prudential supervision. Based on this, the EBA published an Action Plan on sustainable finance and a Discussion Paper on the integration of ESG risks into the regulatory and supervisory framework.

Complementing the sustainability taxonomy defined by Regulation (EU) 2020/852, Delegated Regulation (EU) 2021/2139 has set out the technical screening criteria for determining under which conditions an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and establish that such economic activity does not cause significant harm to any one of the environmental objectives set out in the Regulation. It will thus allow banks to test their "transition capacity" and identify: i) transition or adaptation financing needs of banks' counterparties (how much counterparties need to invest for transition) and ii) the most vulnerable exposures from a transition and adaptation perspective. On 30 March 2022, the recommendations for the final technical screening criteria for the remaining EU Taxonomy objectives were published by the Platform for Sustainable Finance.

In accordance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, the European Commission addressed the equally complex need for classification requirements for sustainable investment products through the Sustainable Finance Disclosure Regulation ("**SFDR**"), which establishes harmonised disclosure requirements. The SFDR regulation, applicable to financial market participants and financial advisers since March 2021, aims not only to classify sustainable investment products, but to harmonise the sustainability-related information disclosed at product and company level, including their strategic business and policy decisions, on their websites, pre-contractual information and periodic reports. Financial market participants that make and sell sustainable investment products have disclosure obligations in relation to their sustainable products, namely at the level of (i) integration of sustainability risks, (ii) consideration, in their processes, of negative impacts on sustainability and (iii) in the provision of sustainability information in relation to financial products.

The integration of ESG risks into the supervisory framework is supported by the ECB's economy-wide climate stress tests, while EBA has already defined the inclusion of ESG related risks in the Pillar 2 framework.

Banking Union

In an effort to harmonise the regulation and supervision of banking activities across the European Union and especially in the Eurozone, the European Commission established a new common regulation (Single Rule Book) and a common supervisory architecture (European Supervisor Authorities together with Nacional Competent Authorities. The key-elements of the Banking Union are the Single Supervisory Mechanism ("**SSM**"), the SRM and the European Deposits Insurance Scheme ("**EDIS**"):

(i) The SSM, which assigns the role of direct banking sector supervisor to the ECB in order to ensure that the largest banks in Europe are independently supervised under common rules (operating since 4 November 2014);

(ii) The SRM, which is responsible for planning for the worst-case scenario, namely the failure of a bank, to ensure that the situation can be resolved in an orderly manner;

(iii) On 24 November 2015, the European Commission presented a legislative proposal that aims to add another element to the Banking Union, the EDIS, which is to be built on the basis of existing national Deposit Guarantee Schemes ("**DGS**"), but yet to be implemented.

As part of the agenda for the completion of the Banking Union, the bank crisis management and deposit insurance framework ("**CMID**") - consisting of the BRRD, SRM Regulation and the DGS Directive, acting

together with relevant national legislation - is under review. The purpose of the review is to increase the efficiency, proportionality and overall coherence of the crisis management and deposit insurance framework.

Furthermore, the underlying resolution rules were changed through the provisions of the BRRD, according to which resolutions shall mainly be financed by banks' shareholders and creditors. Where necessary, financing can also be provided, on a complementary basis, by the newly established Single Resolution Fund (the "**SRF**"), which is financed by the European banking industry. The initial period for the constitution of the SRF was expected to end on 31 December 2023. The SRB will verify in the first months of 2024 whether the available financial means in the SRF are equal to at least 1% of covered deposits held in the Banking Union. Should the available financial means in the SRF decrease below this target level, the Board will assess whether ex-ante contributions to the SRF are to be calculated and collected in the 2024 contribution period.

The Single Supervisory Mechanism

The Banking Union assigns specific tasks to the ECB concerning policies relating to the prudential supervision of credit institutions. According to the regulation, the SSM is intended to ensure that the European Union policy relating to the prudential supervision of credit institutions is implemented in a coherent and effective manner, that the single rulebook for financial services is applied in the same manner to credit institutions in all Member States concerned and that those credit institutions are subject to supervision of the highest quality, unfettered by other non-prudential considerations.

The ECB directly supervises approximately 110 financial institutions, including (since 4 November 2014) the Bank, that are considered to be systemically relevant, given their dimension and importance in the banking system of each Member State. The ECB's supervision of banks that are not considered significant (**"less significant" institutions**) is exercised in conjunction with national authorities. The "SSM Regulation" and the "SSM Framework Regulation" provide the legal basis for the operational arrangements of the SSM.

The SSM is also responsible for regularly assessing and measuring the risks for each bank and, consequently, the capital and liquidity adequacy of credit institutions through the global evaluation of own funds adequacy, by means of the SREP:

(i) During the SREP, the supervisor not only defines banks' capital requirements, (e.g. P2R - including P2R-LR - and Pillar 2 capital guidance ("**P2G**") – including Pillar 2 guidance for the risk of excessive leverage ("**P2G-LR**"), but may also decide to impose additional measures on banks, including liquidity and qualitative measures. The final measures to be adopted will be assessed, on a case-by-case basis, by the Supervisory Board of the ECB;

(ii) The prudential requirements require banks to maintain a total SREP capital requirement ("**TSCR**") that includes CET1 instruments and other capital instruments;

(iii) Banks are also subject to the overall capital requirement ("**OCR**") that includes, in addition to the TSCR, additional capital buffers, namely "the combined buffer", comprised of the countercyclical capital buffer, capital conservation buffer and systemic buffer, as described above; and

(iv) The P2G is to be made up entirely of CET1 capital and should be held over and above the OCR. Failure to comply with the P2G is not itself a breach of own funds requirements, but it may be subject to additional measures adjusted to the individual situation of the bank. The P2G is not relevant for purposes of the Maximum Distributable Amount ("**MDA**").

The MDA is the maximum amount a bank is allowed to pay out, for example for bonuses or dividends. The MDA is calculated as the amount of interim or year-end profits not yet incorporated in CET1 capital, multiplied by a factor ranging from 0 to 0.6 depending on the size of the CET1 shortfall against the combined buffer. An institution which does not report interim or year-end profits, and which does not comply with the

combined buffer, is not allowed to distribute dividends, to pay coupons on AT1 instruments, nor to pay discretionary bonuses.

The CRD clarifies the conditions for imposing Pillar 2 additional requirements, i.e., the institution-specific nature of Pillar 2 add-ons makes them unsuitable for macro-prudential purposes, for which other specific tools are set out. It also clarifies the interaction between the Pillar 2 add-ons, the Pillar 1 requirements, the own funds and eligible liabilities requirement, the MREL and the combined buffers (the 'stacking order') while clarifying the distinction between Pillar 2 requirements imposed by supervisors to address institution-specific actual risks and (non-binding) P2G, which refers to the possibility for competent authorities to indicate to banks the level of capital in excess of Pillar 1, Pillar 2 and combined buffers requirements that they expect them to hold to face forward-looking and remote stresses.

The EBA issues guidelines on common procedures and methodologies for the SREP. These guidelines introduce consistent methodologies for the assessment of risks to capital and risks to liquidity, and for the assessment of the Bank's capital and liquidity adequacy. Changes to guidelines, after being endorsed by the competent authorities may also have implications on the Bank's compliance of supervisory requirements.

The Single Resolution Mechanism

A new recovery and resolution regime introduced tools and powers aimed at addressing banking crisis in advance through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, as amended, established a framework for recovery and resolution ("**BRRD**"). The SRM, establishes uniform rules and procedures for the resolution of credit institutions (the "**SRM Regulation**") regarding the loss-absorbing and recapitalisation capacity.

On 10 December 2022, Law no. 23-A/2022 of 9 December entered into force, revising a wide range of banking and financial rules related to the transposition of the CRD V and BRRD II. It also amends the Banking Law and the Portuguese Securities Code (*Código dos Valores Mobiliários*). In the event of a bank's critical financial condition ("**fail or likely to fail**"), the Banking Union's framework was designed to minimise the impact of any particular bank's financial difficulties on the financial system and on taxpayers. Under the envisaged SRM, shareholders of the institution would be the first to bear losses, before that institution's lenders in accordance with the applicable creditor hierarchy set out under applicable legislation. To that end, resolution authorities were given the power to allocate losses to shareholders and creditors (including holders of any Notes) (the "**bail in**" tool, as per Article 43 of the BRRD), in line with the valuation of the failing business and according to the sequence of write down and conversion provided in the BRRD. Shareholders and creditors must therefore absorb losses for at least 8% of their total liabilities, including own funds, before any use of the resolution fund.

Guaranteed deposits are expected to be safeguarded and creditors should not bear losses greater than those that they would have suffered had the institution been liquidated under ordinary insolvency proceedings. The BRRD contemplates that subordinated liabilities (such as the Subordinated Notes) may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool (which may apply to any of the Notes).

As such, the Banking Union and, in particular, the use of resolution tools and powers provided for by the Banking Union, may disrupt the rights of shareholders and creditors. In particular, the power of the authorities to transfer the shares or all or part of the assets of an institution to a private purchaser without the consent of shareholders affects the property rights of shareholders. In addition, the power to decide which liabilities to transfer out of a failing institution based upon the objectives of ensuring the continuity of services and avoiding adverse effects on financial stability may affect the equal treatment of creditors.

To avoid institutions structuring their liabilities in a manner that impedes the effectiveness of the bail-in tool, the BRRD requires that institutions meet at all times a MREL expressed as a percentage of the total liabilities and own funds of the institution. When determining MREL in accordance with points (a) and (b) of Article

45c (1) of the BRRD and in applying the bail-in tool, the resolution authority should ensure that the resolution entity has sufficient own funds and eligible liabilities to ensure that, if the bail-in tool or write down and conversion powers, respectively, were to be applied to them, losses could be absorbed and that it is possible to restore the total capital ratio and, as applicable, the leverage ratio. The resolution authority should also take into account the assessments made by the competent authority on the business model, funding model, and risk profile of the institution in order to set prudential requirements.

By delivering a comprehensive framework that ensures that shareholders and creditors bear the cost of bank failure, the BRRD aims at:

(i) safeguarding the continuity of essential banking operations;

(ii) protecting the depositors, the client's assets and the public funds;

(iii) risks to financial stability; and

(iv) avoiding the unnecessary destruction of value.

Accordingly, resolution powers include, among others:

- the power to reduce, including to reduce to zero, the principal amount of or outstanding amount due in respect of eligible liabilities, of an institution under resolution;
- the power to convert eligible liabilities of an institution under resolution into ordinary shares or other instruments of ownership of that institution;
- the power to cancel debt instruments issued by an institution under resolution except for secured liabilities subject to Article 44(2) of the BRRD; and
- the power to reduce, including to reduce to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or other instruments of ownership.

These powers conferred to resolution authorities are such as to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments) absorb losses at the point of non-viability of the issuing institution. Accordingly, the BRRD contemplates that resolution authorities may require the write down of such capital instruments in full or on a permanent basis, or their conversion in full into CET1 instruments, to the extent required and up to their capacity, at the point of non-viability immediately before the application of any other resolution action, if any.

The BRRD provides, *inter alia*, that resolution authorities shall exercise the write down power of reducing or converting at the point of non-viability of the issuing institution, according to an order of priority of credits in normal insolvency procedures, in a way that results in:

(i) CET1 instruments being written down in proportion to the relevant losses; and

(ii) the principal amount of other capital instruments being written down and/or converted into CET1 (Tier 1 and Tier 2 instruments).

Resolution authorities may also apply the bail-in tool to meet the resolution objectives, for any of the following purposes:

(i) to recapitalise an institution that meets the conditions for resolution to the extent sufficient to restore its ability to comply with the conditions for authorisation and to continue to carry out the activities for which it is authorised and to sustain sufficient market confidence in the institution or entity; or

(ii) to convert to equity or reduce the principal amount of claims or debt instruments that are transferred:

(a) to a bridge institution with a view to providing capital for that bridge institution; or

(b) under the sale of business tool or the asset separation tool.

When applying the bail-in tool, resolution authorities exercise the write-down and conversion powers meeting the following sequence:

1. Common Equity Tier 1;

2. Additional Tier 1 instruments;

3. Tier 2 instruments;

4. Other subordinated debt, in accordance with the normal insolvency hierarchy; and

5. Other eligible liabilities, in accordance with the normal insolvency hierarchy.

On 27 December 2017, Directive (EU) 2017/2399 of the European Parliament and of the Council, of 12 December 2017, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the EU. The Directive entered into force on 28 December 2017 and was implemented in Portugal through Law No. 23/2019, of 13 March, in addition to the governing of the position of the unsecured debt instruments in the insolvency hierarchy, providing greater legal certainty to the issuance of non-preferred debt, also confers a preferential claim to all deposits vis-à-vis senior debt.

On 3 September 2016, the European Commission adopted the Delegated Regulation (EU) 2016/1450, of 23 May 2016, supplementing the BRRD regulatory technical standards, which entered into force on 23 September 2016, specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities. This directive requires that institutions meet the MREL to avoid excessive reliance on forms of funding that are excluded from bail-in or other resolution measures and prevent the risk of contagion to other institutions and "bank run" situations, since failure to meet the MREL would negatively impact the institutions' loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution.

