

## IMPORTANT NOTICE

### **NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED**

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

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THE FOREGOING MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY NOTES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUCH NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

**Confirmation of your representation:** In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes described therein (the "**Notes**"), you must not (i) be in the United States or (ii) be, or be acting on behalf of, a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the Prospectus, you shall represent to Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C.R.L. (the "**Issuer**") and to Crédit Agricole Corporate and Investment Bank, Banco Bilbao Vizcaya Argentaria, S.A., J.P. Morgan AG and UniCredit Bank AG (together, the "**Joint Lead Managers**") that:

- (i) you are outside the United States and are not a U.S. person, as defined in Regulation S under the Securities Act, nor acting on behalf of a U.S. person and, to the extent you purchase any Notes, you will be doing so pursuant to Regulation S under the Securities Act;
- (ii) the electronic mail address to which the Prospectus has been delivered is not located in the United States of America, its territories and its possessions;
- (iii) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "**Order**") or a certified high net worth individual within Article 48 of the Order; and
- (iv) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission.

The Prospectus has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Joint Lead Managers or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling any of the foregoing accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus, electronically or otherwise, to any other person. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to ensure that it is free from viruses and other items of a destructive nature. Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction in which such offer or solicitation would be unlawful. No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Recipients of the Prospectus who intend to subscribe for or purchase any Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus in final form.



Crédito Agrícola

## CAIXA CENTRAL - CAIXA CENTRAL DE CRÉDITO AGRÍCOLA MÚTUO, C.R.L.

(incorporated with limited liability in Portugal)

**€300,000,000 2.50 per cent. Fixed/Floating Rate Callable Senior Preferred Notes due 2026**

**Issue price: 99.906 per cent.**

The €300,000,000 2.50 per cent. Fixed/Floating Rate Callable Senior Preferred Notes due 2026 (the "**Notes**") will be issued by Caixa Central - Caixa Central de Crédito Agrícola Mútuo, C.R.L. (the "**Issuer**") on or about 5 November 2021 (the "**Issue Date**"). The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 5 November 2025 (the "**Call Date**"), at a fixed rate of 2.50 per cent. per annum and thereafter at the Floating Interest Rate as provided in Condition 4(d) (*Floating Interest Rate*). Interest will be payable on the Notes annually in arrear on each Interest Payment Date during the Initial Fixed Rate Interest Period and thereafter interest shall be payable on the Notes quarterly in arrear as provided in Condition 4 (*Interest Payments*).

Unless previously redeemed or purchased and cancelled, the Notes will mature on the Interest Payment Date falling on, or nearest to, 5 November 2026. Holders will have no right to require the Issuer to redeem or purchase the Notes at any time. The Issuer may, in its discretion, elect to (a) redeem all (but not some only) of the Notes at their principal amount, together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to (but excluding) the redemption date, on the Call Date or at any time if a Tax Event has occurred and is continuing or a Loss Absorption Disqualification Event (each as defined in Condition 16 (*Definitions*)) has occurred and is continuing or (b) repurchase the Notes at any time, subject in each case to compliance with the conditions described in Condition 5(b) (*Conditions to Redemption, Substitution or Variation, and Purchase*).

The Notes will be direct, unsecured, unsubordinated and unguaranteed obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and shall, in the event of the Winding-Up of the Issuer, rank *pari passu* with any other Senior Higher Priority Liabilities and senior to (i) Senior Non Preferred Liabilities and (ii) all present and future subordinated obligations and all classes of share capital of the Issuer.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to its official list (the "**Official List**") and trading on the Regulated Market of Euronext Dublin (the "**Market**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that the Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**").

The Notes will be issued in dematerialised book-entry form (*forma escritural*) and will be in registered (*nominativas*) form, in denominations of €100,000, 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 managed and operated by Interbolsa (the "**CVM**"). The CVM currently has links in place with Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") through securities accounts held by Euroclear and Clearstream, Luxembourg with Affiliate Members (as described herein) of Interbolsa or directly with Interbolsa.

The Notes are expected to be rated Ba2 by Moody's Investors Service España, S.A. (Sociedad Unipersonal) ("**Moody's**") upon issue. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Moody's is established in the European Union (the "**EU**") and registered in accordance with Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**"), and appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority ("**ESMA**") website at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

This Prospectus will be valid for a year from 3 November 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For this purpose, "valid" means valid for making offers to the public or admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Notes or the time when trading on a regulated market begins, whichever occurs later.

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors".**

*Joint Lead Managers*

Crédit Agricole CIB  
J.P. Morgan

BBVA  
UniCredit

Prospectus dated 3 November 2021

## IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purpose of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect the import of such information.

Certain information in this Prospectus has been extracted or derived from independent sources. Where this is the case, the source has been identified. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Unless otherwise agreed with the Issuer, no person is or has been authorised by the Issuer to give any information or to make any representation not contained or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

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

The Joint Lead Managers (as defined in "*Subscription and Sale*") have not verified the information contained in this Prospectus. The Joint Lead Managers do not make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information contained (or incorporated by reference) in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. The Joint Lead Managers do not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each potential purchaser should make its own independent investigation of the financial condition and affairs of and its own approval of the creditworthiness of the Issuer. Each potential purchaser of Notes should determine for itself the relevance of information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. The Joint Lead Managers do not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Notes of any information coming to their attention.

Neither the Issuer or the Joint Lead Managers nor any of their respective affiliates make any representation as to the suitability of the Notes to fulfil environmental criteria required by any prospective investors. Neither the Joint Lead Managers nor any of their respective affiliates have undertaken, nor are they responsible for, any assessment of the Eligible Green and Social Assets (as defined in the "*Use of Proceeds*" section of this Prospectus), any verification of whether the Eligible Green and Social Assets meet any eligibility criteria set out in the Group's Green, Social and Sustainability Framework (as defined in the "*Risk Factors – The Notes are 'Green, Social and Sustainable Notes' issued with a specific use of proceeds; the use of proceeds and the Notes may not correspond to investor ESG criteria*" section of this Prospectus) or the monitoring of the use of proceeds (or amounts equal thereto) or the allocation of the proceeds to particular Eligible Green and Social Assets. ISS ESG has been appointed by the Issuer to provide the Second Party Opinion (as defined in the "*Risk Factors – The Notes are 'Green, Social and Sustainable Notes' issued with a specific use of proceeds; the use of proceeds and the Notes may not correspond to investor ESG criteria*" section of this Prospectus). Investors should refer to the Group's Green, Social and Sustainability Framework, the Second Party Opinion and any public reporting by or on behalf of the Issuer in respect of the application of proceeds (each of which are available on the Issuer's website at <https://www.creditoagricola.pt/institucional/investor-relations> and which, for the avoidance of doubt, are not incorporated by reference into this Prospectus) for information. Neither the Issuer, the Joint Lead Managers nor any of their respective affiliates make any representation as to the suitability or content of such materials.

In the ordinary course of business, the Joint Lead Managers have engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither the delivery of this Prospectus nor the offering, placing, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the 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 (a) 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 in this Prospectus or any applicable supplement; (b) 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 such investment will have on its overall investment portfolio; (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and (e) 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.

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.

## OFFER RESTRICTIONS

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are not being offered or sold except to non-U.S. persons in offshore transactions in reliance on Regulation S thereunder. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in 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.

**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's (if any) product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in the Regulation (EU) No 600/2014 (as amended) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's (if any) target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's (if any) target market assessment) and determining appropriate distribution channels.

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of

Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs Regulation / Prohibition of sales to UK retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**")"; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the 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 Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this Prospectus may be lawfully distributed, or that the 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, and it does not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus 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 Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the EEA, Portugal, Canada, Italy, the UK and Singapore.

**Singapore SFA Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Notice to investors in Canada** – The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, **provided that** the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

## **STABILISATION**

**IN CONNECTION WITH THE ISSUE OF THE NOTES, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) 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 BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## **GENERAL**

Amounts payable under the Notes may be calculated by reference to the euro interbank offered rate ("EURIBOR"), which is provided by the European Money Markets Institute ("EMMI"). As at the date of this Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) 2016/1011.

## FORWARD-LOOKING STATEMENTS

Certain information contained in this Prospectus, including any information as to the Issuer's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, those described in "*Risk Factors*".

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as at the date of this Prospectus, reflect the current view of the executive board of directors of the Issuer (the "**Board**") with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's operations, results of operations, strategy, liquidity, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements. Specific reference is made to the information set out in "*Risk Factors*" and "*Description of the Issuer and of the Group*".

Subject to applicable law or regulation, the Issuer explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of this Prospectus.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical Financial Information

The historical financial information incorporated by reference in this Prospectus has been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"), as adopted by the European Union and issued by the International Accounting Standards Board. The historical financial information presented in this Prospectus consists of audited consolidated financial information of the Group for the financial periods ended 31 December 2019 and 31 December 2020 and the unaudited interim consolidated financial statements of the Group for the six month periods ended 30 June 2021 (the "**1H 2021 Interim Financial Statements**") (which includes for comparison purposes, the consolidated income statement for the six month period ended 30 June 2020) (together, the "**Historical Financial Information**").

The consolidated income statement for the six month period ended 30 June 2020, which has been included for comparative purposes in the 1H 2021 Interim Financial Statements has an undervaluation of the "(Impairments or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)" of some €22.2 million as well as an overvaluation of the "(Provisions or (-) reversal of provisions)" of some €16.8 million. Nevertheless, the findings described above were properly adjusted in the Group's audited financial statements for the year ended 31 December 2020.

### Alternative Performance Measures

To supplement the Group's consolidated financial statements presented in accordance with IFRS, the Group uses certain ratios and measures which are included in this Prospectus that might be considered to be "alternative performance measures" (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework".

The Group believes that the inclusion of APMs, when considered in conjunction with measures reported under IFRS, is useful to investors because it provides a basis for measuring the Group's performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS.

As used in this Prospectus, the following terms have the following meanings and references to certain line items shall be as to as presented in the Historical Financial Information. If the following terms do not refer to a line item, the respective note has been indicated:

| <b>Designation</b>                | <b>Definition</b>   |
|-----------------------------------|---|
| <b><i>Income Statement</i></b>    |   |
| <b>Net interest income</b>        | Comprises "Interest income" less "(Interest expenses)".   |
| <b>Net fees and commissions</b>   | Comprises "Fee and commission income" less "(Fee and commission expenses)".   |
| <b>Net trading income</b>         | Corresponds to the sum of "Dividend income", "Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net", "Gains or (-) losses on financial assets and liabilities held for trading, net", "Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net", "Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net", "Gains or (-) losses from hedge accounting, net" and "Exchange differences [gain or (-) loss], net". |
| <b>Other net operating income</b> | Corresponds to the sum of "Gains or (-) losses on derecognition of nonfinancial assets other than held for sale, net", "Other operating income", excluding "Technical margin of insurance activity" (Note 39 of 2020's annual report and June 2021's report, respectively), plus "(Other operating expenses)", "(Cash contributions to resolution funds and deposit guarantee schemes)", "Other – Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair   |

| <b>Designation</b>   | <b>Definition</b>   |
|--|---|
|  | value through profit or loss, net" (Note 32 of 2020's annual report and June 2021's report, respectively), plus "Realised gains and losses" portion of "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", and "Impairment top-ups and reversals – Non-banking activity" portion of "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", as mentioned in Note 45 of June 2021's report.                            |
| <b>Operating income</b>  | Corresponds to the sum of "Total operating income, net" plus "(Cash contributions to resolution funds and deposit guarantee schemes)" plus "Realised gains and losses" portion of "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" plus "Impairment top-ups and reversals – Non-banking activity" portion of "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", as mentioned in Note 45 of June 2021's report. |
| <b>Operating costs</b>   | Comprises "(Staff expenses)", "(Other administrative expenses)" and "(Depreciation/Amortisation)".  |
| <b>Impairment and provisions for the period</b>                | Comprises "(Provisions or (-) reversal of provisions)", "(Impairments or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)", "(Impairment or (-) reversal of impairment on non-financial assets)" excluding the "Impairment top-ups and reversals – Banking-activity" portion of "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", as mentioned in Note 45 June 2021's report.  |
| <b>Consolidated net income</b>                                 | Corresponds to "Profit or (-) Loss for the year attributable to owners of the parent".  |
| <b><i>Balance sheet</i></b>                                    |   |
| <b>Total Loans and advances portfolio (gross) to customers</b> | Corresponds to the sum of "Total Credit Portfolio", excluding the "Accumulated impairment – Total Credit Portfolio" and "Total Investment", as mentioned in Note 10.2 of 2020's annual report and June 2021's report, respectively, plus the total of "Certified", as mentioned in Note 10.1 of 2020's annual report and June 2021's report. Corresponds to "loan portfolio".   |
| <b>Customer deposits</b>                                       | Corresponds to the sum of total of "Deposits", excluding "Loans – Banco de Portugal", "Loans to Other Institutions" and "Interest payable – Banco de Portugal", as mentioned in Note 18 of 2020's annual report and of June 2021's report. Corresponds to "Customer funds on the balance sheet".  |
| <b>Loans and advances to customers (net)</b>                   | Corresponds to the sum of "Total Credit Portfolio", excluding "Total Investment", plus the sum of total "Certified" and "Accumulated impairment – Certified", as mentioned in Notes 10.2 and 10.1 of 2020's annual report and June 2021's report.   |
| <b>Securities portfolio</b>                                    | Corresponds to the sum of "Financial assets held for trading – Debt securities", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets at amortised cost – Debt Securities" excluding "Accumulated impairment – Debt instruments" and the total "Certified" with "Accumulated impairment", as mentioned in Notes 10.1 of 2020's annual report and June 2021's report.                            |
| <b>Accumulated impairment and provisions</b>                   | Corresponds to the sum of "Accumulated impairment – Debt instruments" (Note 10.1 of 2020's annual report and June 2021's report), "Accumulated impairment – Certified" (Note 10.1 of 2020's annual report and June 2021's report), "Accumulated impairment – Total Credit Portfolio" (Note 10.2 of 2020's annual  |

| <b>Designation</b>  | <b>Definition</b>  |
|---|--|
|   | report and June 2021's report), "Impairment – Other assets" (Note 16 of 2020's annual report and June 2021's report), "Impairment – Impairment of real estate properties" (Note 17 of 2020's annual report and June 2021's report) and "Impairment – Impairment of equipment and other assets" (Note 17 of 2020's annual report and June 2021's report). |
| <b>Accumulated impairment and provisions of which: Accumulated impairment of credit</b> | Corresponds to the sum of "Accumulated impairment – Total Credit Portfolio" (Note 10.2 of 2020's annual report and June 2021's report) and sum of total "Accumulated impairment – Certified" "(Note 10.1 of 2020's annual report and June 2021's report).  |
| <b>Off balance sheet customers funds</b>  | Off balance sheet funds corresponds to assets under management and value of mathematical provisions and financial liabilities of insurance contracts considered for accounting purposes as insurance contracts subscribed by customers.  |
| <b>Customer funds</b>   | Customer funds on and off balance sheet.   |
| <i>Asset Quality</i>  |  |
| <b>NPL</b>  | Overdue loans and advances portfolio to customers, more than 90 days past due including the non-overdue remaining principal of loans i.e. portion in arrears, plus non-overdue remaining principal.  |
| <b>NPL ratio</b>  | Non-performing loans divided by loans and advances portfolio to customers excluding central banks (gross).   |
| <b>NPL coverage by NPL impairments</b>  | Non-performing impairment divided by non-performing loans.   |
| <b>NPL coverage by NPL impairments and collaterals</b>                                  | Total of non-performing impairment and associated collaterals divided by non-performing loans.   |
| <b>NPL coverage by NPL impairments and collaterals (FINREP)</b>                         | Non-performing impairment and associated collaterals, applying haircuts and recovery costs to the collateral, limited by the exposure of each contract, divided by non-performing loans.   |
| <b>Texas ratio</b>  | Non-performing loans divided by the sum of common equity tier 1 and the impairment stock.  |
| <b>Cost of risk</b>   | Impairments of Assets at amortised cost related to loans and certified/commercial paper (excluding impairment from interest income of stage 3 contracts), ("Top-ups" plus "Write-backs & annulments"), as mentioned in Note 19 of June 2021's report, divided by Total Loans and advances portfolio (gross) to customers in the period.                  |
| <b>Ratio of loans overdue + 90 days</b>   | Loans and advances more than 90 days overdue ("Total overdue credit and interest" less overdue credit balances with and without impairment up to three months, as presented in Note 10.2 of 2020's annual report and June 2021's report) divided by Total Loans and advances portfolio (gross) to customers.   |
| <b>Coverage ratio</b>   | Accumulated impairment and provisions of which: Accumulated impairment of credit divided by Loans and advances more than 90 days overdue ("Total overdue credit and interest" less overdue credit balances with and without impairment up to three months, as presented in Note 10.2 of 2020's annual report and June 2021's report).                    |
| <i>Capital and liquidity</i>  |  |

| <b>Designation</b>                              | <b>Definition</b>   |
|---|---|
| <b>CET 1 Capital Ratio</b>                      | CET1 capital expressed as a percentage of the total risk exposure amount.   |
| <b>Total capital ratio</b>                      | Total own funds expressed as a percentage of the total risk exposure amount.  |
| <b>Leverage ratio</b>                           | Tier 1 capital expressed as a percentage of the total exposure measure.   |
| <b>Loan to deposit ratio</b>                    | Loans and advances to customers (net) divided by customer deposits.   |
| <b>Liquidity Coverage Ratio (LCR)</b>           | Liquidity buffer divided by the net liquidity outflows over a 30 calendar day stress period.  |
| <b>Net Stable Funding Ratio (NSFR)</b>          | The net stable funding ratio requirement is the ratio of an institution's amount of available stable funding to its amount of required stable funding over a one-year horizon. The amount of available stable funding should be calculated by multiplying the institution's liabilities and own funds by appropriate factors that reflect their degree of reliability over the one-year horizon. The amount of required stable funding should be calculated by multiplying the institution's assets and off-balance-sheet exposures by appropriate factors that reflect their liquidity characteristics and residual maturities over the same one-year horizon. The NSFR should be expressed as a percentage and set at a minimum level of 100 per cent., which indicates that an institution holds sufficient stable funding to meet its funding needs over that one-year horizon under both normal and stressed conditions. |
| <b>Solvency ratios, excluding net income</b>    | Own funds, excluding net income, expressed as a percentage of the total risk exposure amount.   |
| <b>leverage ratio, excluding net income</b>     | Own funds, excluding net income, expressed as a percentage of the total exposure measure.   |
| <b>Solvency capital requirement (SCR) ratio</b> | Insurance company own funds divided by solvency capital requirement coverage level.   |
| <b><i>Efficiency and Profitability</i></b>      |   |
| <b>Cost-to-income</b>                           | Cost-to-income corresponds to Operating costs divided by Operating Income.  |
| <b>ROA</b>                                      | "Profit or (-) Loss" multiplied by 12 months and divided by number of months of the period divided by the average of "Total assets" (average between the amount in the beginning and in end of the period).   |
| <b>ROE</b>                                      | "Profit or (-) Loss" multiplied by 12 months and divided by number of months of the period divided by the average of "Total equity" (average between the amount in the beginning and in end of the period).   |

### ***Currency Presentation***

Unless otherwise indicated, all references in this Prospectus to "€" or "euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. The Issuer prepares its financial statements in euro.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in euro.

### **Roundings**

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, may have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

## Definitions

The Issuer, the 75 mutual agricultural credit banks (*Caixas de Crédito Agrícola Mútuo*) with a local scope of activity that are permanently affiliated to the Issuer, and that hold the entirety of its share capital, in accordance with Portuguese law (the "**Associated Caixas**") and the companies (irrespective of their corporate legal form) that are directly or indirectly controlled by the Issuer and its Associated Caixas (which engage in activities that are supplementary or ancillary to theirs, notably insurance activities in the life business and non-life business, asset management, investment in venture capital, holding and management of the Group's assets, provision of information technology and other shared services, amongst others) as listed in the section "*Group Companies*" below, including the FACAM (Crédito Agrícola Mútuo Assistance Fund) (the "**Affiliated Companies**") are together referred to in this Prospectus as the "**Group**".

## DOCUMENTS INCORPORATED BY REFERENCE

The following information which has previously been published and has been submitted to and filed with the Central Bank shall be incorporated in, and form part of, this Prospectus:

- (1) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2020, which can be found on pages 93 – 267 of the Group's 2020 Annual Report (which can be viewed online at <https://www.creditoagricola.pt/-/media/c88064b3bb5149608bdc501b086b27b8.pdf>);
- (2) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2019, which can be found on pages 125 – 143 and pages 147 – 324 of the Group's 2019 Annual Report (which can be viewed online at <https://www.creditoagricola.pt/-/media/25d952c0279e468aafb3cc433567ea2.pdf>); and
- (3) the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2021 (which can be viewed online at <https://www.creditoagricola.pt/-/media/2e2cf3b864e34400a1336a5aa394a94d.pdf> and <https://www.creditoagricola.pt/-/media/99d98381b3794d1bb9a653f876e72318.pdf>).

Copies of documents incorporated by reference in this Prospectus can be obtained, upon request and free of charge, from the registered office of the Issuer. Other than the documents referred to above, none of the contents of the Issuer's website, any websites referred to in this Prospectus nor any website directly or indirectly linked to these websites form part of this Prospectus.

Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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## OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

*The following overview provides an overview of certain of the principal features of the Notes and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in "Terms and Conditions of the Notes" have the same respective meanings when used in this overview. References to numbered Conditions are to the terms and conditions of the Notes (the "Conditions") as set out under "Terms and Conditions of the Notes".*

|                                |  |
|--------------------------------|--|
| <b>Issuer</b>                  | Caixa Central - Caixa Central de Crédito Agrícola Mútuo, C.R.L.  |
| <b>Legal Entity Identifier</b> | 529900H2MBEC07BLTB26   |
| <b>Principal Paying Agent</b>  | Deutsche Bank AG, London Branch  |
| <b>Agent Bank</b>              | Deutsche Bank AG, London Branch  |
| <b>Portuguese Paying Agent</b> | Deutsche Bank Aktiengesellschaft – Sucursal em Portugal  |
| <b>Notes</b>                   | €300,000,000 2.50 per cent. Fixed/Floating Rate Callable Senior Preferred Notes due 2026.  |
| <b>Risk factors</b>            | There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes and the Instrument. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. See " <i>Risk Factors</i> ".  |
| <b>Status of the Notes</b>     | The Notes constitute direct, unsecured, unsubordinated and unguaranteed obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves.  |
| <b>Rights on a Winding-Up</b>  | The rights and claims of Holders in the event of a Winding-Up of the Issuer in respect of, or arising under, the Notes shall rank <i>pari passu</i> among themselves and with any other Senior Higher Priority Liabilities and senior to (i) Senior Non Preferred Liabilities and (ii) all present and future subordinated obligations and all classes of share capital of the Issuer.   |
| <b>Interest</b>                | <p>The Notes will bear interest on their principal amount:</p> <ul style="list-style-type: none"> <li>(a) from (and including) the Issue Date to (but excluding) the Call Date, at the rate of 2.50 per cent. per annum; and</li> <li>(b) thereafter, at the Floating Interest Rate (as described in Condition 4(d) (<i>Floating Interest Rate</i>)),</li> </ul> <p>payable annually in arrear on each Interest Payment Date during the Initial Fixed Rate Interest Period and thereafter interest shall be payable quarterly in arrear on each Interest Payment Date.</p> |
| <b>Maturity</b>                | Unless previously redeemed or purchased and cancelled, the Notes will mature on the Interest Payment Date falling on, or nearest to, 5 November 2026.  |



|   |  |
|---|--|
| <b>Optional redemption</b>  | The Issuer may, in its sole discretion but subject to the conditions set out under " <i>Conditions to redemption, substitution or variation, and purchase</i> " below, redeem all (but not some only) of the Notes on the Call Date at their principal amount together with any interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date.   |
| <b>Redemption following a Loss Absorption Disqualification Event or a Tax Event</b> | The Issuer may, in its sole discretion but subject to the conditions set out under " <i>Conditions to redemption, substitution or variation, and purchase</i> " below, redeem all (but not some only) of the Notes at any time following the occurrence of a Loss Absorption Disqualification Event or a Tax Event, in each case which has occurred and is continuing, and in each case, at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date.  |
| <b>Substitution or Variation of the Notes</b>                                       | If a Tax Event or a Loss Absorption Disqualification Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 14(d) ( <i>Acknowledgement of Statutory Loss Absorption Powers</i> ), the Issuer may, subject to the conditions set out under " <i>Conditions to redemption, substitution or variation, and purchase</i> " below and upon notice to Holders (but without any consent of Holders), at any time elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Loss Absorption Compliant Notes. |
| <b>Purchase of the Notes</b>  | The Issuer may, at its option but subject to the conditions set out under " <i>Conditions to redemption, substitution or variation, and purchase</i> " below, purchase (or otherwise acquire) any of the outstanding Notes at any price in the open market or otherwise in accordance with the then prevailing Loss Absorption Regulations. All Notes purchased by or on behalf of the Issuer may be held, reissued, resold or, at the option of the Issuer, cancelled in accordance with the applicable regulations of Interbolsa.  |
| <b>Conditions to redemption, substitution or variation, and purchase</b>            | Any redemption or purchase of the Notes prior to their maturity or any substitution or variation of the Notes will be subject to: (i) the Issuer obtaining prior Regulatory Permission, if applicable, and (ii) in the case of any substitution or variation, such substitution or variation being permitted by, and conducted in accordance with, any other applicable requirement of the Relevant Regulator or under the Loss Absorption Regulations at such time.   |
| <b>Withholding tax and Additional Amounts</b>                                       | All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount) the Issuer will (subject to certain customary exceptions as described in the Terms and Conditions) pay such Additional Amounts as may                             |

be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction.

In no event will the Issuer be required to pay any Additional Amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to Sections 1471 through 1474 of the US Internal Revenue Code of 1986 and any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.

**Default**

If the Issuer has not made payment of any amount in respect of the Notes for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Notes and, unless proceedings for a Winding-Up have already commenced, a Holder may institute proceedings for a winding-up. Holders may prove and/or claim in any Winding-Up of the Issuer and shall have such claim as is set out in Condition 3(a) (*Winding-Up*).

If a Winding-Up occurs, then any Holder may give notice to the Issuer and to the Principal Paying Agent at their respective registered offices, effective upon the date of receipt thereof by the Issuer, that the Notes held by such Holder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable together with accrued interest and any Additional Amounts thereon.

See Condition 7(a) (*Default*) for further information.

**Enforcement**

Without prejudice and subject to Condition 7(a) (*Default*), a Holder may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Instrument, the Agency Agreement or the Notes (other than any payment obligation of the Issuer under or arising from the Instrument, the Agency Agreement or the Notes, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations) **provided that** in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to the Conditions, the Instrument and the Agency Agreement.

See Condition 7(b) (*Enforcement*) for further information.

**Modification**

The Instrument will contain provisions for convening meetings of Holders to consider any matter affecting their interests, pursuant to which defined majorities of the Holders may consent to the modification or abrogation of any of the Conditions, and any such modification or abrogation shall be binding on all Holders.

See Condition 10 (*Meetings of Holders, Modification and Waiver*) for further information.

|  |  |
|--|--|
| <b>Acknowledgement of Statutory Loss Absorption Powers</b> | Each Holder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority. See Condition 14(d) ( <i>Acknowledgement of Statutory Loss Absorption Powers</i> ).   |
| <b>Form</b>  | The Notes will be issued in denominations of €100,000 and will be issued in dematerialised book-entry ( <i>forma escritural</i> ) and will be in registered ( <i>nominativas</i> ) form. The Notes will be registered with the CVM, a Portuguese Securities Centralised System managed and operated by Interbolsa.   |
| <b>Denomination</b>  | €100,000.  |
| <b>Clearing</b>  | The Notes will be cleared and settled through Interbolsa (and indirectly through Euroclear and Clearstream, Luxembourg). For a summary description of rules applicable to Notes, see section " <i>Form of the Notes</i> ".   |
| <b>Rating</b>  | The Notes are expected to be rated Ba2 on issue by Moody's Investors Service España, S.A. (Sociedad Unipersonal). A security rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Prospectus, and other factors that may affect the value of the Notes.   |
| <b>Listing</b>   | Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Market with effect from the Issue Date.   |
| <b>Governing law</b>                                       | <p>The Notes, the Agency Agreement and the Instrument and any non-contractual obligations arising out of or in connection with the Notes or the Instrument will be governed by, and construed in accordance with, English law, save that the provisions of (i) Condition 1 (<i>Form, Denomination, Title and Transfer</i>) relating to the form (<i>representação formal</i>) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes and (ii) Condition 14(d) (<i>Acknowledgement of Statutory Loss Absorption Powers</i>) are governed by, and shall be construed in accordance with, the laws of Portugal.</p> <p><b>The Conditions allow the Issuer, in certain circumstances, to vary the terms of, or substitute, the Notes. See "<i>Risk Factors—Risks relating to the Notes—The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Holders in certain circumstances</i>".</b></p> |

**ISIN**

PTCCCAOM0000

**Common Code**

240532310

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks, most of which 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.*

*Prior to investing in the Notes, prospective investors should carefully consider the risk factors associated with any investment in the Notes, the Issuer and the financial services industry in Portugal in general, together with all the other information contained, and incorporated, in this document. This section describes the risk factors which are considered by the Issuer to be material to the Issuer and an investment in the Notes. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks and uncertainties which are currently not known to the Issuer or which it currently does not consider to be material. Should any of the risks described below, or any other risks or uncertainties, occur this could have a material adverse effect on the Issuer's business, results of operation, financial condition or prospects which in turn would be likely to cause the price of the Notes to decline and, as a result, an investor in the Notes could lose some or all of its investment. In addition, many of these factors are correlated and may require changes to the Issuer's capital requirements, and events described therein could therefore have a compounding adverse effect on the Issuer.*

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

*Prospective investors should also read the detailed information set out, and incorporated, elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **1. RISKS RELATING TO THE ISSUER**

#### **A. Risks relating to the economic and financial environment**

##### **The Group is exposed to the adverse consequences of the ongoing COVID-19 pandemic**

A widespread pandemic of the severe respiratory syndrome coronavirus 2 (SARS-CoV-2) and of the infectious disease COVID-19, caused by the virus, is currently taking place worldwide, affecting a large portion of the global population.

The impact of COVID-19 on global markets has been wide-ranging, with increasing short-term volatility and a contraction in activity in the main economies worldwide. The pandemic has caused various countries, including Portugal, to declare states of emergency and to adopt different restrictive measures (including constitutional exception measures), such as the imposition of travel restrictions, the establishment of quarantines and the temporary shutdown of various institutions and businesses. Although the full implications of the COVID-19 outbreak cannot be entirely determined yet, the pandemic has had a material adverse impact on the Portuguese economy and on the Portuguese market.

Portugal's gross domestic product ("GDP") registered a year-on-year rate of change of 15.5 per cent. in the second quarter of 2021 (-5.3 per cent. in the previous quarter). Compared to the first quarter of 2021, GDP increased by 4.9 per cent. in volume, more than offsetting the negative rate of change (-3.2 per cent.) observed in the previous quarter (*Source: INE, Quarterly National Accounts, Second Quarter 2021, 31 August 2021*). The gradual lifting of containment measures as a result of progression made in the rolling out of vaccination programmes and other relative pandemic controls is likely to result in the recovery of economic activity during 2021 and onwards. The Bank of Portugal foresees GDP growth of approximately 4.8 per cent. in 2021 (*Source: Bank of Portugal, Economic Bulletin, October 2021*) and 5.6 per cent. in 2022 (*Source: Bank of Portugal, Economic Bulletin, June 2021*).

Progress in the rolling out of vaccination programmes, aggressive fiscal and monetary policy stimuli and the gradual lifting of restrictions on economic activity is also expected to support growth in other economies. The International Monetary Fund (the "IMF") expects the global economy to grow by 6 per cent. in 2021 and 4.9 per cent. in 2022, after a 3.3 per cent. contraction in 2020. For the euro area, the IMF foresees GDP growth of approximately 4.6 per cent. in 2021 and 4.3 per cent. in 2022 (*Source: IMF, World Economic Outlook Update July 2021*). However, this scenario is still uncertain and there is a possibility that mutations and new variants of SARS-

Cov-2 might be resistant to current or future vaccines and lead to increases in new cases and delays in the resurgence of the main economies worldwide. Additionally, the deterioration of the Portuguese economy's productive capacity could be more permanent, particularly in sectors associated with tourism and hospitality, which have been more adversely affected by the pandemic and related lockdown measures.

Several financial institutions worldwide, including the Issuer, have taken unprecedented measures. The Issuer has activated its business continuity plan for a pandemic risk scenario, adjusting its IT infrastructure and procedures to have the vast majority of its employees work remotely with reduced impact on process effectiveness. The Issuer adopted all government recommendations for transmission prevention mechanisms and procedures whenever physical presence was inevitable (specifically for customer service on the branch network but also for some operational support areas), such as installation of physical barriers, regular disinfection protocols, central services building and branch occupation reduction, and adoption of team rotation and/or separation procedures for all critical services. A crisis management team was activated, with regular participation of all board members, monitoring the implementation of all required measures and the potential impacts on any critical services. Nevertheless, an outbreak of a new variant of the virus amongst the Issuer's employees or within its facilities, or, to some extent, any quarantines affecting the Issuer's employees, may reduce the Issuer's personnel's ability to carry out their work as usual.

Furthermore, the current COVID-19 pandemic and any potential future outbreaks may also have a material adverse effect on the Issuer's counterparties and/or clients, which could result in increased default risk in the performance of the obligations assumed by them and ultimately exposing the Issuer to an increased number of defaults and insolvencies amongst its counterparties and/or clients.

On 2 April 2020, the European Banking Authority ("**EBA**") issued guidelines (EBA/GL/2020/02) on public and private payment moratoria on loan repayments applied before 30 June 2020, aiming to clarify the following points in the context of the COVID-19 pandemic: (i) the criteria that payment moratoria have to fulfil not to trigger forbearance classification, (ii) the application of the prudential requirements in the context of these moratoria and (iii) ensuring the consistent treatment of such measures in the calculation of own funds requirements. In this context, these guidelines clarify that payment moratoria do not trigger classification as forbearance or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions. In addition, the guidelines recall that institutions must continue to adequately identify those situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the existing regulation. The requirements for identification of forbore exposures and defaulted obligors remain in place. The application of the guidelines was since extended to 30 September 2020 and, on 21 September 2020, the EBA announced it would phase out its applicability in accordance with the end of September deadline. On 2 December 2020, the EBA announced that it was re-activating its guidelines on moratoria by introducing a new deadline for the application of moratoria of 31 March 2021. The regulatory treatment set out in the guidelines will continue to apply to all payment holidays granted under eligible payment moratoria prior to 1 April 2021, thus avoiding cliff effect risks of having to reclassify existing loans abruptly at a later stage.

Measures implemented by the Portuguese Government in the context of the COVID-19 pandemic may adversely affect the Group's activity. Amongst the measures already adopted by the Portuguese Government which can have an impact on the Issuer is a moratorium on loan payments (capital and/or interest). See the subsection "*Temporary framework relating to COVID-19 in Portugal – Relief measures regarding asset quality deterioration and non-performing loans*" of this risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the ongoing COVID-19 pandemic*" below for further information.

Further measures implemented by the Portuguese Government or adopted by the Issuer at its own initiative in order to mitigate the impact of the ongoing outbreak may affect the Issuer and it is not possible at this stage to assess all the specific measures that will be implemented to contain the effects of the COVID-19 pandemic going forward.

The COVID-19 pandemic, and any potential future outbreaks, may also have an adverse impact on the real estate market, including a decrease in the value of real estate assets, which could negatively affect the Issuer's pool of real estate assets. Temporary measures to curb the ongoing pandemic in Portugal include a temporary suspension of foreclosures of mortgages over real estate property used for permanent residence.

Any of these factors may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects, therefore affecting the Issuer's ability to make payments under the Notes.

#### **The UK's departure from the EU could adversely affect the Issuer**

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

Given the current uncertainties and the range of possible outcomes, no assurance can be given in relation to the possible impact of any of the matters described above. Neither can there be any assurance that such matters would not adversely affect the Issuer and/or its ability to satisfy its obligations, including under the Notes.

#### **Temporary framework relating to COVID-19 in Portugal**

##### *Changes in Portuguese legislation regarding banking commissions*

Decree-Law No. 10-H/2020 of 26 March 2020, established exceptional and temporary measures, in place until 30 June 2020, to promote the acceptance of card-based payments in the context of the COVID-19 pandemic. It established: (i) the suspension of the collection of the fixed component of any commission for card payment transactions at automatic payment terminals; (ii) the prohibition of payment service providers from making increases in the variable components of fees per transaction, as well as other fixed fees which are due for the use of automatic payment terminals in card payment transactions; and (iii) the prohibition of payment service providers from including in their pricing the possibility to charge new fixed or variable fees relating to the acceptance of card payment transactions made at automatic payment terminals. Law No. 7/2020, of 10 April 2020, as amended, established exceptional and temporary measures in the context of the COVID-19 pandemic, including the suspension, under certain circumstances, of the commission charged in payments made through digital platforms until 30 June 2021.

Apart from the temporary framework relating to the COVID-19 pandemic, other laws published, notably Law No. 44/2020 of 19 August, Law No. 53/2020 of 26 August and Law No. 57/2020 of 28 August 2020, introducing limitations in relation to the charging of banking commissions in regard to certain banking operations and other laws may be further implemented in order to limit or suspend other type of commissions.

Further limitations or reductions of commissions charged by banks in Portugal may adversely affect the business and performance of the Issuer.

##### *Relief measures regarding asset quality deterioration and non-performing loans*

In March 2020, in the context of the COVID-19 pandemic, the Bank of Portugal relaxed some of the macroprudential measures for consumer credit. The Bank of Portugal decided that personal credit with maturities of up to two years and duly identified as intended to mitigate households' temporary liquidity shortage situations would no longer have to comply with a debt service-to-income ratio limit and would also be exempted from observing the recommendation of regular

principal and interest payments. This measure was applied to new personal credit granted from 1 April 2020 until September 2020.

Amongst the COVID-19 measures adopted by the Portuguese Government which can have an impact on the Issuer is a moratorium on loan payments, implemented by Decree-Law No. 10-J/2020, of 26 March (last amended by Law 50/2021 of 30 July), initially set up until 30 September 2020 and which has since been subject to several consecutive amendments and extensions, first until 31 March 2021, secondly until 30 September 2021 and recently, subject to certain conditions, until 31 December 2021.

The moratorium has been made available for individuals (in particular, borrowers and entrepreneurs (*empresários em nome individual*)) and companies (except for companies in the financial sector, besides certain third sector entities who can also adhere), depending on the fulfilment of certain conditions. The moratorium does not provide for a cancellation or a pardon of any amounts in the affected loans. Decree-Law No. 10-J/2020 of 26 March, as amended, also foresees the granting of guarantees by the Portuguese State, including to non-financial corporate entities, subject to certain conditions. For more details, please see the subsection "*Temporary framework relating to COVID-19 in Portugal – Moratoria on loan repayments*" of this risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the ongoing COVID-19 pandemic*".

On 16 April 2020, following the issue by the EBA of guidelines EBA/GL/2020/02, members of the Portuguese Banking Association (*Associação Portuguesa de Bancos*) (including the Issuer, on its own behalf and on behalf of the SICAM) signed a protocol setting the basis for two types of private moratoria, both of which are for individuals who may be residents or non-residents in Portugal. One covered non-mortgage loans (i.e. personal or car loans) and the other mortgage loans. The deadline for the latter has expired on 31 March 2021, whereas the non-mortgage loan moratorium had a maximum extension period of 12 months as of the date of adherence, but in no event after 30 June 2021.

In this context, the European Central Bank ("ECB") decided to temporarily exercise flexibility in the classification requirements and expectations on loss provisioning for non-performing loans ("NPLs") that are covered by public guarantees and COVID-19 related public moratoria.

In particular, and on a temporary basis, supervisors will exercise flexibility regarding: (i) the classification of debtors as "unlikely to pay" when banks call on public guarantees granted in the context of coronavirus and (ii) loans under COVID-19 related public moratoria. Furthermore, loans which become non-performing and are under public guarantees will benefit from preferential prudential treatment in terms of supervisory expectations about loss provisioning. Lastly, when discussing with banks the implementation of NPL reduction strategies, the extraordinary nature of current market conditions will be taken into account.

In addition, excessive volatility of loan loss provisioning should be addressed to avoid excessive procyclicality of regulatory capital and published financial statements. Within its prudential remit, the ECB recommended that all banks avoid procyclical assumptions in their models to determine provisions and for banks to opt for the IFRS 9 transitional rules.

The implementation of these legal initiatives or other similar/broader initiatives that may arise in the future, and which content is unknown, may impact the Issuer's business, financial condition, net income, capital and prospects.

#### *Moratoria on loan repayments*

Decree-Law No. 10-J/2020 of 26 March 2020, as amended, establishes extraordinary measures for debt protection in the context of the COVID-19 pandemic, to which a range of borrowers may adhere. Moratoria measures include: (i) prohibition of revocation of contracted credit lines and granted loans; (ii) extension of contracts with capital payment at the end of the contract; (iii) suspension of payments in respect of claims which are to be repaid in instalments or in respect of other instalments (and adjustment of the instalments calendar accordingly); and (iv) suspension of interest due during the extension period which will be capitalised into the value of the loan. Following the approval of Decree-Law No. 78-A/2020 of 29 September, the moratorium was



extended until 30 September 2021. However, as of 1 April 2021, except for mortgage loans, consumer credit and for beneficiaries operating in sectors which were particularly affected by the COVID-19 pandemic, this only applies to suspension of capital payments which would otherwise become due. Those entities from sectors that were more heavily affected by the COVID-19 pandemic, which are identified in Decree-Law No. 10-J/2020 of 26 March, could benefit from an extension of the maturity of their loans until 30 September 2021.

Interested entities were able to request access to the moratorium until 30 September 2020 (following the approval of Decree-Law 26/2020 of 16 June and Law 27-A/2020 of 24 July) and again between 1 January 2021 and 31 March 2021 (following the approval of Decree-Law No. 107/2020 of 31 December), with the entities adhering in the latter period benefiting from a maximum moratorium period of 9 months as of their adherence, even if that such period extends beyond 30 September 2021.

More recently, on 30 July 2021, Law No. 50/2021 was published, introducing new amendments to Decree-Law No. 10-J/2020, of 26 March, which establishes the new rules applicable to the public moratorium regime. The new amendment extends the period of validity of the public moratorium until 31 December 2021, beyond the 30 September 2021 deadline resulting from Decree-Law No. 78-A/2020 of 29 September in respect, exclusively, of principal amounts (i.e., excluding interest amounts) to certain entities (i.e. entities benefiting from the public moratorium until 30 September 2021, under prior extensions of the legal regime, and which are counterparties in (i) mortgage credit for individuals and leasing of real estate for residential purposes, (ii) consumer credit with the purpose of education for individuals or (iii) credits contracted by entities whose main activity is covered by a certain economic activity classification codes (CAE) (cultural sector, restaurants, transport, accommodation, etc.). Eligible entities may request to benefit from this new extension, which is, however, subject to the re-activation of the regulatory and supervisory framework established by the EBA guidelines of 2 April 2020 on payment moratoria, EBA/GL/2020/02, the Portuguese Government being responsible to implement any measures required to adapt the national legislative framework with further EBA guidelines and their prudential treatment of the moratoria. However, following the approval of the aforementioned law, EBA has delivered its opinion, dated 24 June 2021, to the Portuguese Parliament, on whether it would support such envisaged extension of loan moratoria, and it refused backing up any such extension on the grounds that its risks would outweigh any potential benefits for corporates and families. The effectiveness of the aforementioned law is thus largely hindered. As a consequence of the EBA's opinion, the moratorium will probably not be extended beyond 31 December 2021.

Some of the supervisory measures applied by the ECB to banks are temporary in nature (i.e. until further notice), creating further uncertainty. The ECB has acknowledged that it will monitor the situation and review this stance when the economic and financial distress related to COVID-19 fades. Similarly, the Bank of Portugal has highlighted the heightened uncertainty about the magnitude and duration of the outbreak.

The implementation of these legal initiatives or other similar/broader initiatives that may arise in the future, and the content of which is unknown, may impact the Issuer's business, financial condition, net income, capital and prospects (most notably after the end of moratoria when clients will be required to revert to usual payment of instalments and the prudential temporary framework for the Issuer will likely not apply).

### **Risks relating to the Portuguese economy**

As a financial group whose core business is banking (taking deposits and granting credit) operating predominantly in Portugal, the Group is dependent on the performance of the Portuguese economy. As at 30 June 2021, 31 December 2020 and 31 December 2019, 100 per cent. of the Group's consolidated net assets related to its business activities in Portugal. Consequently, the business of the Group is particularly exposed to macroeconomic conditions, which affect growth in the Portuguese market, which in turn are affected by both domestic and international economic and political events. Furthermore, because the Group has significant exposure to small business and small and medium-sized enterprise ("SME") lending, the performance of which is closely linked to both trends in the economy and export activity, the Group could be heavily affected by macroeconomic conditions in Portugal.

In 2011 the Economic Adjustment Programme (the "**Financial Assistance Programme**") was created by a memorandum of understanding on financial assistance with the IMF, the EC and the ECB to address deteriorating economic conditions in Portugal stemming from the global financial crisis of 2007/2008. The performance of the Portuguese economy between 2011 and 2014 was highly dependent on the implementation of the Financial Assistance Programme. The need to reduce the public deficit was addressed by the adoption of very restrictive budgetary policies, with negative impacts on economic activity in the near term.

Economic conditions in Portugal have since improved with the Portuguese economy performing strongly up until the end of February 2020. However, the economic situation changed dramatically in March 2020, when the COVID-19 pandemic hit. Authorities announced containment measures on 12 March 2020 and a state of emergency was declared on 18 March 2020, with further restrictions on mobility. The Portuguese Government implemented a comprehensive package of measures, addressing the immediate health policy challenges and implementing social distancing measures. The package also included measures to counter the negative economic impact of COVID-19, e.g. guarantee programmes for affected companies and income support measures. The economic and fiscal impact will depend on the duration and the magnitude of disruption at global and regional levels and the related policy response.

With the restrictions starting to ease in May 2020, economic activity gradually increased. GDP increased 13.4 per cent. quarter-on-quarter in the third quarter of 2020 and 0.2 per cent. quarter-on-quarter in the last quarter of 2020 (*Source: Statistics Portugal*). However, it remained well below the pre-pandemic level, particularly in sectors and businesses that were more exposed to the COVID-19 pandemic, such as airlines and hotels. In the first quarter of 2021, a new wave of the COVID-19 pandemic – which led to a new high in daily new cases of over 16,400 versus a previous peak of 7,500 (*Source: DGS, Ministry of Health*) – forced the imposition of new and stricter lockdown measures, which had a negative effect on economic activity. GDP fell 3.3 per cent. quarter-on-quarter in the first quarter of 2021, or 5.4 per cent. year-on-year (*Source: Statistics Portugal*). Eventually, these measures and the accelerating pace of the vaccination drive led to a significant decline in the daily number of new COVID-19 cases, which hovered around 500-600 by mid-June 2021 (*Source: DGS, Ministry of Health*). This allowed for an improvement in most indicators of economic activity, sustaining the expectation of an economic recovery. The Bank of Portugal expects annual GDP to grow by approximately 4.8 per cent. in 2021 (*Source: Bank of Portugal, Economic Bulletin, October 2021*) and 5.6 per cent. in 2022 (*Source: Bank of Portugal, Economic Bulletin, June 2021*).

Significant uncertainties over the short and medium term remain due to the large impact on foreign tourism. Further waves of infections due to virus mutations, leading to a reintroduction of more restrictive measures on activity and/or worsening of the health crisis in other European countries and worldwide, would weaken the recovery in 2021 and 2022. Such a scenario would exacerbate negative spill-overs to the labour market, banking sector and public finances.

The average annual unemployment rate rose from 6.6 per cent. in 2019 to 7.0 per cent. of the labour force in 2020. In June 2021, the monthly unemployment rate stood at 6.8 per cent. of the labour force (*Source: Statistics Portugal*). The relatively contained deterioration can be attributed to government short-term work schemes, such as the "temporary layoff" or the "support to the gradual recovery of activity", which helped offset the shock from the COVID-19 pandemic in the labour market. Many of the job cuts are likely to be temporary, but the expected slow recovery in tourism and related services is likely to have a negative impact on labour demand over a longer period. The average annual unemployment rate is therefore set to rise from 7.0 per cent. in 2020 to about 6.8 per cent. in 2021 (*Source: Bank of Portugal, Economic Bulletin, October 2021*) before improving to around 7.1 per cent. in 2022 (*Source: Bank of Portugal, Economic Bulletin, June 2021*).