The MREL shall be calculated based on different components, namely:

- the loss absorption amount, based on the current capital requirements, including regulatory capital requirements (8% of RWA), the combined buffer requirements, and additional Pillar 2 bank-specific requirements set by the supervisor;

- the recapitalisation amount (RCA), which aims to cover the capital requirements of the failing institution post-resolution. The legal framework defines conditions under which the RCA may be adjusted upwards or downwards. For example, a market confidence charge (MCC) is applied where warranted to ensure that a bank sustains market confidence post-resolution; and

- adjustments to overall MREL target, namely the DGS adjustment, linked to any potential involvement of a DGS to protect insured depositors, and other adjustments stemming from the resolution measure itself (such as transfer, sale of business and impediments to resolution).

Resolution authorities may be able to require, on a case-by-case basis, the MREL to be wholly or partially composed of own funds or of a specific type of liabilities.

If Multiple Point of Entry (MPE) is the preferred resolution strategy, the MRELs for the different resolution groups (i.e. the points of entry) should be set in such a way that each can be resolved independently without causing immediate shortfalls in other resolution groups.

A new category of banks ("**top-tier banks**") was created with the entry into force of the BRRD II, enlarging the group of banks for which a statutory minimum requirement is applicable. Top-tier banks are non-G-SIIs with assets above EUR 100 billion. MREL is calculated differently for G-SIIs, "top-tier banks" and other banks subject to resolution. Institutions not meeting the criteria for "top-tier banks" can, however, under certain conditions, be classified as such.

The regulatory framework for MREL was revised through amendments to the BRRD, and the Banking Package, introducing (i) changes to the MREL calibration (MREL requirement also based on the Leverage Ratio Exposure measure completing the existing risk based MREL measure as a percentage of the total risk exposure amount) and fine tuning of MREL defined for banking groups with a multiple point of entry, (ii) subordination requirements for resolution entities depending on the classification of the resolution entity, (iii) internal MREL for non-resolution entities; and (iv) provisions for liabilities involving the law of third-countries. These changes are subject to transition arrangements and will be fully enforceable in 2024.

BRRD II was implemented in Portugal through Law no. 23-A/2022, of 9 December.

The Bank is currently subject to an entity specific MREL requirement. As further described in the section "Trends Information", the Bank has been notified by Banco de Portugal on the Single Resolution Board’s decision regarding the MREL.

In addition, subject to the requirements under the SRM Regulation, the SRB may impose a prohibition under which it would be prohibited to distribute more than the maximum distributable amount related to the minimum requirement for own funds and eligible liabilities ("**M-MDA**"). The SRB may set restrictions for banks that do not comply with the CBR considered in addition to MREL, which under the new Banking Package is added on top of the MREL requirements expressed in TREA ("**Total Risk Exposure Assets**"), preventing them from distributing more than the M-MDA via various actions (including dividend payments on CET1, variable remuneration and payments on AT1 instruments).

The SRM and SRF are regulated by the SRM Regulation, which also established the framework for recovery and resolution of credit institutions and the calculation method of the annual contributions for the funding of the resolution mechanism.

The main decision-making body of the SRM is the SRB which is responsible for:

(i) the planning and resolution phases of the Banking Union's cross-border and large banks, which are directly supervised by the ECB;

(ii) all resolution cases that require recourse to the SRF, irrespective of the size of the bank; and

(iii) all banks in the Banking Union.

The SRB will work in close cooperation with, and will give instructions to, the national authorities of Member States, including Banco de Portugal, which is the national resolution authority in Portugal. The national authorities of participating Member States (including the Portuguese Republic) are responsible for planning and adopting resolution plans in respect of those banks for which the SRB is not directly responsible.

The SRF is financed through *ex-ante* contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF:

(i) take into account the annual target level of the SRF set by the SRB as well as the size and the risk profile of institutions;

(ii) are collected by national resolution authorities and transferred to the SRF by 30 June of every year (in accordance with Article 67(4) of the SRM Regulation and in accordance with the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF ("**Intergovernmental Agreement**");

(iii) are calculated by the methodology as set out in the Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, as amended, and the SRM Regulation; and

(iv) are calculated on the basis of the amount of liabilities deducted from the liability elements that belong to Tier 1 and additional own funds and the deposits covered by the Deposit Guarantee Scheme and subject to an adjustment in accordance with the risk profile of the participating institution, considering its solvability situation.

In accordance to SRM Regulation, the use of the SRF shall be contingent upon the entry into force of an agreement among the participating Member States on transferring the funds raised at national level towards the SRF as well as on a progressive merger of the different funds raised at national level to be allocated to national compartments of the SRF. This Regulation is applicable since 1 January 2016. As such, the SRF does not cover ongoing situations with the Resolution Fund as at 31 December 2015.

The Portuguese Resolution Fund

This fund consists of a resolution fund whose primary purpose has been to provide financial support for the application of resolution measures as determined by Banco de Portugal ("**Resolution Fund**"). The Resolution Fund foresees the participation of:

(i) credit institutions with a head office in Portugal, including the Bank;

(ii) branches of credit institutions in states that do not belong to the EU;

(iii) relevant companies for the management of payment systems subject to supervision of Banco de Portugal; and

(iv) certain types of investment companies.

Decree-Law No. 31-A/2012, of 10 February 2012, which amended the Banking Law, also introduced, on terms subsequently amended by Law No. 23-A/2015, of 26 March 2015, the creation of the privileges accorded to claims associated with loans backed-up by deposits under the Deposit Guarantee Fund (the "**DGF**"), as well as credit secured by the DGF, by the Integrated Mutual Agricultural Scheme (which, in Portugal, is formed by the Central Mutual Agricultural Bank (*Caixa Central de Crédito Agrícola Mútuo*) and its associated banks) or by the Resolution Fund, arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, within the limits of the applicable laws.

The regime established in Decree-Law No. 24/2013, of 19 February establishes that Banco de Portugal has the authority to determine, by way of instruction ("***instrução***"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 28/2023, published on 15 December 2023, set the base rate for 2024 for the determination of periodic contributions to the Resolution Fund at 0.032% (vs. 0.029% in 2023).

The contribution of the Bank to the Resolution Fund was EUR 9.5 million in the first half of 2023, EUR 18.7 million in 2022, EUR 17.0 million in 2021, EUR 15.1 million in 2020, EUR 16.0 million in 2019, EUR 12.1 million in 2018 and EUR 8.5 million in 2017. The *ex-ante* contributions for the Resolution Fund are calculated in the same way as the abovementioned SRF contributions are calculated.

According to Article 14(5) of Law No. 23-A/2015, of 26 March 2015, and without prejudice to the ex-ante and ex-post contributions regulated by the regime, further *ex-ante* and *ex-post* contributions can be charged for the Resolution Fund in accordance with the regime of Decree-Law No. 24/2013, of 19 February 2013, if these contributions are intended to enable the compliance with the obligations undertaken or to be undertaken by the Resolution Fund by virtue of having financially supported resolution measures until 31 December 2014.

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. ("**BES**") in accordance with the Article 145-C (1.b) of the Banking Law, which entailed, inter alia, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. ("**Novo Banco**"), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to EUR 4.9 billion, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund's website, the Resolution Fund borrowed EUR 4.6 billion, of which EUR 3.9 billion were granted by the Portuguese State and EUR 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to EUR 5,056,814,588, of which EUR 2,221,549,499 are common credits and EUR 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

According to the Resolution Fund's 2022 Annual Report, the Resolution Fund filed an appeal against the list of creditors with the Judicial Court of the District of Lisbon, requesting the recognition of its claims. The appeal was upheld, and the Liquidation Committee of BES filed an appeal. In 2023, the Lisbon Court of Appeal rejected the appeal filed by the Liquidation Committee of BES and, in favour of the position defended by the Resolution Fund, confirmed the decision of the Court of First Instance and the recognition, in the amount of EUR 1,242,568,900, of the credits claimed by the Resolution Fund as privileged credits. In

February 2023, the Liquidation Committee of BES filed a review appeal with the Supreme Court of Justice, which decision is expected during 2023.

On 11 August 2023, the Liquidation Committee of BES announced that this amount had been recognized and qualified as privileged by a judgment of the Supreme Court of 11 July 2023. On 10 August 2023, an order was issued in the BES liquidation proceedings, which reads as follows: *"(...) On 11 July 2023, the Supreme Court of Justice dismissed the appeal filed by the Banco Espírito Santo, S.A. bankruptcy estate, recognizing that the Resolution Fund's claim is privileged in these proceedings. This means that only the Resolution Fund, as a creditor, will have its claim satisfied from the funds available to the Banco Espírito Santo, S.A. bankruptcy estate (...)"*.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2022, "Legal actions related to the application of resolution measures have no definitive legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Resolution Fund, supported by legal advice of the attorneys for these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".

According to note 22 of the Resolution Fund's annual report of 2022, "In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2022, twelve decisions have become final and unappealable condemning Novo Banco, Spanish branch, as well as four sentences in relation to which due compensation has been requested from the Resolution Fund".

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: "Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of EUR 1.0 billion in Novo Banco, of which EUR 750 million at completion and EUR 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of EUR 750 million, followed by a further capital increase of EUR 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement

associated with a total gross book value of around EUR 10-20 billion that revealed significant uncertainties regarding adequacy in provisioning:

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of EUR 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions[7][8][9];

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than EUR 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of EUR 3.89 billion[13]; and

(iii) in case the Supervisory Review and Evaluation Process (“SREP”) total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments5. According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, "the risk of triggering the additional capital mechanism (capital backstop), up to EUR 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists”.

According to an investor's presentation from Novo Banco of June 2023, Novo Banco still has EUR 485 million under the MCC in addition to the EUR 209 million included in the capital call for 2021. The mechanism is in place until December 2025, date that can be extended, under certain conditions, by one additional year.

According to a statement issued by the Resolution Fund on 13 February 2023, "the Ministry of Finance has disclosed that the European Commission intends to consider the restructuring process of Novo Banco as completed. The information disclosed today confirms the successful restructuring of Novo Banco, resulting from the combined execution of the restructuring plan agreed in 2017, under the sale transaction conducted by Banco de Portugal, and the sale agreements, namely the CCA, under which the Resolution Fund transferred to Novo Banco EUR 485 million, less than the maximum amount set in the contract (EUR 3.89 billion). The completion of the restructuring of Novo Banco (…) is also another indicator that Novo Banco should not need to request any further payment to the Resolution Fund under the CCA, without prejudice to the ongoing litigation or that still may occur regarding the amounts already requested by Novo Banco in relation to past years and that the Resolution Fund considers that are not due”. On the same day, Banco de Portugal issued the following statement "The conclusion of the Novo Banco restructuring process also results in the end of the backstop mechanism, which provided for the possibility, which was always considered remote, of the Portuguese State providing extraordinary support to Novo Banco in extreme scenarios. This mechanism protected Novo Banco and the national financial system from more adverse scenarios, which did not materialise. With the end of the backstop, the financial risk for the Portuguese State is eliminated".

According to the 2018 Resolution Fund’s annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets.

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[7] Exact value not disclosed by the European Commission for confidentiality reasons

[8] As referred to in the respective European Commission Decision

[9] According to 2018 Novo Banco’s earnings institutional presentation, the “minimum capital condition” is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to the 2022 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of EUR 3.9 billion over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, EUR 7.9 billion (book value of the associated assets, net of impairments); and

- The value of the portfolio, as at 31 December 2022, amounted to EUR 1.1 billion (book value, net of impairments), according to Novo Banco's 2022 annual report.

According to a notice issued by the Resolution Fund on 4 June 2020, the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3.9 billion. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of EUR 3.9 billion in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of EUR 3.9 billion".

According to Resolution Fund's annual report of 2022, "the award of the Arbitration Court, constituted under the aegis of the International Chamber of Commerce, was known at the end of October 2021, and was favourable to the Resolution Fund. The Arbitration Court considered that (...) the financial impact on Novo Banco's own funds could not be covered by the CCM. The value of the dispute at the date of the award amounted to EUR 169 million, an amount that the Resolution Fund would have had to pay to Novo Banco if the Arbitration Court's award had not been favourable".

Additionally, regarding the intervention of the Resolution Fund concerning the transitional regime of the implementation of the dynamic component of IFRS 9, Novo Banco estimates a positive impact on its own funds in the amount of EUR 171 million (which implies a reduction in the capital requirements that Novo Banco intended to pass on to the CCM in the amount of EUR 161.6 million). Accordingly, the Resolution Fund initiated a second arbitration proceeding, also under the aegis of the International Chamber of Commerce, with a view to settling the difference between the parties. This process is in progress, and it is estimated that an award will be rendered at the end of 2023 or in the first half of 2024.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. The information was presented by the independent entity that carried out the special audit, showed that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the

powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

According to Resolution Fund's annual report of 2022, the procedure relating to the payment to Novo Banco regarding 2020 accounts has been concluded, concluding that a payment of EUR 112 million was due to Novo Banco from the Resolution Fund which had remained pending further verification. Therefore, that amount was paid to Novo Banco, in December 2021.