The economic and social consequences of the COVID-19 pandemic caused a sizeable deterioration in the general government balance in 2020, reflecting the operation of the automatic stabilisers and the need for significant fiscal policy support. The general government balance fell from 0.1 per cent. to -5.7 per cent. of GDP in 2020 (*Source: Ministry of Finance, March 2021*), with the deterioration driven by increases in most expenditure items (particularly subsidies and social transfers), as well as decreases in current revenue reflecting a strong contraction in the relevant tax bases. Risks to the budgetary forecast are tilted to the downside, linked to uncertainties surrounding the country's epidemic evolution and the persistence of its economic and social effects, as well as

the surge in public contingent liabilities on top of non-negligible pre-existing levels partly related to potential further fiscal impacts of additional bank support measures. The public debt ratio reached 133.6 per cent. of GDP in 2020, up from 116.8 per cent. of GDP in 2019 and is expected to fall to 128.0 per cent. of GDP in 2021 (*Source: Ministry of Finance*). Independent of the COVID-19 measures, there were pressures on the expenditure side of the budget, in particular on compensation of employees, as well as on pension and healthcare spending. The path of public debt will be highly dependent on the pace of fiscal consolidation and the Portuguese Government's ability to introduce new measures that offset the rising costs of ageing.

For further details on the impacts of the COVID-19 pandemic see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the ongoing COVID-19 pandemic*".

With the economy expanding and credit agencies upgrading their rating of Portuguese sovereign debt, interest costs have declined after peaking at 17 per cent. at the beginning of 2012. Debt-servicing costs have also been reduced by the ongoing amortisation of bonds that were issued at higher interest rates during the financial crisis, as well as by the effect of the asset purchase programmes from the ECB. Under a scenario of stable interest rates, debt-servicing costs should decline, given there is still a pipeline of high-cost public debt that is scheduled to mature over the coming years. The approval of the EU Recovery Fund (Next Generation EU) by the European Council on 21 July 2020 has led to a visible reduction of the spread between peripheral economies' debt yields versus Germany. The EU Recovery Fund (Next Generation EU) is perceived as a key step towards deepening European fiscal integration and an important instrument to promote a more robust recovery of activity in Europe.

The Portuguese economy continues to be characterised by high levels of public and private debt, among other factors, and thus remains vulnerable to negative external shocks. A deterioration of investor sentiment associated with political, geopolitical and financial market uncertainty could increase volatility in global financial markets and have a negative impact on financing conditions. For example, the parliamentary elections in Portugal held at the beginning of October 2019 did not return a parliamentary majority of any of the parties and no coalition or agreement was reached between them. As there is no majority in terms of parliamentary support, the Portuguese Government could face increased difficulties in achieving structural fiscal consolidation, approving state budgets or implementing certain measures, which could lead to political instability in Portugal. Risks to the outlook thus include a tightening in financial conditions, particularly an increase in interest rates, potentially stemming from a lack of confidence in the power and efficiency of the European coordinated response to the COVID-19 crisis. The ECB announced a new Pandemic Emergency Purchase Programme ("**PEPP**"), which will have an overall envelope of €1,850 billion currently, and that could be increased. Purchases will be conducted until the first quarter of 2022 – and possibly extended – and will include all the asset categories eligible under the existing asset purchase programme ("**APP**"), aiming at eliminating any risks to the smooth transmission of its monetary policy in all jurisdictions of the euro area. The ECB will be flexible conducting these purchases, in order to ensure euro area banks can access central bank cash during the coronavirus pandemic. To qualify as collateral, the bonds must have been rated as investment grade on 7 April 2020 (by at least one rating agency recognised by the ECB). This new instrument should contribute to contain any significant increase of Portuguese bond yields, even if it would be downgraded to levels below investment grade. However, the ECB's monetary policy has come under scrutiny after the German Constitutional Court ruled that some aspects of the institution's earlier bond-buying program are not backed by EU treaties and needed to be fixed. Worries that more similar lawsuits could undermine the PEPP have fuelled unease and uncertainty in European sovereign debt markets, and its future intervention could become more conditioned.

The EC had underlined that the COVID-19 crisis risks leading to a further widening of economic divergences in the EU. While the COVID-19 pandemic is a symmetric shock, the impacts differ across EU member states, reflecting the severity of the pandemic and stringency of related containment measures, different exposures due e.g. to the size of the tourism sector, and the available space for discretionary fiscal policy responses. The EC emphasised the need for a strong European recovery plan, that can complement national action to compensate for the differences in the policy space among EU member states. The risk otherwise is that the crisis will lead to severe distortions within the single market of the EU and to entrenched economic, financial and social

divergences amongst EU member states that could ultimately threaten the stability of the Economic and Monetary Union.

Domestic risks also include potential economic and fiscal impacts of the ongoing adjustments in the banking sector in Portugal, given the potential impacts of the COVID-19 pandemic on the stock of non-performing exposures and on banks' profitability. The stock of NPLs has consistently declined (from a peak of 17.9 per cent. of total loans in June 2016 to 4.3 per cent. in the second quarter of 2021) (Source: Bank of Portugal, Portuguese Banking System Statistics, September 2021). However, the ratio of NPLs to total loan exposures is still relatively high, weighing on banks profitability. Policy measures aimed at smoothing a transition period could be announced, but the end of the loan moratoria in 2021, and the gradual retreat of policy support measures, could lead to a deterioration in credit quality, particularly in those sectors which are more exposed to the effects of the COVID-19 pandemic and that are lagging in the recovery (mainly tourism and hospitality).

Concerns relating to macroeconomic conditions in Portugal, including regarding Portuguese public finances and political and social stability, have affected and may continue to affect the business and results of operations of financial institutions in Portugal, including the Issuer and other members of the Group. For example, difficulties in achieving further structural fiscal consolidation could prevent further improvements in economic conditions. These factors could impair the implementation of certain economic policies, and in turn, could affect the long-term growth potential of the Portuguese economy, thereby reducing the prospective profitability of the Issuer's business. All of these factors could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Portugal's fragile demographics (projected declining and ageing population) and low productivity growth exacerbate the growth challenges of the Portuguese economy. Low productivity growth would likely stifle the economy's growth potential, without further improvements in the efficiency of the public administration, judiciary, and the business environment, including with respect to barriers in services markets.

These concerns may result in, among other things, static or worsening economic conditions in Portugal, lower market values for Portuguese sovereign debt, limited liquidity in the Portuguese banking system, decreased demand for banking products, increased competition for, and thus cost of, customer deposits, limited credit extension to customers and a deterioration of credit quality. Macroeconomic conditions also adversely affect the behaviour and financial condition of the Group's customers given, for example, lower demand for credit or increased credit risk and defaults, and consequently impact the supply and demand for the products and services that the Group offers and therefore overall business volumes and profitability. In particular, and despite the economic progress since 2014, the high unemployment rates, the low profitability and the high level of indebtedness of many companies will likely continue to have a negative influence on the ability of the Group's customers to pay back loans, which, consequently, could cause an increase in overdue loans and in impairments related to loans and other financial assets. The support measures announced by the Portuguese Government in the context of the COVID-19 pandemic (mainly a sector-wide debt moratorium on interest and principal payments for at least six months), in addition to European-level support will underpin banks' asset quality in the short term and, to a lesser extent, revenue generation. However, a longer-than-expected crisis would threaten the banking sector's viability.

The macroeconomic factors described above, and their impact on the banking sector in Portugal, could have a material adverse effect on the business, financial condition and results of operations of the Group. For further details, see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – Portugal may be subject to rating downgrades*" below.

### **Risks relating to international economic and financial conditions**

The Group's businesses and performance are being and may continue to be negatively affected by current local and global economic conditions and adverse perceptions of those conditions and future economic prospects.

External risks include changes in the framework of the EU, or uncertainties or consequences arising from the UK's exit from the EU, including the possibility that other EU member states may seek to leave the EU in the future, or any other significant changes to the structure of the EU and/or European Monetary Union, as well as the increased shift in the focus of some national governments toward more protectionist or restrictive economic and trade policies, which in some cases have led to the imposition of trade tariffs.

Sustainable economic growth in the euro area continues to be a challenge in certain countries of the euro area, including Portugal. Slow economic growth or recession in major EU economies, the restructuring or default by an EU member state on its sovereign debt obligations or withdrawal from the Eurozone, could significantly increase volatility and uncertainty in financial and currency markets. Prolonged political instability in some European countries, rising populism and anti-integration movements in Europe could be reflected in a deterioration of market sentiment towards Portugal. It is not yet possible to determine the total impact that the UK's departure from the EU and/or any related matters may have on the Group. Furthermore, the departure of the UK from the EU may introduce significant new uncertainties and instability in financial markets, as well as political instability in Europe, and it may materially affect the economies of countries, including Portugal, which have political and economic ties with the UK.

A revaluation in asset prices and a market correction resulting from a rise in inflation and interest rate expectations could lead to lower confidence levels, negative wealth effects and a tightening in financing conditions. A trade war that results in a significant increase in policy barriers to trade between the EU and other large economies, such as the United States, could additionally deteriorate the outlook for activity, given the economy's increased reliance on the external sector. Similarly, turbulence that is transmitted across emerging markets could have a negative impact on the Portuguese business sector. For example, Brazil and Angola account for over 10 per cent. of the stock of Portugal's outward foreign direct investment. A weaker performance of the European economy could lead to a persistence of very low interest rates.

Adverse economic and market conditions pose various challenges and exert downward pressure on asset prices and on credit availability, increase funding costs, and impact credit recovery rates and the credit quality of the Group's businesses, customers and counterparties, including issuers of sovereign debt. In particular, the Group has significant exposure to customers and counterparties in the EU (particularly in Portugal) that would be affected by the restructuring of the terms, principal, interest or maturity of their borrowings.

Any significant deterioration in the global economy, including in the credit profiles of other EU member states or in the solvency of Portuguese or international banks, or other economic changes in the Eurozone could:

- negatively affect the capacity of Portugal to satisfy its financing needs;
- have a material adverse effect on the value of portfolios of sovereign debt securities of peripheral Eurozone countries;
- have a significant adverse effect on the Group's capacity to raise and/or generate capital and comply with minimum regulatory capital requirements;
- significantly restrict the Group's ability to obtain liquidity; and
- negatively affect the Group's capital position, its operational results and its financial condition.

#### **Portugal may be subject to rating downgrades**

Economic growth, the improvement in public accounts and the stabilisation of the banking sector led to upgrades in the Portuguese sovereign rating by Fitch in December 2017 (from BB+ to BBB), having from April 2020 a "stable" outlook. This rating and the stable outlook were reaffirmed in May 2021. Moody's also upgraded Portuguese sovereign long-term debt rating (from Ba1 to Baa3, stable outlook) in October 2018, having revised the outlook to "positive" in August 2019, and

confirmed it in April 2020. Moody's rating was upgraded in September 2021 from Baa3 to Baa2, maintaining a stable outlook. Similarly, S&P upgraded Portugal's rating from BBB- to BBB (stable outlook) in March 2019 with the outlook revised to "positive" in September 2019 and revised again to "stable" in April 2020. The rating and outlook from S&P were reaffirmed in September 2020. In October 2019, DBRS upgraded Portugal's sovereign long-term rating to BBB (high) after having upgraded it from BBB- to BBB in April 2018, and having the current "stable" outlook been affirmed in March 2020. DBRS reaffirmed its rating and outlook in August 2021. With these ratings, Portugal's sovereign debt is considered investment grade by all main rating agencies. In the context of the COVID-19 pandemic, Fitch and S&P both revised the outlook from "positive" to "stable" in April 2020. These actions reflect the significant impact of the global COVID-19 pandemic on the Portuguese economy and the sovereign's fiscal position. According to Fitch in a report dated 17 April 2020, the shock of the COVID-19 pandemic is likely to interrupt previous improving trends in economic growth, public debt-to-GDP, and resilience in the banking sector. Portugal's small and open economy, with its high dependence on tourism, is exposed to downside risks from the severity of the COVID-19 pandemic, particularly if any potential lockdowns in the country persist for a prolonged period.

However, rating agencies S&P, Moody's, Fitch and DBRS have in the past downgraded the long- and short-term ratings and outlook of Portugal on several occasions since 2010 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 Portugal's public debt. Portugal's small and open economy, with its high dependence on tourism, is exposed to downside risks from the severity of the COVID-19 pandemic, particularly if the country's lockdown persists for a prolonged period.

The ability to use Portuguese and other (notably Italian and Spanish) public debt as an asset eligible for collateral for financing with the ECB will depend on the maintenance of an "investment grade" rating by at least one rating agency recognised by the ECB. The non-eligibility for the ECB could have a material and negative impact on the market value, cost of funding and overall demand for Portuguese public debt.

A credit rating downgrade may occur in the future due to a number of factors, such as lower than expected tax revenue, weaker than expected economic growth, increased public debt as a percentage of GDP, slowdown in corporate sector deleveraging, failure to reduce general public debt, failure to increase GDP ratios, limited access to international financial markets or the failure of structural reforms. Any downgrade in the ratings of Portugal's sovereign debt or other negative statements regarding its credit ratings could negatively impact funding conditions for the Issuer, and, as a result, materially and adversely affect the Group's business, financial condition and results of operations.

## **B. Risks relating to the Issuer's business**

### **The Group is exposed to significant credit risk**

Credit risk, meaning, by definition, the risk that the Group's borrowers and other counterparties are unable to fulfil their payment obligations and that the collateral securing payments of these obligations is insufficient is the most important risk of the Issuer's activity in view of its legal nature and the particularities of the Group's business strategy. Adverse changes in the credit quality of the Group's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions or increased systemic risks in financial systems could affect the recovery and value of the Group's assets and require an increase in provisions for bad debts and other credit losses.

The following indicators characterised the Group's credit risk exposure as at 30 June 2021:

- the ratio of loans overdue greater than 90 days to gross loans (overdue loans > 90 days/Total Loans and advances portfolio (gross) to customers) was 1.8 per cent., compared to 2.0 per cent. as at 31 December 2020 and to 2.6 per cent. as at 31 December 2019, with a coverage ratio (the ratio of provisions to overdue loans > 90 days) of 186.2 per cent. (174.3 per cent. as at 31 December 2020 and to 146.9 per cent. as at 31 December 2019); and

- the ratio of non-performing loans ("**NPL ratio**") was 7.8 per cent., compared to 8.1 per cent. as at 31 December 2020 and to 9.2 per cent. as at December 2019, with a NPL coverage by NPL impairments non-performing impairment divided by non-performing loans of 33.6 per cent. (35.3 per cent. as at 31 December 2020 and 35.7 per cent. as at 31 December 2019).

The Group is exposed to many different counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is also significant. This exposure can arise through trading, lending, deposit taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks and investment banks. Many of these relationships expose the Group to credit risk in the event of default of a counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover. Many of the hedging and other risk management strategies used by the Group also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies, which could in turn have a material adverse effect on the Group's financial condition and results of operations.

Macroeconomic conditions have a significant influence on credit risk, as in an economic downturn more customers tend to fall into default. In the context of continued weak economic conditions and high levels of unemployment, loans to corporates and individuals and the value of assets collateralising the Group's loans remain under pressure. Failure by the Group to adequately manage its credit risk could materially and adversely affect the Group's financial condition and results of operations.

Moreover, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, the collateral and security provided to the Group may be insufficient to cover the exposure, for example, as a result of sudden market declines that reduce the value of the collateral. Accordingly, if a major client or other significant counterparty were to default on its obligations, it could have a material adverse effect on the Group's financial condition and results of operations.

Expectations about future credit losses may be incorrect for a variety of reasons. A prolonged decline in general economic conditions, particularly of those in Portugal, unanticipated political events, a lack of liquidity in the economy or a sharp increase in interest rates may result in losses which exceed the amount of the Group's provisions or the maximum probable losses envisaged by its risk management models.

As a result of the COVID-19 outbreak, economic activity worldwide and, with particular relevance for the Issuer, in Portugal, has been severely affected. Despite the fact that economic activity is expected to recover throughout 2021 and onwards, uncertainty remains as to the full impact of the COVID-19 pandemic on the Portuguese economy, including on business activity and unemployment, particularly in sectors associated with tourism and hospitality, which have been more adversely affected by the COVID-19 pandemic and related lockdown measures. The COVID-19 pandemic may have a material adverse effect on the ability of the Issuer's customers to fulfil their obligations, as well as on the value of the collateral securing their payment obligation, thereby increasing the Issuer's exposure to credit risk and cost of risk, especially on the industry sectors that are being most affected, such as tourism, restaurants, entertainment and others. The depth and duration of this economic crisis will largely depend on the ability to control the pandemic, either through an effective vaccine or treatment and the effectiveness of the measures taken by governments and monetary authorities. For further details on the impact of the COVID-19 pandemic, see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic*" above.

An increase in the Group's provisions for loan losses or any losses in excess of the provisions mentioned above could have a material adverse effect on the Group's financial condition and results of operations.

## Risks related to the cooperative nature of the Group

The Issuer forms part of Grupo Crédito Agrícola, a cooperative financial group composed of the Issuer, its Associated Caixas (each a local cooperative credit institution operating in a designated geographic area set according to applicable law) as well as its Affiliated Companies (certain life insurance, non-life insurance and asset management companies and ancillary service companies of the Group).

The Group is governed both by the provisions in the Legal Framework of Credit Institutions and Financial Companies enacted by Decree-Law no. 298/92, of 31 December, as amended ("**RGICSF**") and the provisions in its own legal regime, the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives, enacted by Decree-Law no. 24/91, of 11 January (the "**RJCAM**"). Under the terms of the RJCAM, the Issuer and its Associated Caixas is referred to, under the terms of the RJCAM, as the "Integrated System of Crédito Agrícola Mútuo" ("**SICAM**"), with the Issuer acting as the central body that, among other aspects, is empowered to guide, monitor, oversee and supervise its associates. The SICAM was incorporated in 1991 and allows the Associated Caixas with freedom of association to the Issuer. In case they do not choose to be associate members of the Issuer, caixas de crédito agrícola mútuo may pursue, under the rules of the RJCAM, separate businesses outside of the SICAM. The Associated Caixas hold the entirety of the share capital of the Issuer and, indirectly, hold the Affiliated Companies that are part of the Group.

In October 2020, the Bank of Portugal submitted for public consultation a preliminary draft of a legislative proposal for replacing the current RJCAM by a new regime, converging it, notably, with the CRR and 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 (as amended, the "**BRRD**").

### *SICAM's mutual solidarity scheme*

The cooperative and mutualist nature of SICAM and the Group is based on a mechanism of reciprocal solidarity. As provided for in Article 78 of the RJCAM, the Issuer fully guarantees the obligations assumed by the Associated Caixas (even if such obligations derive from facts occurred before such entities having become associates of the Issuer), under the terms of a personal guarantee ("*fiança*"), and, notably, without the benefit of prior execution ("*benefício da excussão*") (i.e., the Issuer may not oppose foreclosure of its assets for payment of guaranteed obligations, even if the assets of the relevant Associated Caixa have not yet been fully foreclosed).

In turn, under Article 80 of the RJCAM, the Issuer has the right to demand from its Associated Caixas, an increase of the Issuer's share capital up to an amount corresponding to the Issuer's then current share capital if it is in a situation of financial imbalance, translated, notably, in the reduction of own funds to a level below the legal minimum or in non-compliance with the ratios and prudential limits that apply to it.

Apart from the SICAM's solidarity system, the Group also has separate autonomous assets under the Crédito Agrícola Mútuo Assistance Fund ("**FACAM**"), which is constituted to provide financial assistance to the Associated Caixas and to ensure SICAM's solidity and sustainability at all times.

FACAM arises from the transformation into an association governed by private law of the formerly named Crédito Agrícola Mútuo Guarantee Fund ("**FGCAM**"), a legal person under public law, endowed with administrative and financial autonomy that, operating with the Bank of Portugal, provided a deposit guarantee to all of SICAM's depositor customers and, likewise, to the financial assistance of the credit institutions included therein. This transformation was determined by Decree-Law 106/2019 of 12 August, which entered into force on 1 January 2020, and was accomplished on 8 January 2021.

With the enforcement of the legislation mentioned above and the transformation of FGCAM into the current FACAM, the deposit guarantee of SICAM was henceforth provided by the Deposit Guarantee Fund ("**DGF**"), of which the Issuer and its Associated Caixas became stakeholders under the same circumstances of the other entities of the banking system. In turn, the assistance



sphere of the Credit Institutions included in SICAM was henceforth provided by FACAM, which is governed by its own Articles of Association and Internal Regulations.

The Issuer interprets the mutual solidarity scheme in a restrictive manner. Considering that the Issuer's guarantee of the Associated Caixas' obligations established under the terms of the RJCAM is specifically framed within the rules that regulate the operation of SICAM, which provide for the centralisation of the surplus liquidity of the Associated Caixas in the Issuer (Article 72 of the RJCAM) and for the obligation of the Issuer to ensure compliance with the solvency and liquidity rules of the SICAM and the Associated Caixas (Article 74(3) of RJCAM), the Issuer considers that Article 78 of the RJCAM applies only in situations of lack of solvency or insolvency of an Associated Caixa, and does not imply the existence of an open ended guarantee over all the activity and all and any pecuniary obligations of the Associated Caixas.

In the Issuer's understanding, this guarantee only covers obligations assumed, freely and voluntarily contracted by the Associated Caixas, notably the granting of credit and collection of deposits, and does not cover indemnities that an Associated Caixa has to pay, e.g. on the basis of extra-contractual civil liability or as a result of a fine. It is therefore a guarantee covering the liability of the Associated Caixas towards depositors/customers contracted in the course of their banking business, providing SICAM with the means to ensure the effectiveness of the common management of its liquidity and solvency, safeguarding its integrity and allowing it to come to the aid of its members who find themselves in difficulty, as, in the Issuer's views, this guarantee is intended to ensure that the depositors of the Associated Caixas have the protection of their deposits in the event that the respective depositaries are unable to repay them, namely as a result of their insolvency, in the part that is not guaranteed by the DGF.

The Issuer also considers that this guarantee cannot be directly invoked by creditors, since in a situation of normal operation of the Associated Caixas, they will have to fulfil their own obligations, in first instance. In the Issuer's view, the guarantee in question does not give creditors of the Associated Caixas an indiscriminate right to demand the performance of the Associated Caixas' obligations from the Issuer, but only the right to request the performance of the contractual obligations of the Associated Caixas as part of their banking activity in circumstances of lack of solvency or insolvency.

There is no assurance that the Issuer's interpretation of the SICAM's mutual solidarity scheme would be held in a court of law. In the event that a court decision does not hold this restrictive interpretation, the Issuer may be called to meet, as guarantor, the Associated Caixas' general obligations, in a wider context, which could have a material adverse effect on the Group's business, financial condition and results of operations.

#### **Changes in interest rates may adversely affect the Group's net interest margin and results of operations**

Interest rate risk reflects the probability of occurrence of negative impacts on profit or loss or capital, due to adverse movements in interest rates, as a result of mismatches of maturities or interest rate repricing periods (repricing), alterations of the slope of interest rate curves (curve risk), the lack of a perfect correlation between the rates received and paid in the different instruments (base risk) of the balance sheet, or the existence of embedded options in financial instruments of the balance sheet or off-balance sheet items (optional risk).

The Group is subject to interest rate risk. As is the case with other banks in Portugal, the Issuer and the Group are particularly exposed to differentials between the interest rates payable by it on deposits and the interest rates that it is able to charge on loans to customers, bond portfolio and other banks exposures. This exposure is increased by the fact that, in the Portuguese market, loans typically have floating interest rates, whereas the interest rates applicable to deposits are usually fixed for periods that may vary between three months and three years. Interest rates applicable to bonds on the Group portfolios are usually fixed for long periods that may go above 20 years. The Group manages the duration of the bond portfolio using derivatives such as interest rate swaps and futures, but significant differentials in the repricing profiles of the bond portfolio and of the Group's deposits remain open. Portuguese banks, including the Issuer, frequently experience difficulties in adjusting the interest rates that they pay for deposits in line with market interest rate changes. This

trend is reinforced by the current historically low interest rates that put pressure on the Issuer's interest margin, which is crucial for the Issuer's profitability.