According to Resolution Fund's annual report of 2022, Novo Banco submitted to the International Chamber of Commerce a request for arbitration to have recognised the right to receive an aggregate amount of EUR 165.4 million (divestment of Novo Banco's activity in Spain in the amount of EUR 147.4 million and valuation differences regarding a set of assets held by Novo Banco in the amount of EUR 18.0 million) which the Resolution Fund considered, and considers, not to merit the coverage of the CCM.

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas ("Court of Auditors") was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

According to Novo Banco's report for the first half of 2023 (note 30), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the Portuguese State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund's 2022 annual report, under the terms of the sale of Novo Banco, the 75% of the share capital of Novo Banco held by Nani Holdings is not affected by the dilution associated with the Special Regime applicable to deferred tax assets (REIAD).

On 17 December 2021, Novo Banco, carried out a capital increase in the amount of EUR 154.9 million, through the conversion of the rights that had been attributed to the Portuguese State due to the conversion of the deferred tax assets of Novo Banco, into tax credits, with reference to the 2015 tax period, under the REIAD. As of that date, the Portuguese State became a shareholder of Novo Banco, having been attributed a participation corresponding to 1.56% of the share capital. Later, on 4 November 2022, Novo Banco made

a further capital increase of EUR 249.75 million and, as a result, conferred the Portuguese State an additional stake of 4.13%.

In addition, according to the Novo Banco's report for the first half of 2023, a capital increase of EUR 263.2 million was carried out in April 2023 through a rights conversion related to 2018 and 2019, which gave the Portuguese State an additional stake of 6.27% in the share capital of Novo Banco.

According to the Novo Banco's report for the first half of 2023, Lone Star owns 75% of Novo Banco, the Resolution Fund 13.04%, and the Portuguese State 11.96%.

Still according to the same source, it is estimated that the aggregate effect of the application of the REAID, for the period from 2015 to 2020, could result in the Portuguese State's stake of 15.84% and the reduction of the Resolution Fund's participation to 9.16%.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif "was failing or likely to fail" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management. The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of EUR 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which EUR 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to EUR 746 million, was thus fully repaid. With the repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

On 16 January 2023, the Liquidation Committee of Banif announced a list of all the acknowledged and a list of the non-acknowledged creditors. According to the Resolution Fund's 2022 annual report, the Resolution Fund holds a claim on Banif of EUR 489 million, which has a higher claim ranking provided for in article 166-A of the RGICSF. Under the judicial liquidation process of Banif, which was initiated following the resolution, the independent evaluator estimates that the level of recovery of the financial support made available by the Resolution Fund, as having a higher ranking at the end of the liquidation, is expected to be 7.6%.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2021, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (EUR 3.9 billion); (ii) to finance the absorption of Banif's losses (EUR 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the

financing of the measures under the CCA (EUR 430 million plus EUR 850 million of additional funding requested in 2019 and EUR 850 million made available in 2020);

- Other funding granted:

- in 2014 by the institutions participating in the Resolution Fund in the amount of EUR 700 million, in which the Bank participates, within the scope of BES resolution measure;

- in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of EUR 429 million;

- The underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of EUR 400 million did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralised by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante, totally reimbursed, as described above;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to EUR 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%; and

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to Resolution Fund's annual report of 2022, contingent liabilities from the CCA are limited to a maximum aggregate amount of EUR 3.89 billion and that the aggregate amount of this contingent liability, which corresponds to the difference between that maximum amount and the amounts already paid by the Resolution Fund, amounts to EUR 485 million.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

According to note 22 of the Resolution Fund's 2022 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the EUR 3.9 billion loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies

to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialisation of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- "The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to EUR 4.95 billion, of which EUR 4.3 billion were granted by the Portuguese State and EUR 700 million were granted by a group of banks";

- "Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions".

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, "the repayment of the EUR 2.1 billion loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other, more pessimistic scenarios, these loans will still be being repaid in 2062".

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in due time.

On 31 December 2022, the Resolution Fund's own resources had a negative equity of EUR 6.97 billion, as opposed to EUR 7.2 billion at the end of 2021, according to the latest 2022 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("*instrução*"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 28/2023, published on 15 December 2023, set the base rate for 2024 for the determination of periodic contributions to the Resolution Fund at 0.032% (vs 0.029% in 2023).

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "…it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely".

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of EUR 31.4 million. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. The total amount of the contribution attributable to the Group in 2023 was EUR 22.9 million, of which the Group delivered EUR 17.7 million and the remaining was constituted as irrevocable payment commitment.

In 2023, the Group made regular contributions to the Portuguese Resolution Fund in the amount of EUR 9.5 million. The amount related to the contribution on the banking sector in Portugal, registered in 2023, was EUR 44.8 million. These contributions were recognised as a cost in the first nine months of 2023, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralised by the Resolution Fund; and, (iv) legal proceedings against the Resolution Fund.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2022 annual report, under note 8, "the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the Banking Act, although no such contributions are expected. The Resolution Fund may also, exceptionally, obtain financial support from the State, namely through loans or guarantees, as set out in article 153-J of the same regime".

To meet a payment from the Resolution Fund to Novo Banco, as per to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers and Order from the Minister of State and Finance, of 31 May 2021 - intended to provide the Resolution Fund with the financial resources necessary to meet any obligations arising from the Contingent Capitalisation Agreement in the years 2021 and 2022 – providing for a new loan from the State to the Resolution Fund, a number of national financial institutions offered to finance the

Resolution Fund, increasing up to EUR 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund.

According to the Resolution Fund's 2022 annual report from the maximum amount of EUR 475 million the Resolution Fund used EUR 429 million, which corresponds to the payment made to Novo Banco in 2021. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector.

The European Deposit Guarantee System

On 16 April 2014, the European Parliament and the Council adopted Directive 2014/49/EU on DGS ("**DGS Directive**"). The Directive encompasses the harmonisation of the funding mechanisms of DGS, the introduction of risk-based contributions and the harmonisation of the scope of products and depositors covered. In accordance with the DGS Directive, each credit institution should be part of a DGS recognised under this Directive, thereby ensuring a high level of consumer protection and a level playing field between credit institutions, while also preventing regulatory arbitrage. The DGS Directive sets the harmonised coverage level at EUR 100,000 and retains the principle of a harmonised limit per depositor rather than per deposit (such limit to be applied, in principle, to each identifiable depositor, except for collective investment undertakings subject to special protection rules). Each institution's contribution to DGS will be based on the amount of covered deposits and the degree of risk incurred by the respective member. The DGS Directive was implemented in Portugal through Law No. 23-A/2015, of 26 March.

According to the BRRD, and consequently, the Banking Law, with the amendments introduced by Law No. 23-A/2015, of 26 March, banks must ensure that by 3 July 2024 the financial resources available to a DGS amount to a target-level of 0.8% of the amount of DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are reduced to less than two thirds of the target level, the ex-ante contributions are set by Banco de Portugal at a level that allows the target level to be reached within six years. If the available financial resources are not sufficient to reimburse the depositors, in the event of unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

The exemption from the immediate payment of ex-ante contributions shall not exceed 30% of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, which may be called by the DGF at any time, to pay part of or the whole amount of the contribution which has not been paid in cash to the DGF, that are fully backed by collateral composed of low-risk assets unencumbered by any third-party rights and partly or wholly pledged in favour of the DGF at DGF's request. Since 2011, all contributions made by the Bank to the DGF have been made entirely in cash (the current amount of irrevocable payment commitments outstanding is of approx. EUR 94.4 million). Since 2011, all contributions made by the Bank to the DGF have been made entirely in cash (the current amount of irrevocable payment commitments outstanding is of approx. EUR 94.4 million).

The additional indirect costs of the deposit guarantee systems may be significant and can consist of costs associated with the provision of detailed information to clients about products, costs of compliance with specific regulations on advertising for deposits or other products similar to deposits.

The European Commission has proposed an adjustment to the CMDI framework, that will enable authorities to organise an orderly market exit for failing banks of any size and business model.

Other financial service laws and regulations

The Bank is subject to other Directives and Regulations important for its business, among which:

- Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended, implemented in Portugal through Law No. 35/2018, of 20 July, and Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, as amended, relating to markets in financial instruments, known as the Markets in Financial Instruments Directive II ("**MiFID II**") and Markets in Financial Instruments Regulation ("**MiFIR**"), respectively. Some topics of the MiFID II and MiFIR framework are currently under revision.

- Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014, as amended, on key information documents for packaged retail and insurance-based investment products, supplemented by Delegated Regulation (EU) No. 653/2017 of the Commission, of 8 March 2017 ("**PRIIPs**"), as amended, applicable since 1 January 2018. On 4 January 2018, the CMVM issued a "Circular" regarding PRIIPs subject to the CMVM's supervision, outlining further applicable requirements and Law no. 35/2018, of 20 July introduced the legal framework for PRIIPs in Portugal.

- Directive (EU) 2015/2366 of the European Parliament and of the Council, of 25 November 2015, as amended, on payment services ("**PSD 2**") was implemented in Portugal on 12 November 2018 through Decree-Law no. 91/2018, creating new types of payment services and reinforcing customer protection and security. On 28 June 2023, the European Commission adopted a package of proposals aimed at improving the functioning of the payment services market and widening access to and use of financial data, consisting of a proposal for a new Payment Services Directive 3 (PSD3), a proposal for a Payment Services Regulation (PSR) and a proposal for a Financial Data Access Regulation (FIDAR).

- The European Market Infrastructure Regulation, Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012 ("**EMIR**"), as amended, that sets out procedures regarding OTC markets and derivatives, namely on clearing.

- Rules and regulations related to the prevention of money laundering, bribery and terrorism financing - Banco de Portugal is responsible for the preventive supervision of money laundering and terrorist financing ("**ML/TF**") in the financial sector. Within the applicable legal framework, the following are paramount: (i) Law No. 83/2017, of 18 August, as amended, which transposes Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of ML/TF, and sets forth preventive and repressive measures to combat ML/TF; (ii) Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015, as amended, on the information on payers and payees, accompanying transfers of funds, in any currency, for the purposes of preventing, detecting and investigating ML/TF; (iii) Law No. 97/2017, of 23 August, which governs the application and execution of the restrictive measures approved by the United Nations or by the European Union and sets forth the sanctions applicable to breaches of such measures and (iv) the regulatory notice ("***Aviso***") of Banco de Portugal No. 1/2022, of 6 June 2022, which governs enforcement conditions, procedures, instruments, mechanisms, enforcement measures, reporting obligations and other aspects necessary for ensuring compliance with obligations for the prevention of ML/TF.

- The EBA is also working to incorporate money laundering and terrorist financing issues into prudential and governance models in order to boost the efficient functioning of the AML/CTF framework of the Union the EU will create a dedicated Anti-money laundering Authority

("**AMLA**"). The European Council also entrusts the Authority to supervise up to 40 groups and entities - at least in the first selection process – and to ensure a complete coverage of the internal market under its supervision. More powers are also given to the general board in the governance of AMLA. Once set, the new entity and framework may have impact on the Bank's operations and risk management features, imposing additional compliance costs or business restrictions and procedures. In order to enlarge the scope of the existing regulatory framework the Council agreed its position on an anti-money laundering regulation and a new directive (AMLD6). Together with the proposal for a recast of the transfer of funds regulation, on which an agreement has already been reached with the European Parliament, these will form the new EU anti-money laundering rulebook once adopted.

– The Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 ("DORA Regulation"), applicable from 17 January 2025, entered into force in January 2023, laying down the requirements about the security of network and information systems supporting the operational processes of financial entities.

– Approval by the European Parliament in April 2023 of the European Regulation on crypto-assets ("**MiCA**"), aiming at protecting consumers against abuse and market manipulation.

Prevention, mitigation and monitoring of asset quality

In 2013, the EBA issued a recommendation to Competent Authorities ("**CAs**") to perform asset quality reviews for banks, based on newly harmonised definitions of NPLs (complemented by EBA Report on the dynamics and drivers of non-performing exposures in the European Union banking sector dated 22 July 2016). In 2014, CAs carried out comprehensive assessment and a stress test. EBA's Implementing Technical Standards ("**ITS**") on forbearance and NPEs, issued under Commission Implementing Regulation (EU) 2015/227, of 9 January 2015, aim at implementing uniform definitions and reporting requirements for forbearance and NPEs. The ECB has issued in March 2017 Guidance on SSM bank's on NPLs supplemented a year later by an addendum specifying ECB's expectations for prudent levels of provisions for new NPLs.

In July 2017, the European Council concluded an Action Plan to achieve a sustainable reduction of NPEs in credit institutions' balance sheets. On 31 October 2018, the EBA published the final guidance on management of non-performing and forborne exposures. These guidelines specify sound risk management practices for credit institutions in their management of NPEs and forborne exposures, including requirements on NPE reduction strategies, governance and operations of NPE workout framework, internal control framework and monitoring.

The regulation amending the CRR to introduce common minimum coverage levels for potential losses stemming from newly originated loans that become nonperforming has been published in Official Journal on 17 April 2019 (Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) no 575/2013). This regulation establishes a requirement for credit institutions to build their loan loss reserve up to common minimum levels to cover the incurred and expected losses on newly originated loans that become non-performing. Where the minimum coverage requirement is not met, the difference between the actual coverage level and the requirement should be deducted from a bank's own funds (CET1). The new rules should not be applied in relation to exposures originated prior to 26 April 2019. The Directive on credit servicers and credit purchasers (Directive (EU) 2021/2167 of 24 November 2021) – which was also included in the package of measures to be tackled by the European Commission - lays down a common framework and requirements strengthening the ability of secured creditors to recover value from secured loans to corporates and entrepreneurs.

All in all, the legal and regulatory framework regarding NPLs and NPEs creates an assortment of obligations for credit institutions and sets forth protection measures for bank customers, including, procedures for gathering information, contacting customers, monitoring the execution of loan agreements and managing default risk situations; the duty to assess the financial capacity of bank customers and present default

correction proposals adapted to the debtor'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 Bank's options to (i) terminate the relevant agreements; (ii) initiate judicial proceedings against the debtor; (iii) assign its credits over the client; or (iv) transfer its contractual position to a third party.

Furthermore, as the macroprudential authority for Portugal, Banco de Portugal has approved a recommendation introducing limits to some of the criteria used in the assessment of customers' creditworthiness, covering the granting of new credit relating to residential immovable property, credit secured by a mortgage or equivalent guarantee, and consumer credit agreements, to be applied to agreements concluded as of 1 July 2018. Measures of similar nature are also in place in Poland. In September 2017, the regulatory notice ("***Aviso***") No. 4/2017 of Banco de Portugal, which entered into force on 1 January 2018, established procedures and criteria for banks for assessing customers' financial capacity before granting mortgage loans. Furthermore, a Decree-Law on renegotiation of mortgage loans for highly indebted households was approved in November 2022, which include solutions such as maturity extension, in order to ease the debt service burden to customers with mostly operational costs to the banks.

On 31 January 2022, Banco de Portugal announced the amendment to the macroprudential recommendation on new credit agreements for consumers. With a view to the convergence of the average maturity of new credit agreements for house purchase towards 30 years by the end of 2022, Banco de Portugal recommends new limits to the maximum maturity of new credit for house purchase based on the age of borrowers. Also, changes were introduced to the limits of loan-to-value and debt service-to-income ratios.

Decree-Law No. 80-A/2022, of 25 November, establishes certain measures aimed at mitigating the effects of the increase of the reference indexes in credit agreements for the acquisition or construction of permanent own housing.

The potential impact of rising interest rates on households' financial capacity has been motivating specific consumer protection regulations, such as Law No. 24/2023 of 29 May and Law No. 19/2022 of 21 October, bringing new obligations for credit institutions in the marketing of mortgage loans, extending the services included in the minimum banking services account and introducing new restrictions on commissions.

Insurance business

Directive (EU) 2016/97, as amended (the "**Insurance Distribution Directive**") regulates the way insurance products are designed and sold both by insurance intermediaries and directly by insurance undertakings, namely in the cases of insurance products that have an investment element such as unit-linked life insurance contracts. The Insurance Distribution Directive was implemented in Portugal through Law No. 7/2019, of 16 January, and entered into force in October 2018. Similar in nature provisions are also embedded in the PRIIPs Regulation (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014, as amended) and implementing national provisions which entered into force in 2018.

On 1 January 2023 Millenniumbcp Ageas made the simultaneous adoption of IFRS9 - Financial instruments and IFRS17 - insurance Contracts. It opted for the possibility given to insurance Companies to deter the application of IFRS9, since the combined implementation with IFRS17 would minimise the distortion of results. Initial application of IFRS 17 and IFRS 9 requires comparative information. Therefore, Millenniumbcp Ageas Grupo Segurador made the transition exercise on 1 January 2022.

Also, the European Union Council has agreed on establishing a framework for the recovery and resolution of insurance and reinsurance undertakings ("**IRRD**"), reinforcing the Solvency II Directive. All these may affect the insurance business and associated earnings. Further regulatory developments are expected in the forthcoming years, such as the review of capital requirements, long term guarantees and macroprudential tools.

Management, Audit Committee and Statutory Auditor

The Bank adopts a one-tiered corporate governance model, with one Board of Directors within which there is an Executive Committee, an Audit Committee, a Remunerations and Welfare Board, a Strategic Board and a Statutory Auditor.

Board of Directors

According to the articles of association of the Bank, the Board of Directors is composed of a minimum of 15 and a maximum of 19 members, elected by the General Meeting of Shareholders.

The General Meeting of Shareholders held on 4 May 2022 approved the election of the Board of Directors for the 2022/2025 term of office, including the Audit Committee.

Two members of the Board of Directors, elected at the General Meeting held on 4 May 2022, Clara Patrícia Costa Raposo and Teófilo César Ferreira da Fonseca, decided, on 5 August 2022 and 8 July 2022 respectively, not to accept the position for which they were elected. On 11 October 2022, the Board of Directors, unanimously, approved the proposal for, and on 20 December 2022, the General Meeting approved, the co-optation of, subject to the non-opposition to the exercise of functions by the Banco de Portugal and the European Central Bank, Altina Sebastián and Pedro Ferreira Malaquias to fill the two vacancies. On 7 December 2022, the supervisors authorised the exercise of functions by these two directors.

Currently, following persons exercise functions as members of the Board of Directors of the Bank:

Position	**Name**
Chairman:	Nuno Manuel da Silva Amado
Vice-Chairmen:	Jorge Manuel Baptista Magalhães Correia
	Valter Rui Dias de Barros
	Miguel Maya Dias Pinheiro
Members:	Cidália Maria da Mota Lopes
	Fernando da Costa Lima
	Ana Paula Alcobia Gray
	João Nuno de Oliveira Jorge Palma
	José Miguel Bensliman Schorcht da Silva Pessanha
	Lingjiang Xu
	Lingzi Yuan (Smilla Yuan)
	Maria José Henriques Barreto de Matos de Campos
	Miguel de Campos Pereira de Bragança
	Rui Manuel da Silva Teixeira
	Altina de Fátima Sebastian Gonzalez Villamarin
	José Pedro Rivera Ferreira Malaquias
	XiaoXu Gu (Julia Gu) (resigned by letter dated 5 January 2024 with effect from 29 February 2024)

Positions held outside the Group by the abovementioned members of the Board of Directors that are relevant to the Group:

Name	**Position**	**Company**
Nuno Manuel da Silva Amado	Member of the Board of Auditors	Fundação Bial

	Chairman of the Senior Board	Alumni Clube ISCTE
	Member of the Advisory Board	Competitiveness Forum
	Member of the Management Board	Business Roundtable Portugal
	Member of the Advisory Board	AESE - Associação de Estudos Superiores de Empresa
	Member	"Conselho de Escola" (Estrategic & Supervisory Board) of Instituto Técnico
Cidália Maria da Mota Lopes	Professor	Coimbra Business School - ISCAC on tax issues
	Invited Professor	Faculty of Law/IDET – University of Coimbra
	Member of the Scientific Board	Portuguese Fiscal Association (AFP)
	Member of the Scientific Board	Coimbra Business School - ISCAC
Jorge Manuel Baptista Magalhães Correia	Chairman of the Board of Directors	Luz Saúde, S.A.
	Member of the Board of Directors and member of the Corporate Governance Committee	REN- Redes Eléctricas Nacionais, SGPS, S.A.
	Chairman of the Board of Directors	Fidelidade Companhia de Seguros, S.A.
José Miguel Bensliman Schorcht da Silva Pessanha	Vice-Chairman of the Board of Director and Chairman of the Audit Committee	Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.
	Vice-Chairman of the Board of Directors and Chairman of the Audit Board	Ocidental – Companhia Portuguesa de Seguros, S.A.
	Vice-Chairman of the Board of Directors and Chairman of the Audit Committee	Ageas – Sociedade Gestora de Fundos de Pensões, S.A.
	Vice-Chairman of the Board of Directors and chairman of the Audit Committee	Banco Millennium Atlântico, S.A.
Lingjiang Xu	Non-Executive Chairman of the Board of Directors	Longrun Portugal, SGPS, S.A.
	Non-Executive member of the Board of Directors	Fidelidade – Companhia de Seguros, S.A.
	Non-Executive member of the Board of Directors	Luz Saúde, S.A.
Miguel de Campos Pereira de Bragança	Non-executive Director	SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A. (representative of BCP)
	Non-executive Member of the Board	Unicre- Instituição Financeira de Crédito, S.A. (representative of BCP)

	Member of the Supervisory Board	AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado
Miguel Maya Dias Pinheiro	Member of the Senior Board	Alumni Clube ISCTE
	Member of the Advisory Board	INDEG/ISCTE Executive Education
	Member of the Advisory Board	BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável (representative of BCP)
	Vice-Chairman	APB – Associação Portuguesa de Bancos (representative of BCP)
Rui Manuel da Silva Teixeira	Member of the Board of Directors	Ageas-Sociedade Gestora de Fundos de Pensões, S.A.
	Member of the Board of Directors	Millenniumbcp Ageas – Grupo Segurador, SGPS, S.A
	Member of the Board of Directors	Ocidental – Companhia Portuguesa de Seguros Vida, S.A.
	Member of the Board of Directors	Millenniumbcp Ageas – Grupo Segurador SGPS, S.A.
	Chairman of the General Meeting	Associação Porto Business School (representative of BCP)
Valter Rui Dias de Barros	Chairman of the Board of Directors	Recredit - Gestão de Activos, S.A. (Angola)
XiaoXu Gu (Julia Gu)	Vice-Chairwoman	Shanghai Fosun High Technology (Group Co., Ltd.)
	Chairperson	Fosun Financial Services Group (Internal titles under working contract with Fosun Group)
	Non-Executive Chairwoman	Zhangxingbao (Shanghai) Network Technology Co., Ltd. (subsidiary of Fosun)
	Non-Executive Director	MYBank
	Non-Executive Director	Chongquing Rural Commercial Bank Co. Ltd
Fernando da Costa Lima	Non-executive Director	Euronext Lisbon
	Chairman of the General Meeting	OBEGEF – Observatory of Economics and Fraud Management
	Visiting Professor	Faculdade de Economia do Porto
Altina de Fátima Sebastian Gonzalez Villamarin	Director and Member of Audit Committee	San Jose Group Company
	Member of the Advisory Board	Expansion y Actualidad Economica
	Member of the Portuguese World Network	Council of the Portuguese Diaspora
	Guest Professor	Complutense University

	Visiting Professor	Católica Lisbon Business & Economics
José Pedro Rivera Ferreira Malaquias	Partner	Abreu Advogados, Sociedade de Advogados

To the best of the Issuer's knowledge, none of the abovementioned members of the Board of Directors of the Bank has any external activity relevant for the Bank other than the ones listed above.

For all the purposes resulting from the functions of the members of the Board of Directors, their professional domicile is at Av. Prof. Dr. Cavaco Silva (Parque das Tecnologias), Edifício 1, no. 32, Piso 2, 2744-256 Porto Salvo.

Executive Committee

Under the terms of the law and of the Articles of Association of the Bank, the Board of Directors appointed an Executive Committee on 24 July 2018, composed of six of its members, which performs all the Bank's current management functions that are not to be exercised by the Board of Directors. The members of the Executive Committee are as follows:

Position	**Name**
Chairman:	Miguel Maya Dias Pinheiro
First Vice-Chairman:	Miguel de Campos Pereira de Bragança
Second Vice-Chairman:	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto de Matos de Campos
	Rui Manuel da Silva Teixeira

Audit Committee

Under the terms of the articles of association of the Bank, the Bank's supervision pertains to an Audit Committee elected by the General Meeting of Shareholders and composed of a minimum of three and a maximum of five members.

The Audit Committee, created in accordance with the provisions of number 1 of Article 278 of the Portuguese Companies Code and in accordance with Article 39 of the articles of association of the Bank, is particularly responsible for (amid the remaining powers attributed to it by law):

(a) monitoring the Bank's management;

(b) verifying the compliance with the law and the articles of association;

(c) verifying the regularity of the books, accounting records and documents supporting them;

(d) verifying the accuracy of the financial statements;

(e) supervising the efficiency of the risk management system, the internal control system and the internal audit system;

(f) receiving the communications stating irregularities reported by shareholders, employees of the Bank or others;

(g) monitoring the preparation and disclosure of financial information;

(h) proposing to the General Meeting of Shareholders the election of the Chartered Accountant and of the External Auditor;

(i) supervising the audit of the annual report and financial statements of the Bank;

(j) verify the Statutory Auditor's independence, namely regarding the rendering of non-audit services;

(k) engaging the provision of services by experts to assist one or several of its members in the exercise of their functions. This engagement and the remuneration of the experts must take into account the importance of the issues committed to them and the Bank's economic situation; and

(l) complying with all the other duties attributed to it by the law or by the Articles of Association.

The Audit Committee is composed of the following members:

Position	**Name**
Members:	Cidália Maria da Mota Lopes
	Valter Rui Dias de Barros
	Fernando da Costa Lima
Alternate member:	Altina de Fátima Sebastian Gonzalez Villamarin

Statements regarding the Members of Management and Supervision Bodies

To the best of the Issuer's knowledge and in its understanding, having made enquiries, there are no potential conflicts of interests between the duties of any member of the management and supervision bodies identified above towards the Issuer or towards any other Group company and his/her personal interests and duties. There are non-executive members of the Board of Directors with functions in other financial institutions that can be considered competitors of the Bank. For this situation, the General Meeting of Shareholders held on 28 February 2012 resolved to authorise the presence of those members in the Board of Directors, which was also authorised in the General Meeting of Shareholders held on 11 May 2015, and the General Meetings of Shareholders held on 30 May 2018 and 4 May 2022, where the majority of the current members of the Board of Directors were elected, with the mention of the adoption of a restrictive regime of access to sensitive information.