Interest rates are sensitive to several factors that are out of the Group's control, including tax and monetary policies of governments and central banks, as well as domestic and international political conditions. Changes in market interest rates can affect the interest rates that the Group receives on its interest-earning assets in a different way when compared to the rates that the Group pays for its interest-bearing liabilities. This difference may reduce the net interest margin, which could have an adverse effect on the Group's results of operations. Changes of interest rate also constrain profit or loss by affecting not only net interest income, but also other items of operating income that are sensitive to interest rates. The latter includes, for example, the value of public debt securities subject to revaluation at market value. The underlying value of the assets, liabilities, off-balance sheet items, and consequently, equity, are likewise affected in view of the necessary review of the present value of the future cash flows generated by these components (and in many cases the review of the actual cash flows).

In response to the deterioration of activity caused by the COVID-19 pandemic, the central banks of leading economies intensified the expansionary stance of monetary policy in 2020. Among others, the ECB has improved the terms and conditions of the targeted longer-term refinancing operations (the "TLTRO III"), including the increase in the borrowing allowance and better financing conditions, -1 per cent. subject to compliance with a net lending condition, a bonus of -0.5 per cent. As at 30 June 2021, the Issuer had borrowed €3,031 million within the TLTRO III. The bonus introduced by the ECB in the interest rate of these operations is being deducted from the financing costs on a linear basis for accounting purposes, taking into account the Issuer's expectation of complying with the requirements of eligibility criteria defined by the ECB. For the period comprised between 24 June 2021 and 31 December 2021, if the Issuer is unable to comply with said targets, its net interest margin will be adversely affected.

In addition, various factors could require the Group to lower the rates that it charges on loans or to increase the rates that it pays on deposits, including reputational risks, changing demand for fixed-rate and floating-rate loans, increased inflation, and changes in the EURIBOR interest rate, changes on international interbank markets or increased competition. Any of the factors described may reduce the rate that the Group may charge on loans and other interest earning assets and, to the extent that the Group is unable to achieve corresponding reductions in the rates it pays on deposits and other interest-bearing liabilities, including if the Group's monitoring procedures are unable to manage adequately interest rate risk, could negatively impact the Group's net interest margin as well as the Group's net interest income. Lower rates and reduced margins may also result from changes in the composition of the Group's loan portfolio, such as increases in the proportion of lower-rate loan products, or a preference from depositors for savings and term accounts which usually pay a higher interest rate than on-site deposits which bear low or no interest rate.

A rise in interest rates could reduce customer demand for credit, which in turn could reduce the Group's ability to originate credit for its customers, as well as contribute to an increase in the default rate of its customers. Conversely, a reduction in the level of interest rates may adversely affect the Group through, among other things, a lower interest margin, a decrease in demand for deposits and an increase in competition in deposit taking and lending to customers. As a result of these factors, significant changes or volatility in interest rates could have a material adverse impact on the business, financial condition or results of operations of the Group.

**The Group is subject to liquidity risk, including that arising from its dependence on customer deposits as a principal source of funding**

Liquidity risk arises from the present or future inability to draw on the cash balances required, at any given time, to comply with its financial obligations liabilities as they become due, taking into consideration the existing capacity to manage a settlement of assets under reasonable conditions in terms of price and period of time. The Issuer, principally by virtue of its business of providing long-term loans and receiving short-term deposits, is subject to liquidity risk.

The ongoing availability of customer deposits to fund the Group business is subject to a variety of factors, such as depositors' concerns relating to the Portuguese economy in general, the financial services industry or the Group specifically, economic conditions in Portugal impacting the

availability of funds for deposits, the availability and extent of deposit guarantees and the existence of alternative and competitive savings products. Customer deposits, consisting of repayable on demand deposits, time deposits and savings accounts are the principal source of funding for the Group, and accounted for 80.0 per cent., 79.1 per cent. and 86.0 per cent. of total liabilities as at 30 June 2021, 31 December 2020 and 31 December 2019 respectively.

If the Group's depositors withdraw their funds at a rate faster than borrowers repay their loans, or if the Group is unable to obtain the necessary liquidity by other means, the Group may be unable to maintain its current levels of liquidity. If additional liquidity were needed, the Group might be required to obtain additional funding at, inter *alia*, significantly higher funding costs, liquidate certain of its assets or increase its central bank funding through monetary policy operations of the ECB.

The Issuer may experience pressure on its customer deposits. Unusually high levels of withdrawals could result in the Issuer or another member of the Group not being in a position to continue operations without additional funding support, which may be more costly or ultimately unavailable to the Issuer.

The Group's inability to attract customer deposits may impact the Group's ability to fund its operations and meet its minimum liquidity requirements and have a material adverse effect on its business, financial condition or results of operations.

The Group's liquidity could also be impaired by other limitations on its ability to raise liquidity when required, such as an inability to access wholesale funding, an inability to sell assets or redeem its investments, or to do so at an acceptable value, and other unexpected outflows of cash or collateral deterioration. These situations may arise due to factors such as a deterioration of risk perception of the Group or to circumstances that the Group is unable to control, such as continued general market disruption, loss of confidence in financial markets, uncertainty and speculation regarding the solvency of market participants, credit rating downgrades or operational problems that affect third parties. As a result of the COVID-19 pandemic, financial markets experienced extreme volatility and have then recovered following monetary and fiscal policy stimulus worldwide. As the evolution of the pandemic and its impact on the world economy remains unclear, including the impact of withdrawal of the monetary and fiscal stimulus and/or its effects on the real economy, financial markets may remain unstable in the near future. For further details on the impact of the COVID-19 pandemic, see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic*" above.

A perception among market participants that a financial institution is experiencing constrained liquidity risk can adversely impact the institution. Circumstances in which the Group could find its liquidity further impaired include the following:

- Increased difficulty in selling the Group's assets, particularly if other participants in distressed situations are seeking to sell similar assets or because the market value of assets, including financial instruments underlying derivative transactions, has become difficult to ascertain, which has occurred in the past and may occur again.
- Financial institutions with which the Group interacts may exercise set-off rights or the right to require additional collateral.
- Customers with whom the Group has outstanding but undrawn lending commitments may draw down an amount on these credit lines that is higher than the Group is anticipating.
- In a stress scenario, the Group's liquidity position may rely on its ability to raise funds on open market operations with the ECB. If the ECB were to suspend or materially change the terms under which it provides such funding, and if no similar source of financing were to exist in the market, this could severely impede the Group's ability to manage a period of liquidity stress. For further details, see the risk factor entitled "*The Group utilises on the ECB for access to funding, which is subject to certain conditions and risks*".

- An increase in interest rates and/or credit spreads, including as a result of concerns relating to the Group, such as the need to raise additional capital, as well as any restriction on the availability of funding, including, but not limited to, inter-bank funding, could impact the Group's ability to borrow on a secured or unsecured basis, which may have a material adverse effect on the Group's liquidity and results of operations.

Any or all of these events could cause the Group to curtail its business activities and could increase its cost of funding, both of which could have a material adverse effect on the Group's business and results of operations.

The Group is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be suitable to eliminate liquidity risk.

As at 30 June 2021, the liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") stood at 380 per cent. and 164 per cent., respectively (433.5 per cent. and 150 per cent. as at 31 December 2020 and 470.8 per cent. and 157 per cent. as at 31 December 2019, respectively). There is no assurance that the Issuer will always be able to comply with these requirements, particularly in relation to the regulatory liquidity ratios LCR and NSFR, or any other requirements that may be introduced in the future.

#### **The Group is exposed to concentration risk, including concentration risk in its credit exposure**

The Group 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 10 largest loan exposures of the Group as at 30 June 2021 represented 6.1 per cent. of the total loan portfolio (6.6 per cent. as at 31 December 2020 and 5.6 per cent. as at December 2019) and the top 50 largest loan exposures as at 30 June 2021 represented 12.4 per cent. of the total loan portfolio (13.1 per cent. as at 31 December 2020 and 12.0 per cent. as at 31 December 2019).

The Group also has high sectoral concentration in its loan book. As at 30 June 2021, the composition of the portfolio of guarantees received to cover loans and advances to customers continued to show a reliance on real estate and financial collateral, which represented approximately 73.1 per cent. of the volume of credit. Other collateral represented 2.4 per cent and non-collateralised loans represented 24.5 per cent.

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 and 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 Group's business, financial condition, results of operations and prospects.

#### **The Group is exposed to fluctuations in the value of Portuguese real estate**

Real estate risk consists of loss derived from an unfavourable variation of the price of real estate assets stated in the balance sheet, in particular relative to properties acquired as repayment of own credit. Real estate risk represents a intrinsic risk of credit risk. The Group is exposed to fluctuations in the value of Portuguese real estate, both directly through assets related to its operations or obtained in lieu of payment, or indirectly, through real estate that secures loans or by financing real estate projects. A decrease in the value of Portuguese real estate market prices will decrease the value of the real estate assets held by the Issuer, directly or indirectly, as well as of the collateral provided with respect to such loans, thus adversely affecting the financial condition and results of the operations of the Group.

Pursuant to the General Framework for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), established by Decree-Law No. 298/92 of December 1992, as amended ("RGICSF"), banks are prevented, unless authorised by the Bank of Portugal, from acquiring real estate that is not essential to their daily operations or their corporate purpose. However, a bank may acquire real estate in the context of credit recovery and for repayment of its own credit, provided that such real estate is disposed of within two years from its

acquisition date. This two-year period may be extended by the Bank of Portugal. Despite the intention to sell real estate acquired in repayment of its own credit, the Group regularly requests the Bank of Portugal's authorisation, under article 114 of RGICSF, to extend the time period the Group has to hold foreclosed assets. However, there is no assurance that the Bank of Portugal will continue to grant such extensions, and any failure to do so could result in the Group being required to dispose of assets at a potentially significant discount in relation to their respective book values. Furthermore, any significant devaluation of Portuguese real estate market prices while these assets are held by the Group may result in impairment losses on such assets. As a result of any or all of these factors, the financial condition and results of operations of the Group could be adversely impacted.

As at 31 December 2020, the Group's gross exposure to real estate was of 1.9 per cent. of its gross assets (2.0 per cent. of its total assets) and, as at 30 June 2021, such exposure was of 1.7 per cent. (1.8 per cent. of total assets). Furthermore, as at 30 June 2021, 28.7 per cent. of the Group's loans and advances to customers consisted of mortgage loans (28.7 per cent. as at 31 December 2020 and as 31 December 2019), of which 10.1 per cent. were in moratorium. While the Group has experienced a relatively low level of defaults in these types of loans (with a NPL ratio of 3.1 per cent. in the "households of which loans collateralised by residential immovable property" segment) as at June 2021 and of 3.4 per cent. as at 31 December 2020, a decrease in house prices could negatively affect the recovery value of the loans and/or increase the Group's impairment charges or capital requirements, as they depend, among others, on the loan to value ratio.

The risk of a significant devaluation of Portuguese real estate prices has increased as a result of the economic crisis resulting from the COVID-19 pandemic, including, without limitation, through decrease in occupancy rates that have been reported in the tourism sector, a decrease in economic activity in general and a reduction in the market's ability to transact these assets. A decrease in the value of Portuguese real estate market prices will reduce the value of the real estate assets held by the Issuer, directly or indirectly, as well as of the collateral provided with respect to such loans, thus adversely affecting the financial condition and results of the operations of the Group. For further details on the impacts of the COVID-19 pandemic, see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic*".

**The Issuer may not manage risks associated with the replacement of benchmark indices effectively**

The Financial Stability Board has observed that the decline in interbank short-term unsecured funding poses structural risks for interest rate benchmarks that reference these markets. In response, regulators and central banks in various jurisdictions have convened national working groups to identify alternative replacement 'risk-free' rates ("**RFRs**") for these interbank offered rates ("**IBORs**") and, where appropriate, to make recommendations that would facilitate an orderly transition to these RFRs.

The expected discontinuation of certain key IBORs such as LIBOR, the adoption of RFRs by the market, and the development of RFR products by the Issuer, introduce a number of risks for the Issuer, its clients, and the financial services industry more widely. These include, but are not limited to:

- regulatory compliance, legal and conduct risk, arising from both the continued sale of products referencing IBORs, sales of products referencing RFRs and the transition of legacy contracts to alternative rates. There is a risk that the Issuer is unable to meet regulatory milestones associated with the discontinuance of sale of certain IBOR products, which may result in regulatory investigations or reviews being conducted into the Issuer's preparation and readiness for the replacement of IBORs with alternative reference rates. Additionally, if the Issuer's sales processes are not appropriately adapted to account for the additional complexity of new products, or new RFR market conventions, additional conduct risks and regulatory actions may result and there may be a heightened risk of disputes;
- legal risks associated with the enforceability of fall-back provisions in IBOR contracts. There is a risk that some contracts will not be transitioned before the relevant IBOR is

discontinued and the parties will need to rely on the "fall-back" provisions of those contracts. As these fall-back provisions do not always contemplate the permanent cessation of the relevant IBOR, there is a risk that the provisions may not work from a contractual, practical or financial perspective, potentially resulting in unintended outcomes for clients. This may lead to complaints, litigation and/or regulatory action. While legislative solutions have been proposed in the UK, U.S. and EU, market participants will need to consider the impact of any proposals ultimately adopted; and

- financial risks resulting from the discontinuation of IBORs and the development of RFR market liquidity will affect the Issuer throughout transition. The differences in IBOR and RFR interest rate levels will create a basis risk that the Issuer will need to actively manage through appropriate financial hedging. Basis risk in the trading book and in the banking book may arise out of the asymmetric adoption of RFRs across assets and liabilities and across currencies and products. In addition, this may limit the ability to hedge effectively.

If any of these risks materialise, it could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and customers.

#### **The Group utilises the ECB for access to funding, which is subject to certain conditions and risks**

In addition to deposits, the Group has made use of funding from the ECB. The ECB, which currently makes funding available to European banks that satisfy certain conditions, including pledging eligible collateral, was a major funding source for the majority of Portuguese banks during the financial crisis and the European sovereign debt crisis. The Group had €3,031 million as at both 30 June 2021 and 31 December 2020 and €945 million as at 31 December 2019 net exposure with the ECB.

The assets of the Group that are eligible as collateral for rediscount (liquidity facilities) with the ECB could be materially reduced in the future as a result of price devaluations or changes in ECB rules relating to collateral, including increases in haircuts following credit downgrades or the loss of eligibility of certain assets. Downgrades of the credit rating of Portugal or other European sovereigns or of Portuguese companies could result in an increase in haircuts applied to any eligible collateral or in the non-eligibility of such assets, thereby decreasing the total amount of the Group's eligible portfolio. The continuing eligibility of Portuguese, as well as any other eurozone sovereign, public debt as an eligible asset depends on the maintenance of an "investment grade" rating by at least one rating agency recognised by the ECB. A reduction of the pool of eligible assets and the increased difficulty in managing eligible assets to compensate for such loss of eligibility could have a negative impact on liquidity and the Issuer's ability to comply with liquidity regulatory ratios, requiring the Group to find alternative funding sources, which may have a negative impact on the Group's business, financial condition or results of operations. In addition, if the value of the Group's assets eligible as collateral for the ECB declines, the amount of funding the Group can obtain from the ECB will be correspondingly reduced.

Although the monetary policy followed by the ECB in past years has contributed to improving the liquidity conditions of European banks (most recently in response to the COVID-19 outbreak, the ECB has further improved financing conditions by reducing the interest rate on the TLTRO III and announced a package of collateral easing measures), if the ECB starts to remove the monetary stimulus faster than expected, this could have a material effect on the financial markets and the valuation of the Issuer's assets, including public debt portfolio. At 30 June 2021, the Group's portfolio of assets eligible as collateral for rediscounting operations with the ECB (net of haircut) totalled €6,900 million (€5,935 million at December 2020 and €4,951 million at 31 December 2019).

Any such changes in the conditions of funding from the ECB (or from the Bank of Portugal, as National Central Bank) or the value of the collateral pledged for such funding could ultimately

have a materially adverse effect on the Group's business, financial condition or results of operations.

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

Regulation (EU) No 575/2013, as amended (including as amended by the Capital Requirements Regulation II (Regulation (EU) 2019/876 (the "**CRR II**")) (the "**CRR**") requires that deferred tax assets ("**DTAs**") be deducted from Common Equity Tier 1 ("**CET1**") capital.

However, the CRR contains an exception for DTAs that are not contingent on future profitability, foreseeing that such DTAs are not deducted from CET1 capital. For such purposes, DTAs are deemed to not be contingent on future profitability when:

- (i) they are automatically and mandatorily replaced with a tax credit, in the event that the institution reports a loss when its annual financial statements are formally approved, or in the event of its liquidation or insolvency;
- (ii) the abovementioned tax credit may, under national tax law, be offset against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under tax law or any other undertaking subject to supervision on a consolidated basis; and
- (iii) where the amount of tax credits referred to in point b) above exceeds the tax liabilities referred to in that same point, any such excess is replaced with a direct claim on the central government of the member state in which the institution is incorporated.

The deduction of DTAs from CET1 capital would thus have an impact on credit institutions established in EU member states where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses.

In this regard, the Portuguese Government, through the Law No. 61/2014 of 26 August 2014 (as amended from time to time, "**Law No. 61/2014**"), enacted amendments to national tax law that allow for the conversion of DTAs into tax credits, with the aim of fulfilling the requirements for non-deductibility of DTAs from CET1 capital of resident credit institutions.

Law No. 61/2014 foresees that any DTAs arising from loan impairment losses and from post employment and long term employment benefits into tax credits. These DTAs accounted in taxable periods starting on or after 1 January 2015, or registered in the taxpayer's accounts in the last taxable period prior to that date, can be converted into tax credits when the taxpayer: (i) reports an annual accounting loss when the institution's annual financial statements are formally approved; or (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body.

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

Law No. 98/2019 of 4 September, established a new tax regime applicable to credit impairment losses accounted from 1 January 2019 onwards and introduced changes to the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014. Under the new regime, impairments losses for credit risk become generically deductible, provided that they relate to exposures (analysed on an individual or collective basis) resulting from the normal activity of credit and financial institutions, and they are recorded according to the accounting and regulatory standards applicable in the tax periods beginning on or after 1 January 2019. As regards to previously accounted impairment losses and yet not accepted for tax purposes, deductibility is generally limited to the amount corresponding to the application of the mandatory minimum limits set out in the notice of the Bank of Portugal No. 3/95 (in the wording in force prior to its revocation), without prejudice of the Special Regime of Deferred Tax Assets approved by Law No. 61/2014.

For the application of the new credit impairment tax regime, Law No. 98/2019 provides for a period of adaptation for credit institutions and other financial institutions. In the five tax periods beginning on or after 1 January 2019, the former regime still applies (observing the provisions of the Regulatory Decree No. 13/2018), becoming the application of the amended regime compulsory only in the period of taxation initiated from 1 January 2024, unless the option for the application of the new regime is communicated to the tax authority until the end of the 10th month of the current tax period, with effects in that tax period and in the following tax periods. The Issuer and almost all of the credit institutions of the Group have proceeded with the early adoption of the new credit impairment tax regime in 2019.

The Issuer has not adhered to the special regime applicable to DTAs approved by Law No. 61/2014 (neither any of the entities of the Group), which applies to DTAs related to the non-deduction, for corporate income tax purposes, of costs and negative equity changes recorded up to 31 December 2015 for impairment losses on loans and advances to customers and with employee post-employment or long-term benefits.

As at 30 June 2021, the Group held €79 million of Deferred tax assets in its accounts of which €6 million related to tax losses carried forward and €73 million related to temporary differences. None of these are protected under the Special Regime of Deferred Tax Assets approved by Law No. 61/2014. If DTAs are not recovered, this could have an adverse impact on the profitability and equity of the Issuer and the Group.

DTAs related to reported losses are deducted from regulatory capital, whereas DTAs related to temporary differences that depend on future profitability are partially deducted to capital (the portion that exceeds the thresholds of 10 per cent. and 15 per cent. of CET1) and partially weighed at 250 per cent. DTAs related to temporary differences protected by the Special Regime of Deferred Tax Assets approved are weighed at 100 per cent. Any future changes to the way in which the Portuguese tax regime operates could result in previously protected DTAs no longer being protected.

The estimation of DTAs requires the application of a complex set of judgements, considering the uncertainties regarding the future. Changes in the assumptions used in the estimation of future results or in the interpretation of tax legislation may have a material impact on the recoverability of DTAs originated by tax losses. As the economic impact of the COVID-19 pandemic is still very uncertain it is not possible to determine to what extent the assumptions may need to be revised. Any change to the base assumptions can have a significant impact on the estimated recoverable amount of DTA and as a result the Group's financial condition and results of operations may be materially and adversely affected.

### **The Group is exposed to actuarial and financial risks related to its pension obligations**

The Group has entered into a Collective Labour Agreement (the "ACT") for the Issuer, entitling its employees and families to pensions due to retirement, disability, early retirement, pre-retirement, and survival. However, as the Issuer's employees are concurrently enrolled in social security, the Group's liabilities related to employee pensions chiefly consist of payments of supplementary pensions in accordance with the ACT. The plan also foresees the payment of contributions for medical and social support after retirement.

Hence, the benefits of the plan entails certain risks, notably, the risk of dependency on the benefits provided by the public Social Security schemes, the risk of mortality during the period of formation of the benefit and risk of longevity during the retirement period, the risk of disability of the participants as well as risks relative to early retirement.

An actuarial evaluation is calculated annually (with a reference date of 31 December) for the calculation of liabilities to be financed by the Group pursuant to the terms of the ACT. The Group's expected return on the assets in its pension fund is based on certain assumptions. Similarly, demographic factors, such as an increase in life expectancy among active employees and pensioners, can result in changes in mortality tables used by insurance companies and thus negatively affect the Group's defined-benefit obligations, generating actuarial losses that require recognition and contribution to the Group's ACT in order to guarantee that its liabilities are fully funded, as required by regulation.



In addition to such losses requiring contribution to the Group's ACT, these actuarial losses may have the effect of reducing the Issuer's CET1, undermining the Issuer's capital ratios and negatively impacting the Issuer's shareholders' equity. Until 1 January 2018, the Issuer was required to deduct from its CET1 the portion of actuarial losses exceeding 10 per cent. of its pension liabilities or the value of its pension assets, adjusted by a phase-in factor (20 per cent. per year). After 1 January 2018, actuarial losses are deducted from CET1 in full. The provisions for pensions and other post-employment defined benefit liabilities of the Group as at 31 December 2020 was €321,979.

**The Issuer 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.**

As the Issuer 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 Issuer's regulators frequently conduct inspections and request information in respect of the Issuer or its clients' activities and transactions. Any inspections or other proceedings that are unfavourable to the Issuer may result in sanctions, limitations on its business opportunities, or a reduction of its growth potential, and may have an adverse effect on the Issuer's ability to comply with certain contractual obligations or retain certain commercial relationships.

Among other's the Issuer 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 Issuer'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 Issuer's relationship with its clients, partners, service providers and other third parties. Although the Issuer believes that its current anti money laundering, anti-bribery and counter terrorism financing policies and procedures are adequate to ensure compliance with applicable legislation, the Issuer cannot guarantee that it 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 Issuer 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 Issuer is found to have infringed the relevant rules of Portuguese and/or European Union competition law, the Issuer 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 Issuer 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 Issuer's infringement of the competition rules, whether based on an earlier infringement decision by the relevant authority or independent of any such decision. The Issuer 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 Issuer's business, financial condition, results of operations and prospects.

**The Group is exposed to market risks**

Market risk also reflects any losses derived from an adverse change in the market value of a financial instrument because of variations in interest rates, exchange rates, share prices, commodity

prices, credit spreads or other equivalent variables. The Group engages in various activities for its own account, including entering into interest rate, credit, equity and exchange rate derivative transactions, as well as taking positions in fixed income and equity in the domestic and international markets and trading in the primary and secondary securities markets, including for government securities. The Group also offers these types of products and services to its customers.

As at 30 June 2021, the Group's securities portfolio amounted to €8,413 million, of which 94.5 per cent. were public debt instruments, 4.8 per cent. were classified as bonds and 0.7 per cent. were shares and other variable income securities (92.8 per cent., 6.3 per cent. and 0.9 per cent. respectively as at 31 December 2020).