Statutory Auditor

The current Statutory Auditor and External Auditor of the Bank, Deloitte & Associados SROC, S.A., effectively represented by its partner João Carlos Henriques Gomes Ferreira, ROC n.º 1129, who replaced on 21 July 2022, Paulo Alexandre de Sá Fernandes, ROC n.º 1456, because he reached the maximum duration of the limit for the exercise of functions, and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC No. 992, were elected at the General Meeting of Shareholders held on 20 May 2020, for the three-year term of office 2021/2023, by a majority of 99.92% of the votes cast.

Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016.

There are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interest or duties.

CAPITAL ADEQUACY AND SOLVENCY RATIOS

Evolution of the Solvency position of the Group as at 30 September 2023

Evolution of the Solvency Ratio in the first nine months of 2023

The estimated CET1 ratio as at 30 September 2023 stood at 14.9% both phased-in and fully implemented, reflecting a change of +329 and +357 basis points, respectively, compared to the 11.6% and 11.4% phased-in and fully implemented ratios reported in the same period of 2022, comfortably above the minimum regulatory ratios defined within the scope of SREP (Supervisory Review and Evaluation Process) for the year 2023 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability targets.

The evolution of capital ratios in the period continued to be significantly conditioned by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency. These effects were, however, more than offset by the positive performance of activity in Portugal and by the careful and proactive management of capital.

SOLVABILITY RATIOS (Euro million)

	30 Sep. 23	31 Dec. 22	30 Sep. 22	30 Sep. 23	31 Dec. 22	30 Sep. 22
	PHASED-IN			FULLY IMPLEMENTED		
OWN FUNDS						
Common Equity Tier 1 (CET1)	5 928	5 442	5 361	5 936	5 382	5 235
Tier 1	6 418	5 939	5 795	6 427	5 875	5 635
TOTAL CAPITAL	7 731	7 279	7 123	7 723	7 241	6 963
RISK WEIGHTED ASSETS	39 735	43 103	46 101	39 711	43 106	45 997
CAPITAL RATIOS (*)						
CET1	14,9%	12,6%	11,6%	14,9%	12,5%	11,4%
Tier 1	16,2%	13,8%	12,6%	16,2%	13,6%	12,3%
Total	19,5%	16,9%	15,5%	19,4%	16,8%	15,1%

(*) Includes the cumulative net income recorded in each period.

Leverage ratio

The leverage ratio is a (non-risk-sensitive) measure of a bank's ability to meet its long-term financial obligations, calculated by dividing the Tier 1 capital by a non-risk-based measure of an institution's on-balance and off-balance sheet items and expressed as a percentage.

CRD imposes a binding leverage ratio minimum requirement of 3%. Under the CRD rules, additional leverage ratio requirements can be imposed to address the institution-specific risk of excessive leverage.

The Bank's leverage ratio was 6.5% fully implemented, as at 30 September 2023.

Liquidity requirements

Basel III and CRD and CRR, provide for the setting of short and long-term liquidity ratios and funding ratios, namely the liquidity coverage ratio ("**LCR**") and the NSFR.

The Bank's LCR calculated in accordance with the Commission Delegated Regulation (EU) 2015/61, of 10 October 2014, as amended, and the NSFR, estimated in accordance with Basel III methodology, were 244% and 160%, respectively, as at 30 September 2023, higher than the reference value of 100% (fully implemented).

The LCR requires that banks have sufficient high-quality liquid assets ("**HQLA**") in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period. The value of the ratio is to be no lower than 100% (the stock of HQLAs should at least equal total net cash outflows).

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "**Available stable funding**" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The ratio aims at ensuring that the funding of illiquid assets is made through stable sources, both in normal as well as adverse conditions.

Group Maximum Distributable Amount (Phased-In)

The distance to the Group's applicable MDA level reflects the amount by which CET1 or total capital exceeds the MDA level, defined as sum of the Pillar 1 requirement, P2R and combined capital buffers ("**CBR**") as at 30 September 2023.

The table below sets forth the distance to the MDA level of the Group:

	CET1	Total Capital
Capital Ratio	14.90%	19.50%
MDA level	9.41%	14.00%
Distance to the MDA level	5.54%	5.45%
Distance to the MDA level (Euro million)	2,201	2,164

Evolution of the Solvency position of the Issuer as at 30 September 2023

The estimated CET1 ratio of the Issuer as at 30 September 2023 on a phased-in and on a fully implemented basis stood both at 19.7%, +345 basis points and +364 basis points respectively, comparing to the 16.3% and 16.0% ratios recorded in the same period of 2022.

Euro million

	PHASED-IN		***FULLY IMPLEMENTED***	
	30 Sep. 23	*30 Sep. 22*	*30 Sep. 23*	*30 Sep. 22*
Own funds				
CET1	5 598	5 211	5 576	5 122
Tier 1	5 998	5 611	5 976	5 522
Total Capital	7 062	6 664	7 050	6 575
RWA	28 385	32 028	28 368	31 971

Solvency ratios				
CET1	19.7%	16.3%	19.7%	16.0%
Tier 1	21.1%	17.5%	21.1%	17.3%
Total	24.9%	20.8%	24.9%	20.6%

Note: The capital ratios include the cumulative net income recorded in each period.

Issuer Maximum Distributable Amount (Phased-In)

The distance to the Issuer's applicable MDA level reflects the amount by which CET1 or total capital exceeds the MDA level, defined as a sum of the Pillar 1 requirement and capital buffers as at 30 September 2023. As at the date of issue, the Issuer is not subject, on an individual basis, to Pillar 2 requirements. Further, as at the date of issue, the O-SII Buffer is not applicable to the Bank on an individual level.

Distance to Trigger Event (Phased-In)

The distance to Trigger Event of the Group is EUR 3,884 million as at 30 September 2023, which corresponds to the level by which the Group CET1 (14.9%) exceeds the Trigger Event applicable to the Notes (i.e. a CET1 ratio lower than 5.125%).

The distance to Trigger Event of the Bank is EUR 4,137 million as at 30 September 2023, which corresponds to the level by which the Bank CET1 (19.7%) exceeds the Trigger Event applicable to the Notes (i.e. a CET1 ratio lower than 5.125%).

Distributable Items

The following table summarises the Distributable Items of the Bank (as defined in the Conditions) as at 30 September 2023 and 31 December 2022:

		Euro million
	30 Sep. 23	*31 Dec. 22*
Distributable Items of the Bank	2,071	1,533

SUMMARY FINANCIAL INFORMATION

The financial information set out below has been derived from the audited consolidated financial statements of the Bank as at, and for the years ended on 31 December 2021 and 31 December 2022 and the unaudited and un-reviewed consolidated financial statements of the Bank as at, and for the nine-month period ended on, 30 September 2023. The consolidated financial statements of the Bank were prepared in accordance with IFRS, as endorsed by the European Union. Such financial information should be read together with, and is qualified in its entirety by reference to, the Bank's annual reports and audited financial statements as at, and for the years ended on, 31 December 2021 and 31 December 2022 and the unaudited and un-reviewed interim report and financial statements as at, and for the nine-month period ended on 30 September 2023. The financial statements for the year ended on 31 December 2021 have been approved by the General Meeting of Shareholders on 4 May 2022 and the financial statements for the year ended on 31 December 2022 have been approved by the General Meeting of Shareholders on 24 May 2023.

BANCO COMERCIAL PORTUGUÊS
Consolidated Income Statements for the years ended 31 December 2022 and 2021
(Audited)
(Amounts expressed in thousands of EUR)

	2022	2021
Interest and similar income	2,737,235	1,709,124
Interest expense and similar charges	(587,463)	(120,523)
NET INTEREST INCOME	2,149,772	1,588,601
Dividends from equity instruments	10,086	938
Net fees and commissions income	771,908	727,723
Gains/(losses) on financial operations at fair value through profit or loss	27,306	(247)
Foreign exchange gains/(losses)	19,390	17,494
Gains/(losses) on hedge accounting	(2,233)	4,286
Gains/(losses) arising from derecognition of financial assets and liabilities at amortised cost	18,883	(3,717)
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	(13,386)	68,722
Other operating income/(losses)	(193,112)	(128,905)
TOTAL OPERATING INCOME	2,788,614	2,274,895
Staff costs	580,807	654,270
Other administrative costs	352,961	324,172
Amortisations and depreciations	139,250	137,156
TOTAL OPERATING EXPENSES	1,073,018	1,115,598
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,715,596	1,159,297
Results on modification	(309,865)	—
Impairment of financial assets at amortised cost	(300,829)	(352,833)
Impairment of financial assets at fair value through other comprehensive income	5,023	(4,626)
Impairment of other assets	(192,059)	(60,882)
Other provisions	(568,297)	(642,726)
NET OPERATING INCOME	349,569	98,230
Share of profit of associates accounted for using the equity method	68,722	56,937
Gains/(losses) on disposal of subsidiaries and other assets	10,167	2,570

NET INCOME BEFORE INCOME TAXES	428,458	157,737
Income taxes		
Current	(109,632)	(81,353)
Deferred	(194,688)	(122,273)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	124,138	(45,889)
Net income from discontinued or discontinuing operations	5,537	70,881
NET INCOME AFTER INCOME TAXES	129,675	24,992
Net income for the year attributable to:		
Bank's Shareholders	207,497	138,082
Non-controlling interests	(77,822)	(113,090)
NET INCOME FOR THE YEAR	129,675	24,992
Earnings per share (in Euros)		
Basic	0.011	0.007
Diluted	0.011	0.007

BANCO COMERCIAL PORTUGUÊS
Interim Condensed Consolidated Income Statements
for the nine-month period ended 30 September 2023 and 30 September 2022
(Unaudited)
(Amounts expressed in thousands of EUR)

	30 September 2023	30 September 2022 (restated)*
Interest and similar income	3,190,572	1,878,103
Interest expense and similar charges	(1,073,111)	(332,272)
NET INTEREST INCOME	2,117,461	1,545,831
Dividends from equity instruments	1,216	9,262
Net fees and commissions income	578,458	573,803
Gains/(losses) on financial operations at fair value through profit or loss	(15,326)	8,000
Foreign exchange gains/(losses)	21,043	30,894
Gains/(losses) on hedge accounting	(854)	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	99,565	37,550
Other operating income/(losses)	(71,709)	(201,913)
TOTAL OPERATING INCOME	2,729,854	2,001,921
Staff costs	467,976	431,821
Other administrative costs	283,399	251,751
Amortisations and depreciations	103,240	103,856
TOTAL OPERATING EXPENSES	854,615	787,428
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,875,239	1,214,493
Results on modification	(14,829)	—
Impairment of financial assets at amortised cost	(212,653)	(246,385)
Impairment of financial assets at fair value through other comprehensive income	894	1,763
Impairment of other assets	(20,704)	(138,268)
Other provisions	(581,395)	(695,325)
NET OPERATING INCOME	1,046,552	136,278
Share of profit of associates accounted for using the equity method	47,582	37,615
Gains/(losses) on disposal of subsidiaries and other assets	15,215	11,128
NET INCOME BEFORE INCOME TAXES	1,109,349	185,021
Income taxes		
Current	(172,695)	(75,409)
Deferred	(214,684)	(133,227)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	721,970	(23,615)
Net income from discontinued or discontinuing operations	(9)	1,481
NET INCOME AFTER INCOME TAXES	721,961	(22,134)
Net income for the period attributable to:		
Bank's Shareholders	650,715	89,826
Non-controlling interests	71,246	(111,960)
NET INCOME FOR THE PERIOD	721,961	(22,134)
Earnings per share (in Euros)		
Basic	0.055	0.005
Diluted	0.055	0.05

(*) In the fourth quarter of 2022, the Bank proceeded to the restatement of the amount related to potential costs resulting from credit holidays policy in Poland, enacted in July 2022, previously booked in other impairments and provisions. These costs are now booked in results on modification item. This

item also started to include contractual modifications, in accordance with IFRS9, namely those negotiated with customers holding foreign exchange mortgage loans. The amounts regarding 2022 quarters were restated.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), accounted for under the equity method, as Investments in associated companies. On 1 January 2023 Mbcp Ageas adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. Taking into account that the initial adoption of IFRS 17 and IFRS 9 requires comparative information, Mbcp Ageas made the transition exercise on 1 January 2022. The impacts resulting from this implementation by Mbcp Ageas led to the restatement of the accounts of the Group referring to 2022.