Additionally, as at 30 June 2021, 99.2 per cent. of such assets were classified as Level 1 (those that are quoted on a recognised market as of such date), 0.1 per cent. as Level 2 (those for which valuation methods with prices and standards that are observable in the markets are used) and 0.7 per cent. as Level 3 (those for which valuation methods with prices and standards that are not observable in the markets are used). As at 31 December 2020, the Group's securities portfolio amounted to €7,316 million, of which 92.8 per cent. were public debt instruments, 6.3 per cent. were classified as bonds and 0.9 per cent. were shares and other variable income securities. Additionally, 98.8 per cent. of such assets were classified as Level 1, 0.4 per cent. as Level 2 and 0.8 per cent. as Level 3.

As at 30 June 2021, the Group had a value at risk ("**VaR**") of €27.7 million in its trading positions in respect of equities, interest rates, volatility and credit spread, total commodities position and total foreign exchange position and liquidity management portfolios, compared to €19.4 million as at 31 December 2020. The Group's VaR is calculated using the "Monte Carlo" simulation method, with a 99 per cent. confidence level and a holding period of twenty two days (a month).

The Issuer has, in its securities portfolio, investments in restructuring funds in an amount of €18 million as at 30 June 2020. These funds are Level 3 assets according to the fair value hierarchy of IFRS13 (quotations provided by third parties whose inputs used are unobservable in the market, as mentioned above).

The deterioration of the global economic outlook and high uncertainty surrounding the effects of the COVID-19 pandemic resulted in strong increases in volatility and risk aversion in financial markets. Governments by way of monetary stimulus have supported the markets but the outlook remains uncertain. For further details on the impact of the COVID-19 pandemic, see the risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic*".

The Issuer's proprietary trading securities portfolio is highly concentrated on sovereign exposure and its trading activities are mainly concentrated on the provision of these services and product offerings to its customers and risk management of the balance sheet. Nevertheless, proprietary trading involves a certain degree of risk. Protracted adverse market movements, particularly price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to losses if the Group cannot close out deteriorating positions in a timely way.

**The Group is exposed to the risk of public debt securities within the credit portfolio where the main exposure is to peripheral Eurozone countries**

The Group is exposed to public debt securities of peripheral Eurozone countries. As at 31 December 2020, the Group's exposure to sovereign debt represented 91.8 per cent. of the Group's consolidated bond portfolio (94.0 per cent. as of 30 June 2021).

In extreme situations of economic, political and social crises, governments may be reluctant or may not have access to funding in order to refinance or repay capital or pay interest on their debt securities. In a default scenario, security holders' recourse to legal mechanisms may be limited. In addition, there could be an increase in default risk in a scenario in which an EU member state enters into default thereby exacerbating the negative sentiment toward other Eurozone members through a contagion effect.

In addition, despite the negative impacts of the COVID-19 pandemic in these countries economies and, also as a result of the fiscal stimulus provided by the governments to give support to the economy, the significant rise in budget deficits and public debt, public debt yields have remained low and market conditions favourable, following the significant spike at the beginning of the COVID-19 pandemic, mainly due to the relevant intervention of the monetary authorities. As both the government and monetary stimulus are withdrawn, the conditions for public debt can significantly deteriorate, including, but not limited, to the possibility of faster interest rate rise scenarios. For further details on the impacts of the COVID-19 pandemic, see the risk factor entitled *"Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic"*.

Depreciations in the public debt portfolio can have the effect of reducing the Issuer's CET1 used to determine its capital ratios and could adversely affect its results of operations. Any decrease of the Issuer's solvency ratios could hinder its ability to operate its business in accordance with its strategy.

### **The Group faces significant competition**

The Group operates in a highly competitive environment and will continue to experience intense competition from local and global financial institutions, as well as new entrants. The Group's competitors are mainly commercial banks. In addition, the Group and other traditional financial institutions are facing new sources of competition from new market entrants, including alternative providers of payment services and of financial services in the so-called fin-tech space, as well as from non-financial operators (e.g. large retailers), who are increasingly promoting their own credit cards and credit lines. These alternative providers may have lower cost bases than those of the Group. The introduction of disruptive technology may impede the Group's ability to grow or retain its market share and impact its revenues and profitability. Furthermore, competitors might be better positioned to compete in the fin-tech space and less constrained than the Issuer.

The Group's competitors may also have access to cheaper sources of funding or with better terms, including deposits. Accordingly, these banks may be able to maintain or increase their market share by offering credit products with lower interest rates, enabling them to expand lending more easily.

The Group may not be able to compete effectively in these markets in the future. If the Group is unable to offer attractive products and services, it may lose market share or incur losses on some or all of its activities, which could adversely affect its financial condition and its results of operations.

### **A reduction in the Issuer's credit ratings would increase its cost of funding and adversely affect the Group's financial condition and results of operations**

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding, including the availability of certain funding instruments. Rating agencies regularly evaluate the Issuer, and its long-term credit ratings are based on a number of factors, including its financial strength, the credit rating of Portugal and the conditions affecting the financial services industry generally and the Portuguese banking system in particular. As at the date of this Prospectus, The Issuer has been assigned a rating of Ba1 BCA (Baseline Credit Assessment) and deposits ratings of Baa3 (Stable Outlook/Prime-3) and Counterparty Risk Rating (CRR) of Baa2/Prime-2 by Moody's. There can be no assurance that the rating agencies will maintain the current ratings or outlooks.

Rating agencies have been revising the ratings of European banks in different geographies due to the disruption caused by the COVID-19 outbreak and there has already been a reassessment of the Portuguese market by the rating agencies. With the end of moratoria and depending on the future performance of those loans which were granted payment holidays under such moratoria, further rating actions or outlook revisions may be done.

Downgrades of the Issuer's ratings, or the perceived likelihood of such a downgrade, could increase its cost and/or availability of funding or, in a scenario that combines a sharp ratings drop with a further deterioration of the credit environment, could result in increasing difficulties or the total inability of the Group to access funding in the financial markets. Additionally, this could have an

adverse impact on the Issuer's contractual obligations that depend on rating triggers or the risk perception of the public in general, leading to deposit outflows.

Any such downgrade to the Issuer's credit ratings could have an adverse effect on the Issuer's liquidity position, cost of funding and net interest margin, which could adversely affect the Group's financial condition and results of operations.

**The Group's business is subject to operational risks**

The Group is subject to certain operational risks, including interruption of service, errors, negligence or fraud by third parties (including large-scale organised fraud, as a result of the Group's financial operations), fraud by the Group's own employees or management, breach or delays in the provision of services, breach of confidentiality obligations with regards to customer information and compliance with risk management requirements.

The Group may be unable to successfully monitor or prevent all or part of these risks in the future. Any failure to successfully execute the Group's operational risk management and control policies could result in reputational damage and/or have a material adverse effect on the Group's financial condition and results of operations.

**The Issuer's risk management and internal control policies and procedures may not be effective in completely managing and avoiding all of its risks**

As the Issuer's business continues to develop, the Issuer's risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which the Issuer is unaware of. In addition, the Issuer's risk management methods are based on a combination of human and technical controls and supervision, which are subject to errors and defects and the Issuer's risk management capabilities are limited by the information, tools and technologies available to the Issuer. 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. If the Issuer is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Issuer's ability to service the Notes and to satisfy its other obligations under the Notes.

**The Issuer's activity is subject to reputational risks**

The Issuer is exposed to reputational risks understood as the probability of negative impacts for the Issuer resulting from an unfavourable perception of its public image, whether proven or not, among customers, suppliers, analysts, employees, investors, media and any other bodies with which the Issuer may be related, or even public opinion in general. The Issuer's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing. For example, if one of the Issuer's borrowers becomes associated with financial scandals or widely publicised improper behaviour, the Issuer's own reputation may be affected.

The Group is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. In addition, there is a risk of employees, brokers or suppliers conducting activities that violate the Group's values, breach its code of conduct, fail to properly address potential conflicts of interest, could be perceived as unethical, treat customers unfairly involve corruption or breach legal and regulatory requirements (including money laundering and anti-terrorism financing requirements). There is also a risk that employees or brokers will commit such violations in their interactions with colleagues, customers and other actors. Such shortcomings in ethical standards and/or regulatory compliance could result in financial losses, sanctions from

supervisory authorities and tarnished reputation. The realisation of such risks could adversely affect the Group's results and financial position.

Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group which could have a material adverse effect on the Group.

### **The Group is exposed to IT and cybercrime risks**

The Group's businesses and its ability to remain competitive depend on the ability to process a large number of transactions efficiently and accurately, and on the Group's ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group cannot guarantee that its systems, software and networks are invulnerable to unauthorised access, misuse, computer viruses or other malicious code, and other events that could have an impact on security levels. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurances that the Group will not suffer material losses from operational risk in the future, including that relating to cyber-attacks or other such security breaches. Furthermore, as cyber-attacks continue to evolve, the Group may incur significant costs in its attempt to modify or enhance its protective measures or to investigate or remediate any vulnerabilities. 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 in claims that may materially and adversely affect the Group's business, reputation, results of operations, financial condition, prospects and its position in legal proceedings.

### **Any future occurrence of natural disasters, outbreaks of contagious diseases, terrorist attacks or national security threats in Portugal may have a material adverse effect on banks', and thus the Issuer's, business, financial condition and results of operations.**

Any occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, Severe Acute Respiratory Syndrome ("SARS"), Ebola virus disease ("Ebola"), Middle East Respiratory Syndrome corona virus ("MERS"), H5N1 influenza, H1N1 influenza, H7N9 influenza or COVID-19, may adversely affect the Issuer's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Issuer's business, financial condition and results of operations. In particular, the on-going COVID-19 pandemic has resulted in many countries, including China, India, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. For further details on the impacts of the COVID-19 pandemic, see the risk factor entitled *"Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the COVID-19 pandemic"*. Moreover, Portugal has experienced natural disasters such as forest fires, earthquakes and floods in the past few years. Any future occurrence of severe natural disasters in Portugal may adversely affect its economy and in turn the Issuer's business, financial condition and results of operations.

In addition, threats of terrorist attacks, national security threats, military initiatives and political unrest in, inter alia, various countries and regions including Ukraine, Syria, Iraq, Afghanistan and the Middle East, have had and may continue to have a material adverse effect on general economic, market and political conditions, increasing many of the risks relating to the business of non-life insurance companies. The Issuer cannot predict the effects of terrorist attacks, threats to national security, military initiatives and political unrest on its business, results of operations and financial condition.

There is no guarantee that any future occurrence of natural disasters, terrorist attacks or outbreak of avian influenza, Ebola, SARS, MERS, H5N1 influenza, H1N1 influenza, H7N9 influenza,

COVID-19 or other epidemics, or the measures taken by the Portuguese government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt the Issuer's and the Group's operations or those of the Issuer's customers, which may have a material adverse effect on the Issuer's and the Group's business, financial condition and results of operations.

## **C. Legal and regulatory risks**

### **Risks relating to legal proceedings**

As regulated entities, the Issuer and the Group are, from time to time, the subject of supervisory and administrative inquiries, inspections and investigations by regulators in the jurisdictions in which they operate. So far as the Issuer is aware, and except as disclosed below, none of the Issuer or other Group entities is, as at the date of this Prospectus, subject to any such inquiries, inspections or investigations that may have a significant effect on the Group's financial position or profitability. See also the risk factor entitled "*Risks relating to the Issuer – Legal and regulatory risks – Risks relating to regulatory requirements*" below. Furthermore, as a large financial institution, the Group is the subject of actual and threatened litigation and other proceedings in the ordinary course of its banking and financial intermediary business. Should any or all of such proceedings be successful, the resulting costs and/or damages could materially and adversely affect the Group's financial position, results of operations and reputation. Ultimately, if a court were to declare the relevant financial pledge agreement invalid, it could have a material adverse financial effect on the Issuer and the Group or cause significant reputational harm, which, in turn, could have a material adverse effect on the financial condition of the Group. It is not possible to determine when the relevant courts will issue final awards regarding any of the proceedings mentioned in this risk factor or any future legal proceedings, or to determine or make a full assessment of the impact or likely outcomes of any such legal proceedings or of future legal proceedings or the consequences arising therefrom for the Issuer or the Notes.

Holders of Notes should be aware that the legal proceedings and consequences arising therefrom may adversely affect the incorporation, financial condition and/or the capacity of the Issuer to carry out its obligations under the Notes.

### **Risks relating to regulatory requirements**

Banking and insurance activities in Portugal and in the EU are subject to extensive and detailed regulation and supervision by supervisory authorities, which have broad administrative power over many aspects of the financial and banking services business, which include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices, among others, as well as those relating to insurance services, which include insurance, reinsurance, pension funds and their management companies and insurance mediation. For further information on banking regulations applicable to the Group, please see "*Description of the Issuer and of the Group – Legislation regulating the activity of the Group*" and "*Description of the Issuer and of the Group – Recent Developments in Banking Regulation*". The resources dedicated to ensure compliance with these various regulations can significantly increase the costs of the Group's structure and limit its possibilities for increasing its income.

Changes in regulatory requirements may also require the Issuer to raise additional capital. In June 2013, the European Parliament and the Council of Europe issued Directive 2013/36/EU, as amended (including as amended by the Capital Requirements Directive V (Directive (EU) 2019/878 (as amended, the "**CRD V**")) (the "**CRD IV Directive**") and the CRR (the CRR and the CRD IV Directive together, the "**CRD IV**"), which incorporate the key amendments that have been proposed by the Basel Committee for Banking Supervision (known as "**Basel III**"). Full implementation began from 1 January 2014, with particular elements being phased in over a period of time. The requirements largely became effective by 2019, although some minor transitional provisions provide for phase-in until 2024.

In December 2014, the EBA published its final guidelines on the common procedures and methodologies that will form its Supervisory Review and Evaluation Process ("**SREP**")

assessments, taking into account the general framework and principles defined in the CRD IV. The SREP assessments include reviews of capital, liquidity, internal governance and institution-wide risk controls, risks to liquidity and funding, business model analysis, and broader stress testing, in order to evaluate whether the subject institution has implemented adequate arrangements, strategies, processes and mechanisms to comply with the CRD IV and evaluate risks to which they are or might be exposed and risks institutions may pose to the financial system.

The Issuer is subject to the SREP review on an annual basis. Where the SREP review identifies risks or elements of risk that are not adequately covered by pillar 1 capital requirements or the combined buffer requirement the ECB can determine the appropriate level of the institution's own funds under CRD IV and assess whether additional own funds shall be required.

Based on the 2019 SREP, in force from July 2020, the Group is required to have a minimum CET1 ratio of 8.41% (4.50% Pillar 1, 1.41% Pillar 2 requirement and 2.50% combined buffer requirement ("**CBR**")), a Tier 1 ratio of 10.38% (6.00% Pillar 1, 1.88% Pillar 2 requirement and 2.50% CBR) and a total capital ratio of 13.00% (8.00% Pillar 1, 2.50% Pillar 2 requirement and 2.50% CBR). As of July 2021, and excluding results from the period, the Group reported a 17.85% ratio for CET1, Tier 1 and total capital. Without prejudice to the foregoing, the measures announced by the ECB on 12 March 2020, following the COVID-19 outbreak, are also applicable to the Issuer (for further details, see "*Description of the Issuer and of the Group – Recent Developments in Banking Regulation – Response to the COVID-19 crisis*"). There can be no assurance that the SREP review to be conducted in the following years will not increase the minimum own funds requirement.

If the Group does not satisfy these or other minimum capital ratio requirements in the future, it may be required to raise additional capital or be subject to measures or sanctions by the Bank of Portugal, the ECB or the Single Supervisory Mechanism ("**SSM**"). If the Issuer is required to raise further capital in the future after failing to satisfy the minimum capital ratio requirements, but is unable to do so or to do so on acceptable terms, the Issuer may be required to further reduce the amount of the Issuer's risk-weighted assets and engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to the Issuer. Any failure to maintain minimum regulatory capital ratios could result in administrative actions or other sanctions, which in turn may have a material adverse effect on the Issuer's operating results, financial condition and prospects. The regulatory laws governing banking activity may change at any time in ways which may have an adverse effect on the business of the Group. It is not possible to predict the timing or form of any future regulatory initiatives. Changes in existing regulatory laws may materially affect the way in which the Group conducts its business, the products and services it can offer and the value of its assets.

Additionally, national and international regulators, including the IMF, the ECB and the EBA have been conducting stress tests on the banking sector. The disclosure of the results of these stress tests may also result in a reduction in confidence in a particular bank or the banking system as a whole. The Issuer cannot exclude the need for additional provisions for impairments. Consequently, new stress tests could adversely affect the cost of funding for the Issuer and have a materially adverse impact on its business, financial condition, results of operations and prospects.

On 23 November 2016, the EC presented legislative proposals for amendments to the CRR (by way of CRR II), the CRD IV Directive (by way of CRD V), the BRRD and the Single Resolution Mechanism (the "**SRM**") (collectively, the "**Reforms**"). After the European Parliament confirmed its position on the Reforms, the European Parliament and Council of the EU reached agreement on the main elements of the Reforms. The agreed text was endorsed on 16 April 2019 by the European Parliament and sets out a comprehensive set of reforms to strengthen further resilience and resolvability of EU banks.

On 14 May 2019, the European Council announced that it had adopted the Reforms, with most of the new rules applying in mid-2021. The Reforms include the following key measures:

- a leverage ratio requirement for all institutions as well as a leverage ratio buffer for all global systemically important institutions ("**G-SIIs**");
- a net stable funding requirement;

- a new market risk framework for reporting purposes, including measures reducing reporting and disclosure requirements and simplifying market risk and liquidity rules for small non-complex banks in order to ensure a proportionate framework for all banks within the EU;
- a requirement for third-country institutions with significant activities in the EU to have an EU intermediate parent undertaking;
- a new total loss absorbing capacity requirement for G-SIIs;
- enhanced minimum requirement for own funds and eligible liabilities ("MREL") subordination rules for G-SIIs and other large banks; and
- a new moratorium power for the resolution authority.

In addition, on 7 December 2017, the Basel Committee and the Group of Central Bank Governors and Heads of Supervision presented reforms to the Basel III regulatory framework also known as "Basel IV". The final Basel III reforms include several policy and supervisory measures that aim to enhance the reliability and comparability of risk-weighted capital ratios and to reduce the potential for undue variation in capital requirements for banks across the globe. The measures comprise revisions to the standardised approach for credit risk, internal ratings-based approaches for credit risk, the credit valuation adjustment ("CVA") risk framework, the operational risk framework, the leverage ratio framework and a revised output floor. The proposals contained in the Basel III reforms are intended to apply from 2022 with a transitional period for the output floor until 2027, although these timelines remain unclear until such rules are implemented into European and Portuguese legislation.

Following the COVID-19 outbreak, the ECB announced measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy as the economic effects of COVID-19 become apparent. For further details, see the section "*Description of the Issuer and of the Group – Recent Developments in Banking Regulation – Response to the COVID-19 crisis*".

New regulations may increase capital, liquidity and other requirements and can result in additional requirements of capital and/or other type of financial instruments, preparatory work, disclosure needs, restrictions on certain types of transactions, limitations or changes to the Issuer's strategy. Any of the above could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

### **Risks relating to the Bank Recovery and Resolution Directive**

In May 2014, the EU Council and the EU Parliament approved a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the BRRD). The aim of the BRRD is to equip national authorities with harmonised tools and powers to tackle crises at banks and certain investment firms at the earliest possible moment and to minimise costs for taxpayers. For further details see the section "*Description of the Issuer and of the Group – Recent Developments in Banking Regulation*".

Under an early intervention, the authorities are notably entitled to replace managers or directors and require that the institution draws up and submits for consultation a plan for debt restructuring with its creditors according to a recovery plan.

The BRRD's resolution tools and powers may be used alone or in combination where the relevant resolution authority considers that certain required conditions are met, namely, if an institution is failing or likely to fail, that no alternative private sector measure, or supervisory action, would prevent the failure of the institution within a reasonable timeframe and that the taking of a resolution action is necessary to the public interest. The resolution tools include the power to sell or transfer assets (or ownership thereof) to another institution or to an asset management vehicle and the general bail-in tool, as mentioned above, which provides for the write-down or conversion of any liabilities of the institution that meet relevant conditions.



In order to ensure the effectiveness of a resolution measure, the relevant resolution authority may exercise, among others, the following powers, under certain conditions: (i) suspension of payment or delivery obligations of the institution under existing agreements; (ii) suspension of enforcement rights benefiting holders of any security over assets of the institution; (iii) suspension of the rights to accelerate, terminate, or otherwise decide the termination under existing agreements; (iv) closing of agencies of the institution; (v) exercise of rights and powers attached to shares and other instruments representing share capital of the affected institution and of rights and powers of its management body and manage or dispose of the affected institution's assets; (vi) amendment of terms applicable to debt instruments and other eligible claims held vis-à-vis the institution, such as clauses on maturity dates and payable interest; (vii) liquidation and termination of financial agreements and derivative agreements; (viii) suspension of the negotiation of a financial instrument (Article 145-AB of RGICSF).

The implementation of any resolution measure is not subject to the prior consent of the credit institution's shareholders nor of the contractual parties related to assets, liabilities, off-balance-sheet items and assets under management to be sold or transferred. The relevant authorities are also not required to provide any advance notice to Holders of Notes of their decision to exercise any resolution power. Therefore, Holders of Notes may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

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 the 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 senior debt.

Holders of the Notes will have an unsecured claim over the Issuer, thus being subject to bail-in. In addition, the determination of which securities issued by the Issuer will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. There may be many factors, including factors not directly related to the Issuer, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Issuer may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Issuer and the securities issued by the Issuer. Potential investors in the securities issued by the Issuer should consider the risk that its holders may lose all of their investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Other powers contained in Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) 1093/2010 (as amended, notably by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019, the "**SRM Regulation**") (which is directly applicable in the Portuguese legal order) and in the RGICSF and required by the BRRD may affect the value of an investment in the Notes. The exercise of these powers may impact how the Issuer is managed as well as, in certain circumstances, the rights of creditors. There can be no assurance that actions taken under the SRM Regulation and the RGICSF will not adversely affect the holders of the Notes.

#### **Minimum requirement for own funds and eligible liabilities could have a material effect on the Issuer**

Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD ("**BRRD II**") was implemented in the EU together with the formal adoption of Regulation (EU) 2019/876 of the European Parliament and of the Council, which entered into force on 27 June 2019. BRRD II should have been transposed into national law no later than 28 December 2020 with institutions such as the Issuer having until 1 January 2024 to comply with

MREL requirements (as foreseen in Article 12k(1) of the SRM Regulation). Under BRRD II, banks, such as the Issuer, shall be subject to an entity-specific MREL regime, under which they will be required to issue a sufficient amount of eligible instruments to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof. Without prejudice of the direct application of the SRM Regulation to the Issuer, the transposition of BRRD II into Portuguese law has not yet taken place, but it is intended to be effected through the approval of a new Banking Activity Act (*Código da Atividade Bancária*), a preliminary project of which has been prepared by the Bank of Portugal which was, after public consultation, sent to the Portuguese Ministry of Finance for review.

The MREL binding requirement for 1 January 2022 is 16.59%, following the announcement by the Bank of Portugal regarding flexibilisation of the CBR due to the COVID-19 pandemic. The binding requirement for 1 January 2024 is 21.73%. As of June 2021, the Issuer had a MREL position of 17.85% of TREA and already complies with the MREL requirements as a percentage of LRE (8.45% versus 5.91%). The Issuer intends to meet both binding requirements and meet the final deadline of 1 January 2024.

If, until the applicable deadlines, the Issuer is unable to issue or can only issue on unfavourable conditions own funds and additional liabilities which will be eligible to count toward the MREL requirement or to reduce its risk-weighted assets, this may result in regulatory sanctions and may have a material adverse effect on the Issuer's business, financial condition, results of operations, its prospects and activities in terms which cannot be predicted at this stage, including changes to the Issuer's strategy.

**The Issuer will be affected by the strategic decisions made by it or its direct and indirect shareholders and, in making such decisions, the interests of the Issuer, its shareholders and the Holders may not be aligned**

The Issuer and its direct and indirect shareholders will make strategic decisions which may (directly or indirectly) affect the business and operations of the Issuer and of the Group. Neither the Issuer nor its shareholders will have any obligation to consider the interests of the Holders in connection with any such strategic decisions, including in respect of the capital management of the Issuer or the Group. Holders will not have any claim against the Issuer or any other entity relating to decisions that affect the business and operations of the Issuer or the Group, including in relation to the capital position of the Issuer or the Group.

#### **The Group is required to make contributions to the Resolution Fund**

The Group is required to make contributions to finance the Resolution Fund, which was created in 2012 for the purpose of providing financial support in case of the application of any resolution tools by the Bank of Portugal.

From 2016 onwards the Resolution Fund has been funded through: (i) contributions paid by the entities that fall outside the scope of the SRM; (ii) additional contributions required to fulfil its obligations regarding the financing of the resolution measures applied by the Bank of Portugal before December 2014 and paid by all participating institutions, including credit institutions established in Portugal, which can either take the form of periodic contributions or special contributions (Article 14(5) of Law No. 23-A/2015, of 26 March 2015, as amended); and (iii) other sources, including proceeds of the bank levy, also due by credit institutions established in Portugal, pursuant to Law No. 55-A/2010, of 31 December 2010, as amended (*contribuição sobre o setor bancário*).

The Group's contribution will vary from time to time depending on the liabilities and own funds of the Issuer and applicable members of the Group. Contributions to the Single Resolution Fund (the "SRF") are also adjusted to the risk profile and systemic relevance of each participating institution, in consideration of its solvency profile. For the year ended 31 December 2020, the Group paid €2.2 million in contributions to the Resolution Fund and €3.9 million in contributions to the Single Resolution Fund (compared to €2.2 million and €3.4 million, respectively, for the year ended 31 December 2019).

With regard to additional periodic contributions, credit institutions established in Portugal, such as the Issuer and certain other members of the Group, are required to pay such contributions to the Resolution Fund in accordance with the provisions of Decree-Law No. 24/2013 of 19 February 2013 (ex vi Article 14(5) of Law No. 23-A/2015, of 26 March 2015, as amended). Following the agreement from the Portuguese Government and the Resolution Fund to change the terms of the financing granted to the Resolution Fund, the Resolution Fund considered that the full payment of its liabilities, as well as its respective remuneration, was assured without the need for recourse to special contributions or any other type of extraordinary contributions by the banking sector. Despite this public announcement, there cannot be any assurance that the Group will not be required to make special contributions or any other type of extraordinary contributions to finance the Resolution Fund. Any requirement for the Issuer or the Group to make special contributions or an increase in required levels of periodic contributions to the Resolution Fund would have a material adverse effect on the Group's business, financial condition and results of operations.

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

Under its responsibility as the supervisory and resolution authority of the Portuguese financial sector, Banco de Portugal, on 3 August 2014, decided to apply a resolution measure to Banco Espírito Santo, S.A. ("**BES**"), under number 5 of article 145-G of the RGICSF, which consisted of the transfer of most of its assets to a transition bank, named Novo Banco, S.A. ("**Novo Banco**"), created especially for the purpose.

The Resolution Fund provided €4,900 million for the payment of the share capital of Novo Banco, of which €377 million corresponded to its own financial resources. A loan of €700 million was also granted by a banking syndicate to the Resolution Fund, with the participation of each credit institution having weighted according to various factors, including its size. The remaining amount (€3,823 million) came from a repayable loan granted by the Portuguese State.

In December 2015, the national authorities decided to sell the majority of the assets and liabilities associated with the activity of Banif – Banco Internacional do Funchal, S.A. ("**Banif**") to Banco Santander Totta, S.A. ("**Santander Totta**"), for €150 million, also in the context of the application of a resolution measure. This operation involved an estimated public support of €2,255 million, aimed at covering future contingencies, with €489 million financed by the Resolution Fund and €1,766 million directly by the Portuguese State. In the context of this resolution measure, the assets of Banif which were identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the issue of bonds representing the debt of this vehicle, of the value of €746 million, backed by the Resolution Fund and counter-backed by the Portuguese State.

The resolution measures applied in 2014 to BES (a process that gave rise to the creation of Novo Banco) and in 2015 to Banif generated uncertainties related to the risk of litigation involving the Resolution Fund, which is significant, as well as the risk of a possible insufficiency of resources to ensure compliance with the liabilities, in particular the repayment in the short-term of the contracted loans.

It was in this scenario that, in the second semester of 2016, the Portuguese Government reached an agreement with the European Commission to change the conditions of the loans granted by the Portuguese State and banks participating in the Resolution Fund, so as to preserve financial stability via the promotion of conditions conferring predictability and stability to the effort of contributing to the Resolution Fund. To this end, a formal amendment was made to the financing contracts of the Resolution Fund which introduced a series of alterations to the repayment plans, remuneration rates and other terms and conditions associated with these loans so that they should be adjusted to the Resolution Fund's capacity to fully comply with its obligations based on its own regular revenue. This means, without requiring that the banks participating in the Resolution Fund should be charged special contributions or any other type of exceptional contribution.

According to the press release of the Resolution Fund dated 31 March 2017, the review of the conditions of the loans granted by the Portuguese State and participant banks sought to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Based on this review, the Resolution Fund assumed that the full payment of the Resolution Fund's liabilities is assured, as well as the respective

remuneration, without requiring special contributions or any other type of exceptional contributions by the banking sector. For further information see "Risks relating to the Issuer – Legal and regulatory risks – The Group is required to make contributions to the Resolution Fund".

On 31 March 2017, Banco de Portugal also disclosed that the Lone Star Fund had been selected to purchase Novo Banco. This purchase was completed on 17 October 2017, with the new shareholder having injected €750 million, which will be followed by a new capital entry of €250 million, to be paid up over the next three years. The Lone Star Fund now holds 75% of the share capital of Novo Banco and the Resolution Fund holds the remaining 25%. Moreover, the approved conditions include a contingent capitalisation mechanism, under the terms of which the Resolution Fund, as shareholder, can be called upon to inject capital in the event of certain cumulative conditions materialising, related to: (i) the performance of a restrictive set of assets of Novo Banco, and (ii) the evolution of the bank's capitalisation levels, namely the foreseen issue on the market of €400 million of Tier 2 equity instruments. Any capital injections that may be made pursuant to this contingent mechanism are subject to an absolute maximum limit.

On 31 May 2021, banks granted a loan to the Resolution Fund, in the form of a simple credit facility, up to a maximum amount of €475 million, exclusively to provide the Resolution Fund with the financial resources necessary to comply with obligations arising from the "Contingent Capitalisation Agreement" in relation to Novo Banco in the years 2021 and 2022. As of 30 June 2021, the Issuer has granted an amount of €4,275 million.

Notwithstanding the possibility provided for in applicable legislation of levying special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and a banking syndicate, in which the Issuer is included, and the public announcements made by the Resolution Fund and the Office of the Finance Minister stating that this possibility will not be used, the Issuer's expectation is that no special contributions or any other type of extraordinary contributions will be required from the Group (SICAM) to finance the Resolution Fund. Any significant changes regarding this matter may have relevant implications on the financial statements of the Group.

Under Article 153-O of the RGICSF, the Resolution Fund may be required to finance the implementation of the resolution measures applied by Banco de Portugal and the resulting general and administrative expenses. At the present date, there is no reliable estimate of the potential losses to be incurred by the Resolution Fund, notably those that have been publicly mentioned as potentially applicable arising from (i) the sale of Novo Banco (including, without limitation, the contingent capitalisation mechanism), (ii) the litigation relating to the BES resolution process including in respect of the so-called "*lesados do BES*" proceedings and the attempts to find a solution for such proceedings, (iii) the resolution process of BANIF and related expenses, and (iv) the amount and timing of the Issuer's contributions to the Resolution Fund. Thus, the impact of the BES and BANIF resolution processes on the Issuer and the Group could depend on external factors not controlled by the Issuer or the Group, including the proceeds from the Resolution Fund 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.

#### **Risks relating to the adoption of a harmonised deposit guarantee scheme throughout the EU**

On 2 July 2014, Directive 2014/49/EU, as amended, providing for the establishment of deposit guarantee schemes (the "**Recast DGSD**") entered into force. The recast DGSD introduces harmonised funding requirements (including risk-based levies), protection for certain types of temporary high balances, a reduction in pay-out deadlines, harmonisation of eligibility categories (including an extension of scope to cover deposits by most companies regardless of size) and new disclosure requirements. The Recast DGSD was implemented in Portugal by Law 23A/2015, of 26 March 2015, as amended, which amended the RGICSF.

Furthermore, a proposal for a regulation of the European Parliament and of the Council, amending Regulation (EU) 806/2014 to establish a European Deposit Insurance Scheme, is currently under discussion at an EU level.

As a result of these developments, the Group may incur additional costs and liabilities which may adversely affect the Group's results of operations and its financial condition. The additional indirect

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

### **Risks relating to data protection and privacy**

The processing of personal data by the Issuer and the Group is subject, notably, to: (i) Regulation (EU) 2016/679 of 27 April 2016, as amended ("**GDPR**"); (ii) Law No. 58/2019, of 8 August 2019; (iii) any law approved for the adaptation of specific rules of the GDPR to the Portuguese jurisdiction; (iv) Directive 2002/58/EC of 12 July 2002, as amended, on privacy and electronic communications; and (v) Law No. 41/2004, of 18 August 2004, as amended.

The Issuer remains potentially exposed to the risk that the procedures implemented and the measures adopted with respect to the storage and processing of personal data relating to data subjects 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 data subjects, or even use by unauthorised parties (whether third parties or employees of the Group). If any of these circumstances occur, there could be a material adverse effect on the Group's business, reputation, financial condition, results of operation or prospects.

### **Risks associated with the disposal of non-performing assets**

In recent years, the supervisory authorities have focused on the value of non-performing assets ("**NPA**s") and the effectiveness and organisational structures of banks' recovery processes. The importance of reducing the ratio of NPAs to total loans has been stressed on several occasions by the supervisory authorities.

On 19 July 2017, the European Council agreed an action plan to address the problems of NPLs in the banking sector. On 31 October 2018, the EBA published the final guidance on management of non-performing and forborne exposures, applicable from 30 June 2019. These guidelines specify sound risk management practices for credit institutions in their management of NPAs and forborne exposures, including requirements on NPA reduction strategies, governance and operation of NPA 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 the 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. The new rules should not be applied in relation to exposures originated prior to 26 April 2019. A proposal for a directive on credit servicers, credit purchasers and recovery of collateral was also included in the comprehensive package of measures to be tackled by the European Commission. For further details see the section "*Description of the Issuer and of the Group – Recent Developments in Banking Regulation – Prevention, mitigation and monitoring of asset quality*".

Other risks exist in relation to further requirements that may be imposed by the ECB, through guidelines or legislation, to accelerate the reduction of NPAs, such as the following: (i) reforms of insolvency and debt recovery frameworks, (ii) development of secondary markets for distressed assets, (iii) accelerated loss recognition with backstop provision limits, and (iv) requirements on the use of templates for information on NPLs.

Furthermore, an increase in the entry levels of new NPLs may hinder the Issuer's ability to reduce its NPL stock, including if, as a result of the end of the moratorium scheme in Portugal in 2021, the stock of new NPLs is higher than anticipated by the Issuer.

Any of the above could have negative effects on the business, results of operations, capital and financial position of the Issuer and/or of the Group.

#### **The use of standardised contracts and forms carries certain risks**

The Group maintains contractual relationships with a large number of clients. In all of the Group's business areas and departments, the management of such a large number of legal relationships involves the use of general terms and conditions and standard templates for contracts and forms. This standardisation implies that for subjects that need clarification, contain drafting errors or require individual terms and conditions, the use of standard contracts and forms may pose a significant risk due to the large number of contracts entered into under these conditions. In light of amendments to the applicable legal frameworks as a result of new laws or judicial decisions, it is possible that not all standard contracts and forms used by the Issuer comply with every applicable legal requirement at all times.

If there are drafting errors, interpretive issues, or if the individual contractual terms or the contracts are invalid in their entirety or in part, a large number of client relationships may be affected negatively. Any resulting claims for compensation or other legal consequences may have an adverse effect on the financial condition and operating results of the Issuer.

#### **Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Issuer's activity**

The Issuer might be adversely affected by recent and future changes in the tax legislation and other regulations applicable in Portugal, the EU and other countries in which it operates, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. These changes include those introduced in the State Budget Law for 2021. The tax implications of these changes for the Issuer, including any potential liabilities for the 2021 financial year and subsequent years, are currently under analysis.

In addition, the Issuer 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 Issuer's strategy, financial condition, results of operations and prospects.

## **2. RISKS RELATING TO THE NOTES**

#### **The obligations of the Issuer in respect of the Notes are subject to resolution measures, including the general bail-in tool**

Holders are subject to the provisions of the BRRD relating to, *inter alia*, the bail-in of liabilities. See "*Risks relating to the Issuer – Legal and regulatory risks – Risks relating to the Bank Recovery and Resolution Directive*" for a further description.

#### **The remedies available to Holders under the Notes are limited**

Holders may not at any time demand repayment or redemption of their Notes, although in a Winding-Up the Holders will have a claim for an amount equal to the principal amount of the Notes together with any accrued interest and any Additional Amounts thereon.

The sole remedy in the event of any non-payment of principal or interest under the Notes, subject to certain conditions as described in Condition 7 (*Default*), is that a Holder may, subject to applicable laws, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Notes in any Winding-Up or other insolvency proceedings in respect of such non-payment.

The remedies under the Notes are more limited than those typically available to the Issuer's senior (non-MREL) creditors. For further details regarding the limited remedies of the Holder, see Condition 7 (*Default*).

#### **Limitation on gross-up obligation under the Notes**

The obligation under Condition 8 (*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 or any such other amount. 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 or any such other amount. Accordingly, if any such withholding or deduction were to apply to any payments of principal or any such other amount under the Notes, Holders may receive less than the full amount of principal or any such other such amount due under the Notes upon redemption, and the market value of such Notes may be adversely affected.

Further, the obligation under Condition 8 (*Taxation*) to pay Additional Amounts in the event of any withholding or deduction in respect of taxes on any interest payments is subject to certain exceptions, including where a Holder fails to comply with certain documentary and/or information obligations as foreseen under the STRIDS (as defined in the section "*Taxation*") regime, in which case the Issuer would not be required to pay any Additional Amounts and the Holders would potentially receive less than the full amount of interest due under the Notes. Holders are advised to consult their own tax advisers and to closely monitor any applicable documentary and information requirements.

#### **Risks relating to withholding tax**

Under Portuguese law, income derived from the Notes integrated in and held through a centralised system managed by Portuguese resident entities (such as the CVM), by other EU or EEA entities that manage international clearing systems (in the latter case if there is administrative cooperation 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 held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-law 193/2005, of 7 November 2005, as amended ("**Decree-law 193/2005**") and in force from 1 January 2006, 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 Issuer.

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 per cent. 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 per cent. and the Issuer will not be required to gross up payments in respect of any withheld accounts in accordance with Condition 8 (*Taxation*).

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 150/2004, of 13 February 2004 (as amended from time to time) is subject to withholding tax at 35 per cent., which is the final tax on that income, unless Decree-law 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 Issuer will not be required to gross up payments in respect of any such non-resident holders, in accordance with Condition 8 (*Taxation*).

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

**The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Holders in certain circumstances**

If a Tax Event or a Loss Absorption Disqualification Event occurs and is continuing or in order to ensure the effectiveness and enforceability of Condition 14(d) (*Acknowledgement of Statutory Loss Absorption Powers*), the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Loss Absorption Compliant Notes, without the consent of the Holders.

Loss Absorption Compliant Notes must have terms which are not materially less favourable to Holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank or financial adviser of international standing, save where the governing law of Condition 14(d) (*Acknowledgement of Statutory Loss Absorption Powers*) is changed in order to ensure the effectiveness or enforceability of Condition 14(d) (*Acknowledgement of Statutory Loss Absorption Powers*). However, there can be no assurance that, due to the particular circumstances of a Holder, such Loss Absorption Compliant Notes will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Loss Absorption Compliant Notes are not materially less favourable to Holders than the terms of the Notes.

**Credit Risk**

An investment in the Notes is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Notes duly and in a timely manner. The Issuer's ability to meet its obligations arising from the Notes and the ability of the holders of the Notes to receive payments arising from the Notes depends on the financial position and the results of operations of the Group, which are subject to other risks described in this Prospectus.

**There is no limit on the amount or type of further notes, bonds or indebtedness that the Issuer may issue, incur or guarantee**

There is no restriction on the amount of notes, bonds or other liabilities that the Issuer may issue, incur or guarantee and which rank *pari passu* with the Notes or senior to the Notes. The issue, incurrence or guaranteeing of any such notes, bonds or other liabilities may reduce the amount (if any) recoverable by Holders during a winding-up or administration or resolution of the Issuer and may limit the Issuer's ability to meet its obligations under the Notes.

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

The Notes will be issued in dematerialised book-entry form and registered in Interbolsa, through direct or indirect accounts with Euroclear and Clearstream, Luxembourg. 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.

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 Paying Agents as the Holder of such principal amount of such Notes for all purposes.

**Holders may not require the redemption of the Notes prior to their maturity**

Unless previously redeemed or purchased and cancelled, the Notes will mature on the Interest Payment Date falling on, or nearest to, 5 November 2026 (the "**Maturity Date**"). The Issuer is under no obligation to redeem the Notes at any time prior thereto and the Holders have no right to require the Issuer to redeem or purchase any Notes at any time. Prior to the Maturity Date, any redemption of the Notes and the purchase of any Notes by the Issuer will be subject to receiving



Regulatory Permission (as defined in the Conditions), if applicable, and the Holders may not be able to sell their Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

**The Notes are subject to early redemption at the option of the Issuer and upon the occurrence of certain tax and regulatory events, subject to certain conditions being met**

The Issuer may, at its option, subject to the conditions set out in Condition 5(b) (*Conditions to Redemption, Substitution or Variation, and Purchase*), redeem all, but not some only, of the Notes on the Call Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. In addition, upon the occurrence of a Tax Event or a Loss Absorption Disqualification Event, the Issuer may, at its option, subject to the conditions set out in Condition 5(b) (*Conditions to Redemption, Substitution or Variation, and Purchase*), redeem all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

Condition 5(b) (*Conditions to Redemption, Substitution or Variation, and Purchase*) provides that any redemption of the Notes in accordance with Conditions 5(c) (*Issuer's Call Option*), 5(d) (*Redemption Due to Tax Event*) and 5(e) (*Redemption Due to Loss Absorption Disqualification Event*) is subject to the Issuer obtaining prior Regulatory Permission therefor. As such redemption may be subject to the Issuer obtaining Regulatory Permission, the outcome may not necessarily reflect the commercial intention of the Issuer or the commercial expectations of Holders and this may have an adverse impact on the market value of the Notes.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Further, during periods when there is an increased likelihood, or perceived increased likelihood, that the Notes will be redeemed early, the market value of the Notes may be adversely affected.

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 securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

The events referred to above may occur and lead to circumstances in which the Issuer may elect to redeem the Notes, but even then, the Issuer may not satisfy the conditions or may not elect to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes on the Call Date if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If the Notes are so redeemed the Holders may not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

**The interest rate on the Notes will be reset on the Call Date, which may affect the market value of the Notes**

The Notes will initially accrue interest at a fixed rate of interest to, but excluding, the Call Date. From, and including, the Call Date, however, the interest rate will be the Floating Interest Rate (as described in Condition 4(d) (*Floating Interest Rate*)). The Floating Interest Rate could be less than the Initial Fixed Interest Rate (as defined in Condition 4(c) (*Initial Fixed Interest Rate*)), which would affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

In addition, the Floating Interest Rate derives in part from the EURIBOR benchmark. On 27 July 2017, the Chief Executive of the UK Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. Other interbank offered rates (such as EURIBOR) suffer from similar weaknesses to LIBOR and

although work continues on reforming their respective methodologies to make them more grounded in actual transactions, they may be discontinued or be subject to changes in their administration.

Changes to the administration of EURIBOR, or the emergence of alternatives to EURIBOR, may cause EURIBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of EURIBOR or changes to its administration could require changes to the way in which the Floating Interest Rate is calculated. The development of alternatives to EURIBOR may result in the Notes performing differently than would otherwise have been the case if the alternatives to EURIBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Notes after the Call Date.

If a Benchmark Event occurs, in accordance with Condition 4(i) (*Benchmark Discontinuation*), the Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate or an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Floating Interest Rate is likely to result in the Notes performing differently (which may include payment of a lower Interest Rate) than they would do if the Original Reference Rate were to continue to be referenced. In addition, the market (if any) for Notes linked to any such Successor Rate or Alternative Rate may be less liquid than the market for Notes linked to the Original Reference Rate.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate will apply without an Adjustment Spread.

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

If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or an Alternative Rate, the Floating Interest Rate applicable to the next succeeding Interest Period shall be equal to the Floating Interest Rate last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date after the Call Date, the Floating Interest Rate shall be determined using the Original Reference Rate last displayed on Reuters Page EURIBOR01 plus the Margin. The application of these provisions may result in the determination of an Interest Rate after the Call Date that is effectively a fixed rate.

The Conditions also confirm that no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to (i) prejudice the qualification of the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations or (ii) result in the Relevant Regulator treating the next Interest Payment Date or the Call Date, as the case may be, as the effective maturity of the Notes, rather than the maturity date of the Notes for the purposes of qualification of the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations. The application of these provisions may also result in the determination of an Interest Rate after the Call Date that is effectively a fixed rate.

#### **Meetings of Holders and modification**

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

The quorum requirements for such meetings does not require all Holders to vote or be present. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons

holding or representing more than 50 per cent. in 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 principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain Conditions (including, *inter alia*, the provisions regarding ranking referred to in Condition 3 (*Ranking*), the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes, or the Interest Rate or varying the method of calculating the Interest Rate) the quorum 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 principal amount of the Notes for the time being outstanding.

In addition, the Paying Agents, the Agent Bank and the Issuer may, without the consent of the Holders, make any modification of the Conditions, the Instrument or the Agency Agreement 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 error, or (iv) is to comply with mandatory provisions of any applicable law or regulation. Any such modification shall be binding on the Holders and shall be notified to the Holders as soon as practicable.

#### **Each investor in the Notes must act independently as they do not have the benefit of a trustee**

Because the Notes will not be issued pursuant to an indenture or a trust deed, the Holders will not have the benefit of a trustee to act upon their behalf and each investor will be responsible for acting independently with respect to certain matters affecting their interests in the Notes including instituting proceedings, following an event described in Condition 7(b) (*Enforcement*), and responding to any requests for consents, waivers or amendments.

#### **Change of law**

The Conditions of the Notes will be governed by the laws of England save that the provisions of (i) Condition 1 (*Form, Denomination, Title and Transfer*) relating to the form (*representação formal*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes; and (ii) Condition 14(d) (*Acknowledgement of Statutory Loss Absorption Powers*) are governed by, and shall be construed in accordance with, the laws of Portugal. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Portugal or administrative practice after the date of this Prospectus. As set out above, any security interests (rights *in rem*) granted by the Holders thereof over the Notes will need to comply with the mandatory requirements of Portuguese law, including relating to perfection.

#### **Legality of purchase**

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.

#### **A Holder's actual yield on the Notes may be reduced from the stated yield by transaction costs**

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

**Credit ratings assigned to the Issuer or the Notes may not reflect all the risks associated with an investment in those Notes**

The Notes have been rated by Moody's Investors Service España, S.A. (Sociedad Unipersonal). The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, rating agencies may assign unsolicited ratings to the Notes. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable solicited ratings assigned to the Notes, which could adversely affect the market value and liquidity of the Notes.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the EU 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.

Similarly, UK regulated investors are restricted under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-UK credit rating agencies, unless the relevant credit ratings are endorsed by a UK-registered credit rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the FCA on its website in accordance with the UK 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 FCA list.

Moody's Investors Service España, S.A. (Sociedad Unipersonal) is established in the EU and registered in accordance with the EU CRA Regulation, and appears on the latest update of the list of registered credit rating agencies on the ESMA website at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>. Moody's Investors Service España, S.A. (Sociedad Unipersonal) is not established in the UK but the credit ratings assigned by it have been endorsed by Moody's Investors Service Limited, in accordance with the UK CRA Regulation. As such, credit ratings assigned by Moody's Investors Service España, S.A. (Sociedad Unipersonal) may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

**The Notes are 'Green, Social and Sustainable Notes' issued with a specific use of proceeds; the use of proceeds and the Notes may not correspond to investor ESG criteria**

The Prospectus provides that it is the Issuer's intention to apply an amount equal to the net proceeds from the offer of the Notes specifically for Eligible Green and Social Assets (as defined in "*Use of*

*Proceeds*" below) that promote environmental or social purposes and that the Notes issued hereunder are to be referred to as "**Social Notes**". For the avoidance of doubt, neither the proceeds of the Notes nor any amount equal to such net proceeds will be segregated by the Issuer from its capital and other assets and there will be no direct or contractual link between the Notes and any Eligible Green and Social Assets.