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December 2022 and 2021

(Audited)

(Amounts expressed in thousands of EUR)

	2022	2021
ASSETS		
Cash and deposits at Central Banks	6,022,001	7,796,299
Loans and advances to credit institutions repayable on demand	213,460	361,786
Financial assets at amortised cost		
Loans and advances to credit institutions	963,434	453,213
Loans and advances to customers	54,675,793	54,972,401
Debt securities	13,035,582	8,205,196
Financial assets at fair value through profit or loss		
Financial assets held for trading	766,597	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	552,679	990,938
Financial assets at fair value through other comprehensive income	7,461,553	12,890,988
Hedging derivatives	59,703	109,059
Investments in associated companies	298,717	462,338
Non-current assets held for sale	499,035	780,514
Investment property	15,217	2,870
Other tangible assets	574,697	600,721
Goodwill and intangible assets	182,687	256,213
Current tax assets	17,945	17,283
Deferred tax assets	2,938,986	2,688,216
Other assets	1,582,455	1,385,292
TOTAL ASSETS	89,860,541	92,904,812
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,468,360	8,896,074
Resources from customers	75,430,143	69,560,227

Non subordinated debt securities issued	1,482,086	2,188,363
Subordinated debt	1,333,056	1,394,780
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	241,506	231,241
Financial liabilities at fair value through profit or loss	1,817,678	1,581,778
Hedging derivatives	178,000	377,206
Provisions	561,786	458,744
Current tax liabilities	23,680	20,427
Deferred tax liabilities	11,708	16,932
Other liabilities	1,391,973	1,116,983
TOTAL LIABILITIES	83,939,976	85,842,755
EQUITY		
Share capital	3,000,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	268,534	259,528
Reserves and retained earnings	1,245,949	580,304
Net income for the year attributable to Bank's Shareholders	207,497	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,138,451	6,119,385
Non-controlling interests	782,114	942,672
TOTAL EQUITY	5,920,565	7,062,057
TOTAL LIABILITIES AND EQUITY	89,860,541	92,904,812

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September 2023 and 31 December 2022

(Unaudited)

(Amounts expressed in thousands of EUR)

	30 September 2023	31 December 2022 (restated)*
ASSETS		
Cash and deposits at Central Banks	3,525,815	6,022,001
Loans and advances to credit institutions repayable on demand	187,966	213,460
Financial assets at amortised cost		
Loans and advances to credit institutions	1,116,126	963,434
Loans and advances to customers	52,921,349	54,675,793
Debt securities	17,036,087	13,035,582
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,098,527	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	492,084	552,679
Financial assets designated at fair value through profit or loss	30,710	—
Financial assets at fair value through other comprehensive income	8,673,873	7,461,553
Hedging derivatives	82,079	59,703
Investments in associated companies	335,261	314,919
Non-current assets held for sale	81,575	499,035
Investment property	15,144	15,217
Other tangible assets	596,226	574,697
Goodwill and intangible assets	197,241	182,687
Current tax assets	9,706	17,945
Deferred tax assets	2,723,447	2,938,986
Other assets	2,046,023	1,582,455
TOTAL ASSETS	91,169,239	89,876,743
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,240,204	1,468,360
Resources from customers	73,373,829	75,430,143
Non-subordinated debt securities issued	2,056,932	1,482,086
Subordinated debt	1,354,493	1,333,056
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	269,007	241,506
Financial liabilities at fair value through profit or loss	3,502,631	1,817,678
Hedging derivatives	137,348	178,000
Provisions	661,981	561,786
Current tax liabilities	173,456	23,680
Deferred tax liabilities	8,964	11,708
Other liabilities	1,542,481	1,391,973
TOTAL LIABILITIES	84,321,326	83,939,976
EQUITY		
Share capital	3,000,000	3,000,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	316,375	268,534
Reserves and retained earnings	1,551,113	1,272,262
Net income for the period attributable to Bank's Shareholders	650,715	197,386
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,934,674	5,154,653
Non-controlling interests	913,239	782,114
TOTAL EQUITY	6,847,913	5,936,767
TOTAL LIABILITIES AND EQUITY	91,169,239	89,876,743

(*) In the fourth quarter of 2022, the Bank proceeded to the restatement of the amount related to potential costs resulting from credit holidays policy in Poland, enacted in July 2022, previously booked in other impairments and provisions. These costs are now booked in results on modification item. This item also started to include contractual modifications, in accordance with IFRS9, namely those negotiated with customers holding foreign exchange mortgage loans. The amounts regarding 2022 quarters were restated. The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), accounted for under the equity method, as Investments in associated companies. On 1 January 2023 Mbcp Ageas adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. Taking into account that the initial adoption of IFRS 17 and IFRS 9 requires comparative information, Mbcp Ageas made the transition exercise on 1 January 2022. The impacts resulting from this implementation by Mbcp Ageas led to the restatement of the accounts of the Group referring to 2022.

BANCO COMERCIAL PORTUGUÊS
Consolidated Statements of Cash Flows for the years ended 31 December 2022 and 2021
(Audited)
(Amounts expressed in thousands of EUR)

	2022	2021
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	2,297,720	1,610,633
Commissions received	1,019,734	925,786
Fees received from services rendered	101,771	110,095
Interests paid	(363,636)	(182,934)
Commissions paid	(176,465)	(145,957)
Recoveries on loans previously written off	20,837	22,938
Net earned insurance premiums	—	20,975
Claims incurred of insurance activity	—	(7,827)
Payments (cash) to suppliers and employees (*)	(1,220,319)	(1,250,979)
Income taxes (paid) / received	(65,340)	(61,834)
	1,614,302	1,040,896
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(227,767)	204,997
Deposits held with purpose of monetary control	(280,418)	190,049
Loans and advances to customers receivable / (granted)	(656,569)	(4,192,195)
Short term trading securities	136,605	45,161
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(25,447)	(42,783)
Deposits from credit institutions with agreed maturity date	(7,518,189)	94,089
Loans and advances to customers repayable on demand	(274,554)	6,589,819
Deposits from customers with agreed maturity date	6,652,456	481,649
	(579,581)	4,411,682
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control (**)	—	4,809
Acquisition of investments in subsidiaries	—	(2,252)

Dividends received	54,263	16,651
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	342,405	199,303
Sale of financial assets at fair value through other comprehensive income and at amortised cost	7,922,631	6,552,698
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(50,657,550)	(58,763,208)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	42,276,068	49,315,510
Acquisition of tangible and intangible assets	(126,189)	(80,464)
Sale of tangible and intangible assets	9,434	13,614
Decrease / (increase) in other sundry assets	(386,643)	44,657
	(565,581)	(2,698,682)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	133,700	300,000
Reimbursement of subordinated debt	(133,700)	(305,368)
Issuance of debt securities	402,264	998,439
Reimbursement of debt securities	(1,156,473)	(246,018)
Issuance of commercial paper and other securities	34,505	105,708
Reimbursement of commercial paper and other securities	(12,374)	(26,074)
Dividends paid to Bank's shareholders	(13,603	) —
Dividends paid to non-controlling interests	(59,572)	(17,516)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(37,000)	(37,000)
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	52,175	(2,914)
	(790,078)	769,257
Exchange differences effect on cash and equivalents	12,616	109,569
Net changes in cash and equivalents	(1,922,624)	2,591,826
Cash	601,772	579,997
Deposits at Central Banks	7,194,527	4,723,867
Loans and advances to credit institutions repayable on demand	361,786	262,395
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,158,085	5,566,259
Cash	593,033	601,772
Deposits at Central Banks	5,428,968	7,194,527
Loans and advances to credit institutions repayable on demand	213,460	361,786
CASH AND EQUIVALENTS AT THE END OF THE YEAR	6,235,461	8,158,085

(*) In 2022, this balance includes the amount of Euros 590,000 (2021: Euros 581,000) related to short-term lease contracts and the amount of Euros 2,402,000 (2021: Euros 2,564,000) related to lease contracts of low value assets.

(**) As in 2021, Banco Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. (now designated Fidelidade Moçambique - Companhia de Seguros S.A.) were considered discontinued operations, the respective amounts, net of intra-group operations, were incorporated into cash flows arising from investing operations.

(***) In 2022, this balance includes the amount of Euros 53,330,000 (2021: Euros 58,206,000) corresponding to principal payments on lease liabilities.

USE OF PROCEEDS

The issue of the Notes will form part of the Issuer's capital base and the net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes and to strengthen the capital position of the Issuer.

TAXATION

Prospective purchasers of Notes are advised to consult their tax advisers as to the tax consequences under the tax laws of the country of which they are resident of a purchase of Notes, including, but not limited to, the consequences of receipts of interest and sale or redemption of Notes.

The following descriptions are general summaries of certain taxation matters based on applicable law and practice currently in effect in the relevant jurisdictions. Nothing in this section constitutes tax, legal or financial advice, and the summaries contained herein are of a general nature and do not cover all aspects of taxation in the relevant jurisdictions that may be relevant to any particular Holder. Prospective investors in the Notes should consult their professional advisers on the tax implications for them of an investment in the Notes.

1. Portuguese Taxation

The following is a general summary of the Bank's understanding of current law and practice in Portugal as in effect on the date of this Offering Circular in relation to certain current relevant aspects to Portuguese taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any Holder. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of the Notes. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences of the purchase, ownership and disposal of Notes.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take into account different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "*Terms and Conditions of the Notes*" or any related documentation.

Portuguese resident Holders and non-resident Holders with a Portuguese permanent establishment

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to withholding tax at 28%, which, if such income is not earned as business or professional income, is the final tax on that income unless the individual elects to include it in his/ her taxable income subject to tax at progressive rates of up to 53%. In this case, the tax withheld is deemed a payment on account of the final tax due.

Gains obtained on the disposal or the refund of the Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on other securities and losses in securities. Tax applies at 28%, which is the final tax on that income, unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53%. Accrued interest qualifies as interest for tax purposes. The positive balance between capital gains and capital losses arising from the transfer for consideration of shares and other securities, which includes gains obtained on the disposal or the refund of Instruments, is mandatorily included in the annual taxable income and taxed at progressive rates if the assets have been held for less than 365 days and the taxable income of the taxpayer, including the balance of the capital gains and capital losses, amounts to or exceeds €81,199. The negative balance calculated in a given year, relating to transactions involving the sale of securities for consideration, including the refund of Instruments, can be carried forward to the following five years when the taxable person opts for aggregation or is obliged to aggregate this income.

Stamp tax at 10% applies to the acquisition through gift or inheritance of Notes by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse (or person living together as spouse), descendants and parents/grandparents.

Interest or other investment income derived from the Notes and capital gains realised with the transfer of the 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 profits and are subject to Portuguese corporate tax at 21% or (i) 17% on the first EUR 50,000 in the case of small and medium-sized enterprises or small and mid-capitalization enterprises (Small Mid Cap) or (ii) 12.5% on the first EUR 50,000 in the case of small and medium-sized enterprises or small and mid-capitalization enterprises (Small Mid Cap) that qualify as startup under the terms foreseen in Law no. 21/2023, of 25 May, and that cumulatively meet the conditions established in article 2(1)(f) of the referred Law, and may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5%. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000, and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000, and at 9% on taxable profits in excess of EUR 35,000,000.

Withholding tax at 25% applies to interest and other investment income, which is deemed a payment on account of the final tax due.

The withholding (and final) tax rate is 21% in the case of entities under Articles 9 and 10 of the corporate tax code, or under a regime set forth in the tax benefits code, benefiting from a tax exemption that does not apply to investment income. The corporate tax rate is 21% in the case of entities not carrying on an activity of a commercial, industrial or agricultural nature.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds, collective investment undertakings and some exempt entities, among other entities, may not be subject to withholding tax.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to Portuguese corporate tax at 21%, or 17% on the first EUR 50,000 in the case of small and medium-sized enterprises or small and mid-capitalization enterprises (Small Mid Cap) or (ii) 12.5% on the first EUR 50,000 in the case of small and medium-sized enterprises or small and mid-capitalization enterprises (Small Mid Cap) that qualify as startup under the terms foreseen in Law no. 21/2023, of 25 May, and that cumulatively meet the conditions established in article 2(1)(f) of the referred Law. A municipal surcharge ("*derrama municipal*") of up to 1.5% may also be due. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000, and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000, and at 9% state on taxable profits in excess of EUR 35,000,000.

There is no wealth nor estate tax in Portugal.

Non-resident Holders without a Portuguese permanent establishment – General rules

Interest and other types of investment income obtained by non-resident Holders without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at 28% (individuals) or 25% (legal persons), which is the final tax on that income. The rate is 35% in the case of individuals or legal persons domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004, of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**").

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal, the withholding tax rate may be reduced to 15, 12, 10 or 5%, depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (*Despacho*) No. 8363/2020 (2nd series), published in the Portuguese official gazette, second series, No. 169, of 31 August 2020, of the Portuguese Minister of Finance and may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

Interest paid to an associated company of the Bank which is resident in the EU may benefit from an exemption from withholding tax.

For these purposes, an "**associated company of the Bank**" is:

(a) a company which is subject to one of the taxes on profits listed in Article 3(a)(iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in a Member State of the EU and is not, within the meaning of a double taxation convention on income concluded with a third state, considered to be resident for tax purposes outside the European Community; and

(b) which holds a minimum direct holding of 25% in capital of the Bank, or is directly held by the Bank in at least 25% or which is directly held in at least 25% by a company which also holds at least 25% of the capital of the Bank; and

(c) provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained, by the filling of a specific form, named "Mod. 02-DJR" (available at www.portaldasfinancas.gov.pt), aimed to provide evidence of the fulfilment of the tax exemption requirements and which should be lodged within the two years from the date of completion of the exemption requirements.