Prospective investors should have regard to the information in this Prospectus regarding such use of an amount equal to such net proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Joint Lead Managers that the use of an amount equal to such net proceeds for any Eligible Green and Social Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Green and Social Assets). Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled loan or as to what precise attributes are required for a particular loan to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. On 12 July 2020, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**Taxonomy Regulation**") came into force (albeit key provisions will be developed by delegated acts and will come into force at a later date). The European Commission has adopted delegated legislation containing technical screening criteria for economic activities that make a substantial contribution to climate change mitigation or adaptation, with a view to ensuring its application from 1 January 2022. Specifically, for the banking sector, the EBA was given several mandates to assess how environmental, social and governance 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 environmental, social and governance risks into the regulatory and supervisory framework. ESMA has recently stated that external reviewers conducting assessments of the European Union Green Bond Standards should be subject to EU-wide registration and supervision and that the European Union Green Bond Standards should be aligned with the Taxonomy Regulation. However, there is no assurance that the two will in fact be aligned. Accordingly, no assurance is or can be given to investors that any loans or uses the subject of, or related to, any Eligible Green and Social Assets will meet any or all investor expectations regarding such "green", "social", "sustainable" or other equivalently-labelled performance objectives (including under the Taxonomy Regulation or the Taxonomy Regulation as it forms part of domestic law by virtue of the EUWA) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green and Social Assets. The Issuer has published a framework relating to an investment in Eligible Green and Social Assets which is available on the Issuer's website (<https://www.creditoagricola.pt/institucional/investor-relations>) and which may be amended or updated from time to time (the "**Green, Social and Sustainability Framework**"). The most recent version of the Group's Green, Social and Sustainability Framework will be available on the Issuer's website and each prospective investor should have regard to the factors described in the Green, Social and Sustainability Framework and seek advice from their independent financial adviser or other professional adviser the relevance of the information contained in this Prospectus regarding the use of proceeds and its purchase of the Notes before deciding to invest. ISS ESG (an independent provider of research-based evaluations of green financing frameworks to determine their environmental robustness) has evaluated the Group's Green, Social and Sustainability Framework and issued a second party opinion (the "**Second Party Opinion**") on the Group's Green, Social and Sustainability Framework verifying its credibility, impact and alignment with the International Capital Market Association's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The second-party opinion is available on the Issuer's website at <https://www.creditoagricola.pt/institucional/investor-relations>. Neither the Group's Green, Social and Sustainability Framework nor the Second Party Opinion are incorporated by reference into this Prospectus.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of the Green, Social and Sustainability Framework, the Second Party Opinion or any other opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of the Notes and in particular with any Eligible Green and Social Assets to fulfil any environmental, sustainability, social and/or other criteria. The Second Party Opinion and the Green, Social and Sustainability Framework may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. Neither the Second Party Opinion nor the Green, Social and Sustainability Framework is a recommendation by the Issuer, the Joint Lead Managers or any other person to buy, sell or hold securities and the Second Party Opinion is only current as of the date that it was initially issued.

Prospective investors must determine for themselves the relevance of the Second Party Opinion and/or the information contained therein and/or the provider of the Second Party Opinion for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific oversight or regulatory or other regime. The withdrawal of the Second Party Opinion, or any opinion or certification attesting that the Issuer or the Group is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on may have a material adverse effect on the value of the Notes, and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

#### **There may be insufficient assets for ESG investment proceeds**

It is the intention of the Issuer to apply an amount equal to the net proceeds of the Notes in, or substantially in, the manner described in the Group's Green, Social and Sustainability Framework and this Prospectus. However, whilst (in line with the Green, Social and Sustainability Framework) the Issuer aims to ensure timely allocation of an amount equal to the net proceeds of the Notes to Eligible Green and Social Assets there can be no assurance that the relevant loan(s) or use(s) which are the subject of, or related to, any Eligible Green and Social Assets will be capable of being implemented in a similar manner and/or in accordance with any timing schedule and that accordingly the amount equal to such net proceeds will be totally disbursed for Eligible Green and Social Assets. Nor can there be any assurance that such Eligible Green and Social Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply an amount equal to the net proceeds of the issue of the Notes for any Eligible Green and Social Assets, as aforesaid, or to obtain and publish any such reports, assessments, opinions and certifications, or the fact that the maturity of a Eligible Green or Social Asset may not match the minimum duration of the Notes, or the failure by the Issuer to meet any other environmental or sustainability targets, will not (i) constitute an event of default under the Notes, (ii) create an obligation for the Issuer to redeem the Notes or be a relevant factor for the Issuer in determining whether or not exercise any optional redemption rights in respect of the Notes; (iii) give Holders an option to redeem the Notes or accelerate any scheduled payments under the Notes; (iv) constitute an incentive to redeem; or (v) prejudice the Notes' qualification as eligible liabilities.

#### **The Notes are first and foremost bail-in notes and then only Social Notes**

The Notes may also be subject, as applicable, to any of the other risks highlighted in the "*Risks relating to the Notes*", including any bail-in and resolution measures available under BRRD, notably as described in the risk factors entitled "*The obligations of the Issuer in respect of the Notes are subject to resolution measures, including the general bail-in tool*" above, as well as in the risk factors entitled "*Risks relating to the Issuer – Legal and regulatory risks – Risks relating to the Bank Recovery and Resolution Directive*" and "*Risks relating to the Issuer – Legal and regulatory risks – Minimum requirement for own funds and eligible liabilities could have a material effect on the Issuer*" above. Further, the Notes, as with other notes, will be fully subject to the application of CRR II eligibility criteria and BRRD requirements and, as such, net proceeds from the Notes will cover all losses in the balance sheet of the Issuer regardless of their "green", "social" or "sustainable" label. Additionally, such labelling as Social Notes will not (i) affect the regulatory

treatment of the Notes as eligible liabilities or (ii) have any impact on their status as indicated in Condition 3 (*Ranking*).

The payments of principal and interest (as the case may be) on the Notes shall not depend on the performance of the relevant Eligible Green and Social Assets or any other environmental or sustainability targets of the Issuer, nor will any investors in the same have any preferred right against such assets.

Investors should refer to the Issuer's website and the Group's Green, Social and Sustainability Framework (as further described in "*Use of Proceeds*" below) for further information.

### 3. **RISKS RELATING TO THE MARKET GENERALLY**

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

#### **There is no existing secondary trading market for the Notes and one may not develop**

The Notes represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. 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 of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes in full, or of the Notes being subject to loss absorption under 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.

Any or all of such 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 and any subsidiary of the Issuer can (subject to receiving Regulatory Permission (if required)) purchase Notes at any time, they have no obligation to do so. Purchases made by the Issuer 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, Holders should be aware of the prevailing credit market conditions (which continue at the date of this Prospectus), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

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

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

The Issuer will pay principal and interest 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 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 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. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

### **Interest rate risks**

An investment in the Notes, which bear interest at a fixed rate (reset after four years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be reset after four years, and as such the reset rate is not pre-defined at the date of issue of the Notes; it may be different from the initial rate of interest and may adversely affect the yield of the Notes.



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes.*

The issue of the €300,000,000 2.50 per cent. Fixed/Floating Rate Callable Senior Preferred Notes due 2026 (the "**Notes**") of Caixa Central - Caixa Central de Crédito Agrícola Mútuo, C.R.L. (the "**Issuer**") was authorised by a resolution of the General Assembly of the Issuer dated 14 September 2021 and by a resolution of the Executive Board of Directors of the Issuer dated 14 October 2021. The Notes are governed by these terms and conditions (the "**Conditions**") and a deed poll given by the Issuer in favour of the Holders dated 5 November 2021 (the "**Instrument**"). The Notes also have the benefit of an agency agreement dated 5 November 2021 (such agency agreement as amended and/or restated and/or supplemented from time to time, the "**Agency Agreement**") entered into in relation to the Notes between the Issuer, Deutsche Bank AG, London Branch, with its specified office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, as initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto) and initial agent bank (the "**Agent Bank**") and Deutsche Bank Aktiengesellschaft – Sucursal em Portugal, with its specified office at Rua Castilho, 20, 1250-069 Lisbon, Portugal, as paying agent (the "**Portuguese Paying Agent**", which expression shall include any successor thereto, and together with the Principal Paying Agent and any other paying agent as may be nominated under the Paying Agency Agreement from time to time, the "**Paying Agents**", each a "**Paying Agent**"). The Holders are entitled to the benefits of, bound by, and are deemed to have notice of, all the provisions of the Instrument and the Agency Agreement applicable to them. Copies of the Instrument and the Agency Agreement are available for inspection by Holders during normal business hours at the registered office of the Issuer. For the avoidance of doubt, there is no negative pledge provision in these Conditions.

Words and expressions defined in the Instrument or the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Instrument, the Instrument will prevail and that in the event of any inconsistency between the Agency Agreement or the Instrument and the Conditions, the Conditions will prevail.

### 1. Form, Denomination, Title and Transfer

The Notes are issued in denominations of €100,000. The Notes are issued in dematerialised book-entry form (*forma escritural*) and are registered (*nominativas*) and constituted by registration in individual securities accounts ("**Securities Accounts**"). The Notes are registered with the Central de Valores Mobiliários (the "**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 individual 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. Title to the Notes passes upon registration in the relevant individual 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 in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, "**Holder**" means the person in whose name a Note is registered in the relevant individual Securities Accounts held with an Affiliate Member of Interbolsa.

### 2. Status

The Notes constitute direct, unsecured, unsubordinated and unguaranteed obligations of the Issuer and rank *pari passu* and without any preference among themselves.

### 3. Ranking

#### (a) Winding-Up

The Issuer and, by virtue of its holding of any Note or any beneficial interest therein, each Holder acknowledge and agree that if a Winding-Up occurs, the rights and claims of the Holders against the Issuer in respect of, or arising under, each Note shall be for (in lieu of

any other payment by the Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon, Additional Amounts and any damages awarded for breach of any obligations in respect of such Note, provided however that such rights and claims shall rank:

- (i) *pari passu* among themselves and with any other Senior Higher Priority Liabilities; and
- (ii) senior to (i) Senior Non Preferred Liabilities and (ii) all present and future subordinated obligations and all classes of share capital of the Issuer.

(b) Set-Off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Instrument and each Holder shall, by virtue of his holding of any Note, be deemed, to the extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up, the liquidator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

4. Interest Payments

(a) Interest Rate

The Notes bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

During the Initial Fixed Rate Interest Period, interest shall be payable on the Notes annually in arrear on each Interest Payment Date and, in respect of each full Interest Period up to the Call Date, shall amount to €2,500 per Calculation Amount, and thereafter interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Note during the Initial Fixed Rate Interest Period for a period which is less than a year, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Interest shall accrue on the Notes in respect of all Interest Periods (and any other period in respect of which interest may fall to be calculated) commencing on or after the Call Date on the basis of a day-count fraction equal to the actual number of days elapsed in the relevant period divided by 360.

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 5(a), (c), (d) or (e) or the date of substitution thereof pursuant to Condition 5(f), as the case may be, unless payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(a) in relation to payments of Interest for each

Interest Period up to the Call Date, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 2.50 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) Floating Interest Rate

From and including the Call Date, the Notes will bear interest at the applicable Floating Interest Rate. The Floating Interest Rate in respect of each Interest Period commencing on or after the Call Date will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Interest Determination Date, the Agent Bank will determine the offered rate (expressed as a rate per annum) for 3-month deposits in euro as at 11 a.m. (Central European time) on such Interest Determination Date, as displayed on Reuters Page EURIBOR01. The Floating Interest Rate for the relevant Interest Period shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if Reuters Page EURIBOR01 is unavailable, the Agent Bank will, on such date, request the principal Eurozone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Eurozone interbank market for 3-month deposits in euro at approximately 11 a.m. (Central European time) on the Interest Determination Date in question in an amount that is representative for a single transaction in the market at that time. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Interest Rate for the relevant Interest Period shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Interest Determination Date to which the provisions of paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Interest Rate for the relevant Interest Period shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Eurozone selected by the Agent Bank are quoting, at approximately 11 a.m. (Central European time) on the relevant Interest Determination Date, to leading banks in the Eurozone for a period of 3 months in an amount that is representative for a single transaction in the market at that time, provided that if the applicable Floating Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the relevant Floating Interest Rate shall be determined by the Agent Bank as the rate applicable at the last preceding Interest Determination Date or if there has not been a first Interest Payment Date after the Call Date, the Floating Interest Rate shall be determined using the rate last displayed on Reuters Page EURIBOR01 plus the Margin.

(e) Floating Interest Rate and Calculation of Floating Interest Amounts

The Agent Bank will, as soon as practicable after 11 a.m. (Central European time) on each Interest Determination Date, determine the Floating Interest Rate in respect of the relevant Interest Period and calculate the amount of interest which is payable in respect of a Calculation Amount on the Interest Payment Date for that Interest Period (the "**Floating Interest Amounts**"). The determination of the applicable Floating Interest Rate and the

amount of interest which is payable per Calculation Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) Publication of Floating Interest Rate and Floating Interest Amounts

The Agent Bank shall cause notice of the Floating Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period, the Floating Interest Amounts per Calculation Amount and the relevant date scheduled for payment to be given to the Issuer, the Principal Paying Agent (if a different entity to the Agent Bank) and the Portuguese Paying Agent, if required by the rules of any stock exchange or other relevant authority on or by which the Notes are listed or admitted to trading from time to time, such stock exchange or other authority without undue delay and, in accordance with Condition 11, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth TARGET Business Day thereafter.

The Floating Interest Amounts and the date scheduled for payment so notified may subsequently be amended without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions. If the Notes become due and payable pursuant to Condition 7(a), the accrued interest per Calculation Amount and the Floating Interest Rate payable, as applicable, in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 4 but no publication of the Floating Interest Rate or the amount of interest payable per Calculation Amount so calculated need be made.

(g) Agent Bank and Reference Banks

Whenever a function expressed in these Conditions to be performed by the Agent Bank and Reference Banks falls to be performed, the Issuer will maintain an Agent Bank and (if required) the number of Reference Banks provided below where the Floating Interest Rate is to be calculated by reference to them.

The Issuer may from time to time replace the Agent Bank or any Reference Bank with another leading investment, merchant or commercial bank or financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Floating Interest Rate in respect of any Interest Period as provided in Condition 4(d) or calculate the Floating Interest Amounts, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in the Eurozone to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid. A Reference Bank may not be the Issuer or any of its affiliates.

(h) Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Paying Agents and all Holders and (in the absence of wilful default or negligence) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) Benchmark Discontinuation

(i) Independent Adviser

Notwithstanding the foregoing, if a Benchmark Event occurs in relation to the Original Reference Rate when any Floating Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(i)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with

Condition 4(i)(iv)), provided that such appointment need not be made earlier than 30 days prior to the first date on which the Original Reference Rate is to be used to determine any Floating Interest Rate (or any component part thereof). In making such determination, the Independent Adviser appointed pursuant to this Condition 4(i) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agent Bank, any Paying Agent, or the Holders for any determination made by it, pursuant to this Condition 4(i).

If (a) the Issuer is unable to appoint an Independent Adviser; or (b) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(i)(i) prior to the date which is 10 TARGET Business Days prior to the relevant Interest Determination Date, the Floating Interest Rate applicable to the next succeeding Interest Period shall be equal to the Floating Interest Rate last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date after the Call Date, the Floating Interest Rate shall be determined using the Original Reference Rate last displayed on Reuters Page EURIBOR01 plus the Margin. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(i)(i).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

- (A) there is a Successor Rate, then such Successor Rate and any applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Floating Interest Rate (or the relevant component part thereof), subject to the subsequent operation of this Condition 4(i); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and any applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Floating Interest Rate (or the relevant component part thereof), subject to the subsequent operation of this Condition 4(i).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be), subject to the subsequent operation of this Condition 4(i). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

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

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

Notwithstanding any other provision of this Condition 4(i), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to (i) prejudice the qualification of the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations or (ii) result in the Relevant Regulator treating the next Interest Payment Date or the Call Date, as the case may be, as the effective maturity of the Notes, rather than the maturity date of the Notes for the purposes of qualification of the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations.

(v) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(i) will be notified at least 10 TARGET Business Days prior to the relevant Interest Determination Date by the Issuer to the Agent Bank and the Paying Agents. In accordance with Condition 11, notice shall be provided to the Holders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Holders of the same, the Issuer shall deliver to the Principal Paying Agent (with a copy to the Portuguese Paying Agent) to make available at its registered office to the Holders a certificate signed by two members of the Executive Board of Directors of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(i); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

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

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(d) will continue to apply unless and until a Benchmark Event has occurred.

5. Redemption, Substitution, Variation and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled or (pursuant to Condition 5(f)) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on the Interest Payment Date falling on, or nearest to, 5 November 2026. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

(b) Conditions to Redemption, Substitution or Variation, and Purchase

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

- (i) the Issuer obtaining prior Regulatory Permission therefor;
- (ii) in the case of any substitution or variation, such substitution or variation being permitted by, and conducted in accordance with, any other applicable requirement of the Relevant Regulator or under the Loss Absorption Regulations at such time; and
- (iii) such redemption, substitution, variation or purchase complying with Applicable Banking Regulations or Loss Absorption Regulations, as applicable.

For the avoidance of doubt, any failure by the Issuer to obtain Regulatory Permission (whether from the Relevant Regulator or otherwise) as contemplated above shall not constitute a default of the Issuer under the Notes or for any purpose.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 5 (other than a redemption pursuant to Condition 5(c)), the Issuer shall deliver to the Principal Paying Agent (with a copy to the Portuguese Paying Agent) to make available at its registered office to the Holders a copy of a certificate signed by two members of the Executive Board of Directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Loss Absorption Compliant Notes comply with the definition thereof in Condition 16 and, in the case of a redemption pursuant to Condition 5(d) only, an opinion from a nationally recognised law firm or other nationally recognised tax adviser in Portugal, to the effect that the relevant requirement or circumstance referred to in any of paragraphs (a) to (c) (inclusive) of the definition of "Tax Event" applies.

(c) Issuer's Call Option

Subject to Condition 5(b), the Issuer may, by giving not less than 10 nor more than 60 days' notice to the Holders in accordance with Condition 11 and the Paying Agents (which notice shall be irrevocable), elect to redeem all, but not some only, of the Notes on the Call Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the Call Date.

(d) Redemption Due to Tax Event

If, prior to the giving of the notice referred to in this Condition 5(d), a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 10 nor more than 60 days' notice to the Holders in accordance with Condition 11 and the Paying Agents (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

(e) Redemption Due to Loss Absorption Disqualification Event

If, prior to the giving of the notice referred to in this Condition 5(e), a Loss Absorption Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 10 nor more than 60 days' notice to the Holders in accordance with Condition 11 and the Paying Agents (which notice shall be

irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

(f) Substitution or Variation

If a Tax Event or a Loss Absorption Disqualification Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 14(d), then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 11 and the Paying Agents (which notice shall be irrevocable and shall specify the date for substitution or, as the case may be, variation of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the Call Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes and may make any consequential amendments to the Instrument and the Agency Agreement. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 5(f), as the case may be and make any consequential amendments to the Instrument and the Agency Agreement.

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

The exercise of such substitution or variation rights may have adverse tax and other consequences for Holders and Holders should consult their own tax and other advisers in connection therewith. The Issuer is not required to take into account the consequences to Holders if it exercises its rights of substitution or variation hereunder.

(g) Purchases

The Issuer may, subject to Condition 5(b), purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.

(h) Cancellation

All Notes redeemed or substituted by the Issuer pursuant to this Condition 5 will forthwith be cancelled in accordance with the applicable regulations of Interbolsa. All Notes purchased by or on behalf of the Issuer may, subject to obtaining any Regulatory Permission therefor (if applicable), be held, reissued, resold or, at the option of the Issuer, cancelled in accordance with the applicable regulations of Interbolsa.

6. Payments

(a) Method of Payment

Payments in respect of the Notes will be made by transfer to the accounts of the relevant Affiliate Member(s) of Interbolsa in which the Notes are registered, details of which appear in the records of the relevant Affiliate Member of Interbolsa at close of business on the TARGET Business Day before the due date for payment of principal and/or interest.

If the due date for payment of any amount in respect of any Note is not a TARGET Business Day, the Holder shall not be entitled to payment of the amount due until the next succeeding TARGET Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

(b) Payments Subject to Laws



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

7. Default

(a) Default

- (i) If the Issuer does not make payment in respect of the Notes for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Instrument and the Notes and a Holder may notwithstanding the provisions of Condition 7(b), institute proceedings for the winding-up of the Issuer.
- (ii) In the event of a Winding-Up of the Issuer (whether or not instituted by a Holder pursuant to the foregoing), a Holder may prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 3(a). If a Winding-Up occurs, then any Holder may give notice to the Issuer and to the Paying Agents at their respective registered offices, effective upon the date of receipt thereof by the Issuer, that the Notes held by such Holder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable together with accrued and unpaid interest.

(b) Enforcement

Without prejudice and subject to Condition 7(a), and in accordance with and to the extent permitted by then applicable law, a Holder may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Instrument or the Notes (other than any payment obligation of the Issuer under or arising from the Instrument or the Notes, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations) provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions or the Instrument. Nothing in this Condition 7(b) shall, however, prevent a Holder from instituting proceedings for the winding-up of the Issuer (in accordance with and to the extent permitted by applicable law at the relevant time) and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes and the Instrument (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 3(a) and 7(a).

(c) Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Condition 7, shall be available to the Holders, whether for the recovery of amounts owing in respect of the Instrument, the Notes or in respect of the Agency Agreement or any breach by the Issuer of any of its other obligations under or in respect of the Instrument, the Notes or under the Agency Agreement.

8. Taxation

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction or any political subdivision thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other

amount) the Issuer will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (a) held by a recipient which is not the ultimate beneficial owner of the income arising from such Note or presented for payment into an account held on behalf of undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment; or
- (b) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Note; or
- (c) held by, or by a third party on behalf of, a Holder who could lawfully prevent (but has not so prevented) such deduction or withholding by complying or procuring that any third party complied with any statutory requirements or by making or procuring that any third party made a declaration of non-residence or other similar claim for exemption to any applicable tax authority; or
- (d) held by, or by a third party on behalf of, an entity resident for income tax purposes in a country, territory or region subject to a clearly more favourable tax regime, as listed in the Ministerial Order no. 150/2004, of 13 February 2004, issued by the Portuguese Minister of Finance and Public Administration (as amended), or legislation replacing it, unless a Double Tax Convention or a Tax Information Exchange Agreement entered into between such country, territory or region and Portugal is in force at the time the interest becomes due and payable;
- (e) presented for payment by or 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 2005 as amended from time to time, and any implementing legislation, is not received; or
- (f) to, or to a third party on behalf of, a Holder in respect of whom the documentation required to certify the tax residence, pursuant to the conditions set forth in Decree-Law No. 193/2005, of 7 November 2005, as amended, and accessory regulations, or legislation replacing it, is not provided within 30 days after the Relevant Date.

References in these Conditions to interest shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 8.

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

9. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Meetings of Holders, Modification and Waiver

- (a) Meetings of Holders

The Instrument contains provisions for convening meetings of Holders (including by way of conference call) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Instrument. Such a meeting may be convened by the Issuer or Holders holding not less than 10 per cent. in 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 per cent. in 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 principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, inter alia, the provisions regarding ranking referred to in Condition 3, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or the Interest Rate or varying the method of calculating the Interest Rate) the quorum 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 principal amount of the Notes for the time being outstanding.

The agreement or approval of the Holders shall not be required (i) in the case of any substitution or variation of the Notes required to be made in the circumstances described in Condition 5(f) in connection with the substitution of the Notes for, or variation of the terms of the Notes so that they remain, or as appropriate become, Loss Absorption Compliant Notes or (ii) in the case of any variation of these Conditions, the Instrument or the Agency Agreement required to be made in the circumstances described in Condition 4(i).

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Instrument provides that a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) Modification of the Notes

The Paying Agents, the Agent Bank and the Issuer may, without the consent of the Holders, make any modification of these Conditions, the Instrument or the Agency Agreement 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 error, or (iv) is to comply with mandatory provisions of any applicable law.