The associated company of the Bank to which payments are made must be the beneficial owner of the interest, which should be the case if it receives the interest for its own benefit and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

Interest paid to an associated company of the Bank which is resident in Switzerland is also exempt from withholding tax under the conditions described above for associated companies resident in the EU.

In order to benefit from this exemption, the Holder must obtain a proof that all the relevant requirements are met and deliver it to the entity responsible for the withholding tax until the moment in which the tax is due. This proof is made by means of a specific form named "Mod. 01-DJR" (available at www.portaldasfinancas.gov.pt).

Capital gains obtained on the disposal or the refund of the Notes by an individual non-resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on other securities and losses in securities. Tax applies at 28%. An exemption may apply to non-resident individuals, unless they are resident in a country, territory or region included in Ministerial Order No. 150/2004. If the exemption does not apply, the gains will be subject to tax at 28%. Under the tax treaties entered into by Portugal, such gains may not be subject to Portuguese tax, but the applicable rules must be confirmed on a case by case basis. Accrued interest qualifies as interest for tax purposes.

Gains obtained on the disposal or the refund 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 may be exempt from Portuguese capital gains taxation, unless the share capital of the Holder is (a) more than 25% directly or indirectly, held by Portuguese resident entities or (b) if the Holder is resident in a country, territory or

region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004. Accrued interest qualifies as interest for tax purposes. If the exemption does not apply, the gains will be subject to tax at 25%. Under the tax treaties entered into by Portugal, such gains are may not be subject to Portuguese tax, but the applicable rules must be confirmed on a case by case basis.

No stamp tax applies to the acquisition through gift and inheritance of Notes by an individual who is not domiciled in Portugal.

The acquisition of Notes through gift or inheritance by a non-resident legal person is subject to corporate tax at 25%. 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.

There is neither wealth nor estate tax in Portugal.

Non-resident Holders without a Portuguese permanent establishment – Notes held through a centralised control system

The regime described above corresponds to the general tax treatment of investment income and capital gains on the Notes and to the acquisition through gift or inheritance of such Notes.

Nevertheless, pursuant to the Special Taxation Regime for Debt Securities approved by Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time (hereafter "**the special regime approved by Decree-Law no. 193/2005**"), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Notes, may be exempt from Portuguese income tax, provided that the debt securities are integrated in a centralised system managed by Portuguese resident entities (such as the CVM, managed by Interbolsa), by other EU or EEA entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the EU), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems and:

(i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and

(ii) the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force or other non–resident entities which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004.

The special regime approved by Decree-Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the Holders of the Notes to which it applies.

Under these rules, the direct register entity is bound to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, and, in the case of domestically cleared Notes, prior to the transfer of Notes, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Offering Circular.

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

(i) If a Holder is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the Holder, duly signed and authenticated or proof pursuant to sub-paragraph (iv) below;

(ii) If the beneficial owner of Notes is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country or jurisdiction with which Portugal has entered into a double taxation treaty, and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the Holder and its domicile; or (C) proof of non-residence, pursuant to the terms of sub-paragraph (iv) below;

(iii) If the beneficial owner of Notes is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation; or (B) proof of non-residence pursuant to the terms of sub-paragraph (iv) below;

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, or (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules on the authenticity and validity of the documents mentioned in sub-paragraph (iv) above, in particular that the Holder must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a 3-year period starting on the date such document is issued. The Holder must inform the register entity immediately of any change that may preclude the tax exemption from applying. In the other cases, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption.

2. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to: (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any

information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisor to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment via the Interbolsa system and the Issuer therefore has no responsibility for any amount thereafter transmitted through Euroclear and Clearstream, Luxembourg or Interbolsa and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) form payments they make.

Portugal signed an IGA with the United States on 6 August 2015 and has implemented through Law No. 82-B/2014, of 31 December 2014 (as amended), the legal framework based on the reciprocal exchange of information with the United States on financial accounts subject to disclosure. The IGA entered into force in 10 August 2016, and through Decree-Law No. 64/2016, of 11 October 2016, as amended from time to time, the Portuguese government approved the regulation required to comply with FATCA. Under this legislation, the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the US Internal Revenue Service. The exchange of information shall be made by 31 July of each year comprising the information gathered respecting the previous year.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

3. The proposed financial transactions tax ("FTT")

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

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

Currently, after the withdrawal of the Republic of Estonia as a Member State wishing to participate in the establishment of the enhanced cooperation, ten countries are participating in the negotiations on the proposed directive. At the working party meeting of 7 May 2019, participating Member States indicated that they were discussing the option of an FTT based on the French model of the tax, and the possible mutualisation of the revenues among the participating member states as a contribution to the EU budget.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective Holders are advised to seek their own professional advice in relation to the FTT.

4. Administrative co-operation in the field of taxation – Common Reporting Standard

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 (the Common Reporting Standard).

Council Directive 2011/16/EU was amended by Council Directive 2021/514/EU of 22 March 2021, which extended the mandatory automatic exchange of information to digital platforms that connect sellers of certain goods and services with the respective buyers, with the aim to combat fraud, evasion and tax avoidance in

the digital economy and the cross-border dimension of the services offered through the use of digital platforms.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013, as amended by Decree-Law No. 64/2016, of 11 October 2016, Law No. 98/2017, of 24 August 2017, Law No. 17/2019, of 14 February 2019, Law no. 24-D/2022, of 30 December 2022 and Law no. 36/2023 of 26 July 2023. Council Directive 2021/514/EU was implemented through Law No. 36/2023, of 26 July 2023, which amended Decree-Law No. 61/2013, of 10 May 2013.

The Council Directive 2014/107/EU, of 9 December 2014, regarding the mandatory automatic exchange of information in the field of taxation implemented in Portugal through the Decree-Law No. 64/2016, of 11 October 2016, as amended, Law No. 98/2017, of 24 August 2017, and Law No. 17/2019, of 14 February 2019. Under such law, the Issuer is 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 third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard. Law no. 17/2019, of 14 February 2019 introduced the regime for the automatic exchange of financial information to be carried out by financial institutions to the Portuguese Tax Authority with respect to accounts held by holders or beneficiaries resident in the Portuguese territory with a balance or value that exceeds EUR 50,000 (assessed at the end of each civil year). This regime covers information related to years 2018 and following years. Under such legislation (as amended) information shall be reported to the Portuguese Tax Authority until 31 May of each year, with reference to the previous year.

Under Council Directive 2014/107/EU, of 9 December 2014, 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 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 Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the account and 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.

In view of the regime enacted by Decree-Law No. 64/2016, of 11 October 2016, which was amended by Law No. 98/2017, of 24 August 2017, and Law No. 17/2019, of 14 February 2019, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations arising thereof and the applicable forms were approved by Ministerial Order ("Portaria") No. 302-B/2016, of 2 December 2016, as amended by Ministerial Order ("Portaria") No. 282/2018, of 19 October 2018, Ministerial Order ("Portaria") No. 302-C/2016, of 2 December 2016, Ministerial Order ("Portaria") No. 302-D/2016, of 2 December 2016, as amended by Ministerial Order ("Portaria") No. 255/2017, of 14 August 2017, and by Ministerial Order ("Portaria") No. 58/2018, of 27 February 2018, and Ministerial Order ("Portaria") No. 302-E/2016, of 2 December 2016

5. Administrative co-operation in the field of taxation – Mandatory Disclosure Rules

Council Directive 2011/16/EU, as amended by Council Directive (EU) 2018/822 of 25 May, introduced the automatic exchange of tax information concerning the cross-border mechanisms to be reported to the tax authorities, in order to ensure a better operation of the EU market by discouraging the use of aggressive cross-border tax planning arrangements.

Under Council Directive (EU) 2018/822 of 25 May, the intermediaries or the relevant taxpayers are subject to the obligation to communicate cross-border tax planning arrangements' information to the tax authorities of EU Member States, according to certain hallmarks indicating a potential risk of tax avoidance.

Portugal implemented Council Directive (EU) 2018/822 of 25 May through Law No. 26/2020, of 21 July, and Decree-Law No. 53/2020, of 11 August, with the following features:

(i) Reportable arrangements include cross-border and purely domestic arrangements, but generic hallmarks linked to the main benefit test are not relevant in case of purely domestic arrangements;

(ii) The main benefit test is only satisfied if the obtaining of a tax advantage, beyond a reasonable doubt, is the main benefit or one of the main benefits which, having regard to all relevant facts and circumstances, a person may reasonably expect to derive from an arrangement;

(iii) Tax advantage is defined as any reduction, elimination or tax deferral, including the use of tax losses or the granting of tax benefits that would not be granted fully or partially, without the use of the mechanism; and

(iv) In case any professional privilege or confidentiality clauses apply, the reporting obligations are shifted to the relevant taxpayer; however, in case the relevant taxpayer does not comply with this obligation, the reporting obligation is then shifted again to the intermediary.

The applicable form (Model 58) to comply with the reporting obligations to the Portuguese Tax Authority was approved by Ministerial Order no. 304/2020, of 29 December. This form must be submitted before the Portuguese Tax Authorities within 30 days. In case any professional privilege or confidentiality clauses applies to the intermediary, a period of 5 days applies to inform the taxpayer.

Investors should in any case consult their own tax advisers to obtain a more detailed explanation of this regime and how it may individually affect them.

SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in a Subscription Agreement dated 16 January 2024 (the "**Subscription Agreement**") between the Issuer and Banco Comercial Português, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA and Deutsche Bank Aktiengesellschaft as joint lead managers (together, the "**Joint Lead Managers**"), the Issuer has agreed to issue to the Joint Lead Managers and the Joint Lead Managers have jointly and severally agreed to purchase or find purchasers for the Notes. The Issuer has, pursuant to the terms of the Subscription Agreement, agreed to pay the Joint Lead Managers certain commissions and to reimburse certain of their expenses in connection with their appointment as Joint Lead Managers, and has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Notes.

The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Notes may not be completed. Investors will have no rights against the Issuer or Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (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

(b) 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.

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.

Each of the Joint Lead Managers has represented and agreed that it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each Joint Lead Manager 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

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

Prohibition of sales to EEA Retail Investors

Each of the Joint Lead Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or both) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of sales to UK Retail Investors

Each of the Joint Lead Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression retail investor means a person who is one (or both) 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 EUWA; or 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.

Portugal

Each of the Joint Lead Managers has represented, warranted and agreed with the Issuer that it will comply with all applicable laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (*Código dos Valores Mobiliários*), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) ("**CMVM**") and Regulation (EU) No. 2017/1129 (as amended or replaced from time to time) and that: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code or other securities legislation and regulations applicable in Portugal, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Offering Circular or any other offering material relating to the Notes to the public or in circumstances that could qualify as a public offer (*oferta pública*).

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Notes may not be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and the Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11973 of 14 May 1999, as amended from time to time, and applicable Italian laws .

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

France

Each of the Joint Lead Managers has represented and agreed that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Notes and the distribution in France of the Offering Circular or any other offering material relating to the Notes.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the 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 or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

No action has been or will be taken in any jurisdiction by any Joint Lead Manager or the Issuer that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Joint Lead Manager shall have any responsibility therefor.

GENERAL INFORMATION

1. Approval, listing and admission to trading

Application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on the GEM. The GEM is not a regulated market for the purposes of MiFID II. This Offering Circular constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin The total fees and expenses in connection with the admission of the Notes to trading on the GEM are expected to be approximately €5,240.

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Executive Committee of the Issuer passed on 9 January 2024.

Documents available

For so long as Notes are outstanding, physical copies of the following documents will be available from the registered office of the Issuer and from the specified office of the Agent:

(a) the constitutional documents of the Issuer (in English);

(b) the published audited consolidated financial statements of the Issuer in English and auditors' report for the two financial years ended on 31 December 2021 and 31 December 2022;

(c) the published unaudited earnings press release and earnings presentation of the Issuer for the nine month period ended 30 September 2023;

(d) the published unaudited report and consolidated financial statements of the Issuer in English for the nine month period ended 30 September 2023;

(e) the Agency Terms and the Instrument;

(f) a copy of this Offering Circular; and

(g) any supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

The information mentioned in paragraphs (a) to (d) above represent an accurate translation from its original Portuguese form. In the event of a discrepancy, the original Portuguese version will prevail.

Clearing systems

The Notes are expected to be settled and registered through the CVM, managed and operated by Interbolsa through direct or indirect accounts with Euroclear and Clearstream, Luxembourg. The address of Interbolsa is Avenida da Boavista, 3433 4100-138 Porto, Portugal.

Material change

There has been no significant change in the financial or trading position of the Group since 30 September 2023. There has been no material adverse change in the prospects of the Group since the date of the last audited financial statements, 31 December 2022.

Litigation

1. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted in the Bank's premises, as well as to at least eight other credit institutions, where documentation was seized in order to investigate allegations of exchange of privileged commercial information among Portuguese banks.

   The Portuguese Competition Authority has declared the administrative proceeding to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process. On 2 June 2015, the Bank was notified of the Portuguese Competition Authority's notice of illegality in connection with an administrative offence, by which the Bank is accused of participating in an information exchange between banks of the system related to prices already approved and housing and consumer credit operations already granted or approved. In light of the accusations, the Bank filed a response to the note of illegality, to which may follow a judicial appeal. Note that the notification of a note of illegality does not constitute a final decision in relation to the accusations. According to the terms foreseen in the law, the illicit under investigation in this administrative proceeding may be punished with a fine up to a maximum limit of 10% of the defendant's annual consolidated turnover with reference to the year preceding the decision. However, judicial appeal against such decision is possible. In October 2016, the Lisbon Court of Appeals overruled an earlier decision by the Competition, Regulation and Supervision Court to suspend the Competition Authority's investigation.

   On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days. The Portuguese Competition Authority refused the Bank's application for confidential treatment of some of the information in the Bank's defence against the notice of illegal act. In June 2018 the Bank filed an appeal with the Portuguese Competition, Regulation and Supervision Court (which is pending) and filed its defence against the notice of illegal act in a non-confidential version.

   On 5 November 2018, the Bank was notified of the ruling of the Portuguese Competition, Regulation and Supervision Court, that gives approval to the appeal presented by BCP, on the subject of secrecy, accepting, in its essence, BCP's argument that the Portuguese Competition Authority, infringed on the right to a prior hearing.

   On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restating its opposition to the PCA's request).

   On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in EUR 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal. The admission of the appeal and the decision on its respective effect are expected.

   On 8 May 2020, BCP’s appeal was admitted.

   On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, a suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee).

On 9 July 2020, BCP requested the Court to declare the PCA's condemnatory decision null and void, due to the omission of an analysis of the economic and legal context in the terms required by the recent jurisprudence of the CJEU. Subsequently, the Competition Court clarified that preliminary questions will not be known before the court hearing begins.

On 14 December 2020, a hearing was held before the Competition Court, and an agreed solution was reached between PCA and the appellant banks, including BCP, regarding the dosimetry (i.e., 50% of the amount of the fine) and the modalities of the guarantees to be provided, in order for the appeal to have a suspensory effect.

On 21 December 2020, BCP submitted, and the Competition Court accepted, a bank guarantee in the maximum amount of EUR 30 million, issued by the Bank itself as a way to satisfy the referred security deposit.

On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorising the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021.

On 6 September 2021, the preparatory session of the trial in the Competition, Regulation and Supervision Court (the "**CRSC**") took place. The trial, which takes place in Santarém, began on 6 October 2021.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection

appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 20 October 2021, requesting the Court to take a position on the matter before the beginning of the trial.

On 28 April 2022, the Court issued a decision on the case No. 225/15.4YUSTR-W, concerning the objection appeal on the decision of the Competition Authority of September 2019 (PRC/2012/09), which imposed fines to a group of banking institutions for alleged violation of competition rules due to their participation in a process of information exchange on operations of housing credit, consumer credit and credit to SMEs.

In this extensive sentence, the Court lists the facts deemed proved, considering the testimonial evidence produced and the documents attached to the proceedings, both in the administrative phase and on hearing, however, at this stage, the Court has not yet concluded on the legal framework of the facts proved, nor, consequently, on the imposition of fines, the Court having decided to make a pre-judicial referral to CJEU to answer the two questions it raises, requesting that this referral is to be followed by further proceedings under expedited procedure, given the prescription risk. It should be highlighted that it is not for the CJEU to judge the case, but merely to interpret the rules of Community law by replying in abstract to the questions submitted to it by the referring court.

This pre-judicial referral had already been requested by BCP and other institutions concerned in this case. So long as the CJEU has not yet ruled on the case, the proceedings are suspended. The Court also decided that the course of the prescription period is suspended, invoking certain legal provisions for that purpose, although that decision appears to have no legal basis.

The CJEU rejected a request for an accelerated procedure and for priority to be given in the assessment of this case, hence the CJEU's assessment must be given within the normal timeline for these prejudicial proceedings, after which the judgment of this Court will then be concluded. The Bank was notified by the CJEU to, if it wished, submit its written observations, and to do so by 2 September 2022. The Bank forwarded its observations to the CJEU on 1 September 2022.

On 22 June 2023, the oral hearing was held at the CJEU, and the parties' lawyers made their presentations and answered the questions that the Judge and the Advocate-General wished to raise.

The following Advocate General's conclusions were made public on 5 October: (i) Article 101 of the Treaty on the Functioning of the European Union ("**TFEU**") does not preclude the classification as a restriction by object of an exchange of information between competitors on commercial conditions applicable to transactions (in particular spreads and current and future risk variables) and production figures, in the context of the supply of credit for housing, businesses and consumption in the banking sector, where that practice has artificially increased transparency and reduced uncertainty about the functioning of the market; and (ii) Article 101 of the TFEU does not preclude such categorisation where no efficiency gains, ambivalent effects or pro-competitive effects resulting from such exchange of information have been established or can be identified.

It is estimated that about two or three months after that reading, the CJEU will deliver its judicial ruling.

If this judicial ruling so determines, the trial may be "reopened" for some additional evidence to be produced. If this is not the case, the CRSC will deliver the corresponding sentence, which can also be appealed to the Lisbon Court of Appeal and to the Portuguese Constitutional Court.

After receiving an answer from the CJEU, it is expected that the CRSC will be able to issue a decision, where it may cancel, confirm, reduce or increase the fine applied by the Portuguese Competition Authority to the Bank.

On the appeal submitted, and at the trial hearing, arguments of fact and law were presented, which we believe to be solid and sufficient to justify the acquittal of BCP. However, given the complexity of the case, its several legal and extra-legal implications and the position that the CRSC has already taken on the facts, it is not possible to anticipate the final decision of the case.

2. The Bank Millennium in Poland is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. On 13 December 2022 the claimant filed on appeal against the judgment of 24 May 2022. On August 11, 2023, the Bank has filed a response to the appeal.

3. On 3 December 2015, a class action was served on Bank Millennium by a group of the Bank Millennium's debtors (454 borrowers party to 275 loan agreements). The plaintiffs demanded payment in the total amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance are unfair and thus not binding. The plaintiffs extended the group in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million. On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers in 432 loan agreements. The value of the dispute, as updated by the claimant, is PLN 7,371,107.94. By resolution on 1 April 2020, the court established the composition of the group as per request by the plaintiffs and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. The Bank submitted a pleading with questions to witnesses in July 2020, after which the court began a period of collecting written testimony from witnesses. The initial hearing took place on 24 October 2023 and the next hearing is scheduled for 18 October 2024.

   As at 31 December 2023, there were also 138 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

4. As at 31 December 2023, in the group of the court cases where the Group's companies were defendant, was a lawsuit brought up by a shareholder of PCZ S.A. in bankruptcy (PHM, then European Foundation for Polish-Belgian Cooperation (EFWP-B) currently named The European Foundation for Polish-Kenyan Cooperation) against Bank Millennium S.A., worth of the dispute PLN 521.9 million with statutory interest from 5 April 2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to the Bank on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand.

   The Bank requested complete dismissal of the claim, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. On 10 May 2023, the first instance Court announced a verdict dismissing the claim in its entirety. The verdict was appealed by the plaintiff and the date of its hearing has not yet been set.

5. On 3 January 2018, Bank Millennium was notified of a decision of the Chairman of the Office for Protection of Competition and Consumers ("**OPCC Chairman**" and the "**OPCC**"), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman, the essence of the violation is that the Bank informed consumers (regarding

78 agreements), in response to their complaint, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates did not apply to them. According to the position of the OPCC Chairman, the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, the Bank was forced had to: (a) send information on the OPCC's decision to the said 78 clients; (b) post the information on the decision and the decision itself on the website and on twitter; and (c) to pay a fine amounting to PLN 20.7 million. Millennium Bank lodged an appeal within the statutory time limit.

On 7 January 2020, the first instance court dismissed Millennium Bank's appeal in its entirety. Millennium Bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognising the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by OPCC had changed in the direction of tightening penalties and that the court agrees with this direction.

In Millennium Bank's assessment, the Court should not assess its behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), nor should it impose penalties for these behaviours using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of Appeal.

The Court of Appeal, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. On 31 August 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. Millennium Bank believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

6. On 22 September 2020, the Bank received decision of the Chairman of the Office for Protection of Competition and Consumers recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof. Penalty was imposed upon the Bank in the amount of PLN 10.5 million. Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

   The Bank was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision in the case on the Bank's website.

   In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by the Bank were determined at Bank's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant website.

   Provisions relating to FX rates in Bank's tables were challenged since the Bank failed to define when and how many times a day these tables were prepared and published.

   In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

   The decision is not final and binding. The Bank appealed against said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the OPCC Chairman. On 23 May 2022, the OPCC Chairman filed an appeal. On 26 October 2022, the Court of Appeal changed the judgment of the court of first instance and shared the position of the OPCC Chairman as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On 21 November 2022, the Court of Appeals, at the request of the Bank, suspended the execution of the judgment until the end of the cassation proceedings. On 30 January 2023 the Bank filed a cassation appeal to the Supreme Court.

7. In October 2015, a set of companies connected to a group which has debts in default towards the Bank in the amount of approximately EUR 170 million, resulting from a financing agreement entered into in 2009 – such debts having been fully provisioned for in the Bank's accounts – brought a judicial proceeding against the Bank, after having received a notification from the Bank enforcing payment of such debts. In the judicial proceedings it is envisaged:

   (a) to deny the obligation of payment of those debts, by arguing the voidness and nullity of the respective agreement, but without the correspondent obligation of returning the amounts received;

   (b) that the Bank is also convicted to bear the amounts of approximately EUR 90 million and EUR 34 million related to other debts contracted by those entities with other banking institutions, as well as the amounts, in a total sum of approximately EUR 26 million, that the debtors would have already paid in the context of the respective financing agreements; and

   (c) to declare that the Bank is the owner of the object of the pledges associated with said financing agreements, which corresponds to approximately 340 million shares of the Bank itself, allegedly acquired at the request of, on behalf of and in the interest of the Bank.

   The Bank has filed its defence and counterclaim, reinforcing the demand for payment of the debt. The claimants filed their statements of defence regarding the counterclaim filed by the Bank and the Bank replied to those statements in July 2016.

   The Court issued a decision establishing the facts that are considered to be proven and those that must still be proven in court. The parties presented their requests for proof and each of the parties appointed its expert. The Court shall now issue a decision regarding the proof requested by the parties and appoint the third expert.

   The claimants challenged both experts appointed by BCP and the Court, but the Court maintained the appointed experts, who were notified on 13 March 2020 to proceed with the expert evidence.

   The expert evidence is currently ongoing. The proceedings are waiting for the experts to present their report.

   After the Bank's claims regarding the expert report and attachment of documents, the Court accepted the claims presented and sent the same to the experts to get their opinion.

   BCP sent several documents and information to support its position and to enable the experts to reformulate the conclusions of the expert report in June 2023.

8. Litigation initiated by BCP and BIM in relation to their exposure to Mozambique entities and sovereign guarantees:

   (a) On 8 April 2020, the Bank filed a Claim in the High Court of Justice Business & Property Courts of England and Wales Commercial Court in which the Bank claims sums due and in default under a facility agreement and a sovereign guarantee in the amount of USD 158,942,748.88, as at 8 April 2020, plus other interest and other costs.

(b) Further to legal action brought by the State with a view to seek, inter alia, a declaration that a State guarantee is not valid, legal or enforceable, on 27 April 2020 BIM issued a Claim in the High Court of Justice Business & Property Courts of England and Wales Commercial Court against the original arranger and lender of a credit facility benefiting from said State guarantee and related persons. BIM was assigned loans under this facility in the amounts of USD 37.2 million and USD 24 million. The total amount outstanding as at 27 April 2020 was US$79,639,385.33.

(c) On 30 September 2023, the Republic of Mozambique and Credit Suisse/UBS announced that they have settled amicably the legal proceedings in London concerning the above-mentioned disputed state guaranteed financing transactions in the Proindicus Facility Agreement. This settlement includes most of the other lenders under the Proindicus Facility Agreement, including BIM. The parties have mutually released each other from any liabilities and claims relating to the Proindicus Facility Agreement.

Nevertheless, trial sessions relating to the other cases under dispute began in October 2023 and ended in December 2023. The court decision is expected in the second half of 2024.

Save as disclosed in this section entitled "*Litigation*" there are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer or the Group.

Independent auditors

The current independent auditors of the Issuer are Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("**Deloitte**") (which is a member of the Portuguese Institute of Statutory Auditors), with registered office at Av. Eng. Duarte Pacheco, 7, 1070-100 Lisboa.

The financial statements of the Group for each of the financial years ended 31 December 2021 and 31 December 2022 were prepared in accordance with International Financial Reporting Standards as adopted by the EU and audited by Deloitte.

All financial information in this Offering Circular relating to the Issuer for the years ended 31 December 2021 and 31 December 2022 has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the financial years then ended and all financial information in this Offering Circular relating to the Issuer for the nine month period ended 30 September 2023 has been extracted from the unaudited consolidated financial statements, earnings press release and earnings presentation of the Issuer for the nine month period then ended.

Joint Lead Managers transacting with the Group

In the ordinary course of their business activities, the Joint Lead Managers 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 Joint Lead Managers 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 Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers 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.

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