Any such modification shall be binding on the Holders and shall be notified to the Holders as soon as practicable. No modification to these Conditions or any provisions of the Instrument shall become effective unless (if and to the extent required at the relevant time by the Relevant Regulator) the Issuer shall have given such period of prior written notice thereof required by the Relevant Regulator, to, and received Regulatory Permission therefor from, the Relevant Regulator (provided that there is a requirement to give such notice and obtain such Regulatory Permission).

(c) Notices

Any such modification shall be binding on all Holders and shall be notified to the Holders in accordance with Condition 11 as soon as practicable thereafter.

11. Notices

Notices required to be given to the Holders pursuant to the Conditions shall be valid if published in such manner as the stock exchange on which Notes are listed or its rules and regulations may prescribe or accept. The Issuer shall also ensure that all such notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The Issuer shall also comply with the requirements of Interbolsa and of Portuguese law generally in respect of notices relating to the Notes.

As at the Issue Date, notices are required to be (i) published on the website of Euronext Dublin and (ii) delivered to Interbolsa for communication to its Affiliate Members.

12. Further Issues

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

13. Agents

The names of the Principal Paying Agent, the Agent Bank and the Portuguese Paying Agent and their specified offices are set out in the preamble to these Conditions. Any Principal Paying Agent, Agent Bank or Portuguese Paying Agent does not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Agent Bank or the Portuguese Paying Agent and to appoint replacement agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent;
- (b) at all times maintain a Portuguese Paying Agent in Portugal capable of making payment in respect of the Notes as contemplated by these terms and conditions of the Notes, the Agency Agreement and applicable Portuguese laws and regulations; and
- (c) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the registered offices of the Principal Paying Agent, Agent Bank or Portuguese Paying Agent will be given to the Holders in accordance with Condition 11. If any of the Principal Paying Agent, the Agent Bank or the Portuguese Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions, the Issuer shall appoint an independent financial institution to act as such in its place. All calculations and determinations made by the Principal Paying Agent, the Agent Bank or the Portuguese Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Principal Paying Agent, the Agent Bank, the Portuguese Paying Agent and the Holders.

14. Governing Law and Jurisdiction

(a) Governing Law

The Instrument, the Agency Agreement, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, save that the provisions of Condition 1 relating to

the form (*representação formal*) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes; and (ii) Condition 14(d) are governed by, and shall be construed in accordance with, the laws of Portugal.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Instrument, the Agency Agreement or the Notes (other than the provisions of (i) Condition 1 relating to the form and transfer of the Notes, creation of security over the Notes, and the Interbolsa procedures for the exercise of rights under the Notes; and (ii) Condition 14(d) (together the "**Excluded Matters**"), in respect of which the courts of Portugal shall have jurisdiction) and accordingly any legal action or proceedings arising out of or in connection with the Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has in the Instrument irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (other than in respect of Excluded Matters) and to the jurisdiction of the courts of Portugal in respect of any Proceedings relating to Excluded Matters.

(c) Service of Process

The Issuer has in the Instrument irrevocably appointed TMF Global Services (UK) Limited of 8th Floor, 20 Farringdon Street, London EC4A 4AB, United Kingdom as agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

(d) Acknowledgement of Statutory Loss Absorption Powers

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 14(d), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Holder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(i) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

- (A) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
- (B) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes, in which case the 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 the Relevant Amounts in respect of the Notes; or
- (D) the amendment or alteration of the maturity date of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

- (ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

No repayment or payment of Relevant Amounts in respect of the Notes will become due and payable or be paid after the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

None of the events referred above with respect to the Notes will be an event of default.

Upon the exercise of the Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes, the Issuer will provide a written notice to the Holders in accordance with Condition 11 as soon as practicable regarding such exercise of the Statutory Loss Absorption Powers but any failure to provide such notice shall not affect the validity or enforceability of such exercise of the Statutory Loss Absorption Powers nor its effects on the Notes.

15. Contracts (Rights of Third Parties) Act 1999

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

16. Definitions

In these Conditions:

"**Additional Amounts**" has the meaning given to it in Condition 8;

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

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (b) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if Independent Adviser determines that no such spread is customarily applied)
- (c) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"**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 individual Securities Accounts on behalf of Euroclear and Clearstream, Luxembourg;

"**Agency Agreement**" has the meaning given to it in the preamble of these Conditions;

"**Agent Bank**" has the meaning given to it in the preamble to these Conditions;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4(i)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in euro.

**"Applicable Banking Regulations"** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Portugal and applicable to the Issuer, including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Regulator or Relevant Resolution Authority and/or any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union.

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

**"Benchmark Amendments"** has the meaning given to it in Condition 4(i)(iv);

**"Benchmark Event"** means:

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 TARGET Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (e) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (f) it has become unlawful for any Paying Agent, the Agent Bank, the Issuer or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Paying Agents and the Agent Bank. For the avoidance of doubt, none of the Paying Agents or the Agent Bank shall have any responsibility for making such determination;

**"BRRD"** means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time (including, without limitation, by Directive (EU) 2017/2399 and by Directive (EU) 2019/879);

**"Calculation Amount"** means €100,000 in principal amount;

**"Call Date"** means 5 November 2025;

**"Conditions"** means these terms and conditions of the Notes, as amended from time to time;

**"EEA Regulated Market"** means a market as defined by Article 4.1 (14) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments;

**"euro"** or **"€"** means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

**"Euronext Dublin"** means the Irish Stock Exchange plc trading as Euronext Dublin;

**"Extraordinary Resolution"** has the meaning given to it in the Instrument;

**"Floating Interest Amounts"** has the meaning given to it in Condition 4(e);

**"Floating Interest Rate"** has the meaning given to it in Condition 4(d);

**"Group"** means the Issuer and its Subsidiaries;

**"Holder"** has the meaning given to it in Condition 1;

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

**"Initial Fixed Interest Rate"** has the meaning given to it in Condition 4(c);

**"Initial Fixed Rate Interest Period"** means the period from (and including) the Issue Date to (but excluding) the Call Date;

**"Interest Determination Date"** means, in relation to each Interest Period from and including the Interest Period beginning on the Call Date, the second TARGET Business Day prior to the commencement of the relevant Interest Period;

**"Interest Payment Date"** means (i) in respect of the period from the Issue Date to (and including) the Call Date, 5 November in each year, starting on (and including) 5 November 2022 and (ii) after the Call Date, 5 February, 5 May, 5 August and 5 November in each year, starting on (and including) 5 February 2026, provided that if any Interest Payment Date after the Call Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET Business Day;

**"Interest Period"** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**"Interest Rate"** means the Initial Fixed Interest Rate and/or the Floating Interest Rate, as the case may be;

**"Issue Date"** means 5 November 2021, being the date of the initial issue of the Notes;

**"Issuer"** means Caixa Central - Caixa Central de Crédito Agrícola Mútuo, C.R.L.;

**"Loss Absorption Compliant Notes"** means securities issued directly by the Issuer that:

- (a) have terms which are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer)) prior to the issue of the relevant securities or, as appropriate, variation of the Notes, and, subject thereto, which (1) contain terms which comply with the then current Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's and/or the Group's minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes; (3) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations (including the obligations arising from



the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (6) do not contain terms which provide for interest cancellation or deferral (provided that this paragraph (6) shall not preclude the inclusion of any provision analogous to Condition 14(d)); and (7) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares (provided that this paragraph (7) shall not preclude the inclusion of any provision analogous to Condition 14(d));

- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other internationally recognised stock exchange as selected by the Issuer; and
- (c) where the Notes which have been substituted or varied had a published rating from a Rating Agency immediately prior to their substitution or variation and such rating was solicited by or on behalf of the Issuer, each such Rating Agency has ascribed, or announced its intention to ascribe, a published rating to the relevant Loss Absorption Compliant Notes equal to or higher than (i) the solicited published rating of the Notes from the Rating Agency immediately prior to their substitution or variation or (ii) where the solicited published rating of the Notes was, as a result of Condition 14(d) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, the solicited published rating of the Notes from the Rating Agency immediately prior to such amendment, save that this proviso shall not prevent any changes being made to the governing law of Condition 14(d) where such changes are needed to ensure the effectiveness or enforceability of Condition 14(d).

Any change to the governing law of Condition 14(d) in order to ensure the effectiveness or enforceability of Condition 14(d) shall, of itself, be deemed for the purposes of (a) above not to be materially less favourable to an investor.

**"Loss Absorption Disqualification Event"** shall be deemed to have occurred if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or the application or interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the Reference Date and not being reasonably foreseeable at the Reference Date, the entire principal amount of the Notes or any part thereof, is (as determined by the Issuer or the Relevant Regulator), or (in the opinion of the Issuer or the Relevant Regulator) is likely to be, excluded from the Issuer's and/or the Group's minimum requirements for (i) own funds and eligible liabilities and/or (ii) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur (a) where the relevant exclusion is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group on the Reference Date; or (b) where the relevant exclusion is as a result of any applicable limitation on the amount of liabilities of the Issuer that may qualify as (i) own funds and eligible liabilities and/or (ii) loss absorbing capacity instruments, of the Issuer or the Group;

**"Loss Absorption Regulations"** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of Portugal, the Relevant Regulator and/or of the European Parliament or of the Council of the European Union then in effect in Portugal and applicable to the Issuer and/or the Group, including, without limitation to the generality of the foregoing, any applicable delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any Relevant Regulator from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer and/or the Group);

**"Margin"** means 2.60 per cent.;

**"Market"** means Euronext Dublin's EEA Regulated Market;

**"Notes"** has the meaning given to it in the preamble to these Conditions;

**"Official List"** means the official list of Euronext Dublin;

**"Original Reference Rate"** means the originally-specified benchmark or screen rate (as applicable) used to determine the Floating Interest Rate (or any component part thereof) on the Notes or, if applicable, any other successor or alternative rate (or any component part thereof) determined and applicable to the Notes pursuant to the earlier operation of Condition 4(i);

**"Paying Agents"** has the meaning given to it in the preamble to these Conditions;

**"Portuguese Paying Agent"** has the meaning given to it in the preamble to these Conditions;

**"Principal Paying Agent"** has the meaning given to it in the preamble to these Conditions;

**"Rating Agency"** means Moody's Investors Service España, S.A. (Sociedad Unipersonal) or its successor;

**"Reference Banks"** means five leading banks in the principal interbank market relating to euro selected by the Issuer acting reasonably;

**"Reference Date"** means the later of (i) the Issue Date and (ii) the latest date (if any) on which any further Notes have been issued pursuant to Condition 12;

**"Regulatory Permission"** means, in relation to any action, such notice, regulatory permission (and/or, as appropriate, consent, approval or waiver) as is required therefor under prevailing Loss Absorption Regulations (if any);

**"Relevant Amounts"** means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and Additional Amounts 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 any Statutory Loss Absorption Powers by the Relevant Resolution Authority;

**"Relevant Date"** means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that such payment will be made, provided that payment is in fact made, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the Winding-Up;

**"Relevant 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/or interest on the Notes;

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

- (a) the European Commission, the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the European Commission, the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**"Relevant Regulator"** means the Bank of Portugal, the Single Resolution Board, the European Central Bank or such other authority having primary supervisory authority with respect to prudential and/or resolution matters concerning the Issuer and/or the Group, as may be relevant in the context and circumstances;

**"Relevant Resolution Authority"** means the resolution authority with the ability to exercise any Statutory Loss Absorption Powers in relation to the Issuer;

**"Reuters Page EURIBOR01"** means the display page or screen so designated on Reuters (or such other page or screen as may replace that page on that service, or such other service as may be nominated as the information vendor);

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

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

**"Statutory Loss Absorption Powers"** means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Portugal, relating to (i) the transposition of the BRRD (including but not limited to the General Framework for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), established by Decree-Law No. 298/92 of December 1992, as amended or superseded (including by any banking activity code that may enter into force)) and Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) 1093/2010 (as amended, notably by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019) and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period);

**"Subsidiaries"** means any entity of which the Issuer, from time to time (i) owns, directly or indirectly, more than 50 per cent. of the share capital or similar right of ownership, or (ii) owns or is able to exercise, directly or indirectly, more than 50 per cent. of the voting rights, or (iii) has the right to appoint the majority of the members of the board of directors;

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

**"TARGET Business Day"** means a day on which the TARGET System is operating;

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

**"Tax Event"** is deemed to have occurred if, as a result of a Tax Law Change:

- (a) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or
- (b) the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced; or
- (c) the Issuer is not able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable Portuguese tax purposes (whether under the tax

grouping system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist),

and, in any such case, the Issuer could not avoid the foregoing by taking measures reasonably available to it;

**"Tax Law Change"** means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Notes, which change or amendment becomes public or becomes effective on or after the Reference Date and was not reasonably foreseeable at the Reference Date; and

**"Winding-Up"** means:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by an Extraordinary Resolution and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions); or
- (b) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the General Framework for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), established by Decree-Law No. 298/92 of December 1992, as amended or superseded (including by any banking activity code that may enter into force).

## FORM OF THE NOTES

### General

The Notes will be registered through the CVM, managed by Interbolsa, and will be held through a centralised system ('*sistema centralizado*') composed of interconnected Securities Accounts, through which such securities (and inherent rights) are created, held and transferred, and which allows Interbolsa to control at all times the amount of securities so created, held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

The CVM will comprise, *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 at all times the aggregate nominal amount of the Notes held by such Affiliate Member by or on behalf of the Holders in individual Securities Accounts. Where used in this Prospectus, the expression "**Affiliate Member of Interbolsa**" 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.

The Notes will be allocated an International Securities Identification Number ("**ISIN**") through the codification system of Interbolsa. The Notes will be accepted and registered with CVM and settled in 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 (*Código dos Valores Mobiliários*) enacted by Decree-Law No. 486/99 of 13 November 1999 (as amended and restated from time to time) (the "**Portuguese Securities Code**") and the applicable CMVM and Interbolsa regulations. No physical document of title will be issued in respect of the Notes.

Each person shown in the 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.

### Payment of principal and interest in respect of Notes

Payment of principal and interest in respect of the Notes will be subject to Portuguese laws and regulations, notably the regulations from time to time issued and applied by the CMVM and by Interbolsa.

The Issuer must give Interbolsa advance notice of all payments and provide all necessary information for that purpose.

Prior to any payment, the Portuguese Paying Agent shall provide Interbolsa with a statement of acceptance of its role of Portuguese Paying Agent.

Interbolsa must notify the Portuguese Paying Agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the control accounts of each relevant Affiliate Member of Interbolsa.

On the date on which any payment in respect of the Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa in the TARGET2 System current accounts held by the Portuguese Paying Agent and by the relevant Affiliate Members of Interbolsa.

Whilst the Notes are recorded 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 Portuguese Paying Agent (acting on behalf of the Issuer) from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of the Notes to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with the CVM are credited with such Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders of those Notes

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

### **Transfer of 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.

Each purchaser of Notes and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that the Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Regulation S, in each case in accordance with any applicable securities laws of any State of the United States; and
- (iii) the Issuer and the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

## USE OF PROCEEDS

An amount equal to the net proceeds from the issue of the Notes will be applied or allocated by the Issuer to finance or re-finance, in whole or in part, loans and investments originated by the Issuer that promote environmental and social benefits and that fall within the categories set out in the Group's Green, Social and Sustainability Framework ("**Eligible Green and Social Assets**"), in each case as determined by the Issuer in accordance with its Green, Social and Sustainability Framework, which is available on the Group's website (<https://www.creditoagricola.pt/institucional/investor-relations>) and in effect at the time of issuance of the Notes.

ISS ESG has issued a Second Party Opinion on the Green, Social and Sustainability Framework verifying its credibility, impact and alignment with the International Capital Market Association's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The Second-Party Opinion is available on the Issuer's website at <https://www.creditoagricola.pt/institucional/investor-relations>.

The Issuer strives to monitor the development of the social bond and green bond markets to continually advance its Green, Social and Sustainability Framework. Accordingly, the Group's Green, Social and Sustainability Framework may be updated from time to time to reflect current market practices and an updated or new Second Party Opinion may be obtained within the Issuer's discretion. Holders would not be entitled to vote on such cases. Any amendments to the Group's Green, Social and Sustainability Framework and any new Second-Party Opinion on the Group's Green, Social and Sustainability Framework will be published and will be available on the Issuer's website at the address above.

None of the Group's Green, Social and Sustainability Framework, the Second Party Opinion or any public reporting by or on behalf of the Issuer in respect of the application of proceeds are incorporated by reference into this Prospectus.

## SELECTED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following tables set forth selected historical consolidated financial information derived from the Financial Statements and are presented in Euros and included elsewhere in this Prospectus. See "*Presentation of Financial and Other Information*".

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in the Financial Statements and the related notes thereto.

### Consolidated Income Statement

|   | For the six months ended |                              | For the year ended |                    |
|---|--------------------------|------------------------------|--------------------|--------------------|
|   | 30-Jun-2021              | 30-Jun-2020                  | 31-Dec-2020        | 31-Dec-2019        |
|   | (Amounts in euros)       |                              |                    |                    |
|   | (unaudited)              | (unaudited and not reviewed) | (audited)          |                    |
| <b>Interest income</b> .....  | <b>222,634,168</b>       | <b>209,929,210</b>           | <b>429,230,156</b> | <b>472,877,991</b> |
| Financial assets held for trading .....   | 211,423                  | 707,573                      | 1,156,012          | 2,961,719          |
| Financial assets designated at fair value through profit or loss .....  | 84,383                   | 614,605                      | 1,166,260          | 1,703,456          |
| Financial assets at fair value through other comprehensive income .....   | 9,977,851                | 16,309,000                   | 29,212,633         | 41,237,922         |
| Financial assets at amortised cost .....  | 188,013,000              | 186,863,028                  | 382,450,835        | 382,408,338        |
| Derivatives - Hedge accounting, interest rate risk .....  | 253,386                  | 584,236                      | 1,215,237          | 1,178,264          |
| Other assets .....  | 815,975                  | 2,770,408                    | 4,203,289          | 37,396,445         |
| Interest income on liabilities .....  | 23,278,151               | 2,080,360                    | 9,825,890          | 5,991,847          |
| <b>(Interest expenses)</b> .....  | <b>61,879,328</b>        | <b>53,588,385</b>            | <b>110,702,956</b> | <b>142,240,497</b> |
| (Financial liabilities held for trading) .....  | 22,996                   | 166,325                      | 201,256            | 55,617             |
| (Financial liabilities measured at amortised cost) .....  | 3,979,880                | 4,738,804                    | 8,719,603          | 13,277,204         |
| (Derivatives - Hedge accounting, interest rate risk) .....  | 16,923,882               | 11,167,354                   | 23,856,720         | 20,249,598         |
| (Other liabilities) .....   | 9,142,029                | 4,076,899                    | 10,770,412         | 40,197,469         |
| (Interest expense on assets) .....  | 31,810,541               | 33,439,002                   | 67,154,965         | 68,460,608         |
| <b>Dividend income</b> .....  | <b>180,762</b>           | <b>37,806</b>                | <b>678,162</b>     | <b>843,242</b>     |
| Non-trading financial assets mandatorily at fair value through profit or loss .....   | 180,762                  | 37,806                       | 678,162            | 843,242            |
| <b>Fee and commission income</b> .....  | <b>70,785,137</b>        | <b>71,807,365</b>            | <b>146,734,813</b> | <b>144,342,742</b> |
| <b>(Fee and commission expenses)</b> .....  | <b>16,671,732</b>        | <b>18,142,037</b>            | <b>20,809,781</b>  | <b>20,953,864</b>  |
| <b>Gains or (-) losses on financial assets &amp; liabilities not measured at fair value through profit or loss, net</b> .....                     | <b>56,168,409</b>        | <b>65,792,059</b>            | <b>79,785,856</b>  | <b>43,701,909</b>  |
| Financial assets at fair value through other comprehensive income .....   | 6,684,780                | 24,934,684                   | 38,200,603         | 27,306,805         |
| Financial assets at amortised cost .....  | 49,483,629               | 40,857,375                   | 41,585,253         | 16,395,104         |
| <b>Gains or (-) losses on financial assets and liabilities held for trading, net</b> .....  | <b>-2,660,348</b>        | <b>2,034,770</b>             | <b>7,164,490</b>   | <b>4,578,858</b>   |
| <b>Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net</b> .....                            | <b>1,605,436</b>         | <b>-54,558</b>               | <b>674,126</b>     | <b>4,795,813</b>   |
| <b>Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net</b> .....                         | <b>108,530</b>           | <b>-1,591,024</b>            | <b>-1,652,576</b>  | <b>1,072,097</b>   |
| <b>Gains or (-) losses from hedge accounting, net</b> .....   | <b>-1,780,892</b>        | <b>-21,639</b>               | <b>4,393,191</b>   | <b>-2,945,103</b>  |
| <b>Exchange differences [gain or (-) loss], net</b> .....   | <b>801,296</b>           | <b>535,713</b>               | <b>1,395,067</b>   | <b>2,074,830</b>   |
| <b>Gains or (-) losses on derecognition of non financial assets other than held for sale, net</b> .....   | <b>780,866</b>           | <b>543,385</b>               | <b>2,373,272</b>   | <b>-2,898,694</b>  |
| <b>Other operating income</b> .....   | <b>55,026,116</b>        | <b>39,259,384</b>            | <b>80,565,322</b>  | <b>92,673,774</b>  |
| <b>(Other operating expenses)</b> .....   | <b>17,490,926</b>        | <b>22,705,969</b>            | <b>44,468,875</b>  | <b>49,668,679</b>  |
| <b>TOTAL OPERATING INCOME, NET</b> .....  | <b>307,607,494</b>       | <b>293,836,080</b>           | <b>575,360,267</b> | <b>548,254,418</b> |
| <b>(Administrative expenses)</b> .....  | <b>162,348,231</b>       | <b>164,591,871</b>           | <b>331,675,837</b> | <b>331,117,889</b> |
| (Staff expenses) .....  | 109,751,367              | 107,851,697                  | 218,285,887        | 216,457,974        |
| (Other administrative expenses) .....   | 52,596,865               | 56,740,174                   | 113,389,950        | 114,659,914        |
| <b>(Cash contributions to resolution funds and deposit guarantee schemes)</b> .....   | <b>3,328,182</b>         | <b>3,078,604</b>             | <b>6,121,302</b>   | <b>5,791,587</b>   |
| <b>(Depreciation/Amortisation)</b> .....  | <b>16,409,621</b>        | <b>16,276,332</b>            | <b>33,160,408</b>  | <b>31,494,227</b>  |
| (Property, plant and equipment) .....   | 9,601,608                | 9,693,359                    | 19,842,526         | 19,472,317         |
| (Other intangible assets) .....   | 6,808,013                | 6,582,974                    | 13,317,882         | 12,021,910         |
| <b>Gains or (-) losses of modification, net</b> .....   | <b>0</b>                 | <b>0</b>                     | <b>-11,141,088</b> | <b>0</b>           |
| Financial assets at amortised cost .....  | 0                        | 0                            | -11,141,088        | 0                  |
| <b>(Provisions or (-) reversal of provisions)</b> .....   | <b>-409,160</b>          | <b>20,379,075</b>            | <b>16,570,237</b>  | <b>-215,327</b>    |
| (Commitments and guarantees granted) .....  | -518,410                 | -238,580                     | 3,243,971          | -3,257,480         |
| (Other provisions) .....  | 109,250                  | 20,617,655                   | 13,326,267         | 3,042,153          |
| <b>(Impairments or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)</b> .....                    | <b>5,774,223</b>         | <b>15,719,050</b>            | <b>56,764,243</b>  | <b>-2,967,559</b>  |
| (Financial assets at fair value through other comprehensive income) .....   | -29,211                  | 1,481,925                    | -282,277           | -193,017           |
| (Financial assets at amortised cost) .....  | 5,803,434                | 14,237,126                   | 57,046,519         | -2,774,542         |
| <b>(Impairment or (-) reversal of impairment on non-financial assets)</b> .....   | <b>480,075</b>           | <b>86,347</b>                | <b>314,389</b>     | <b>-1,446,385</b>  |
| (Property, plant and equipment) .....   | -141,219                 | 79,850                       | -796,762           | -328,802           |
| (Other intangible assets) .....   | 0                        | -5,000                       | -5,000             | 47,398             |
| (Other) .....   | 621,295                  | 11,497                       | 1,116,151          | -1,164,981         |
| <b>Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method</b> .....  | <b>379,715</b>           | <b>324,663</b>               | <b>411,218</b>     | <b>492,589</b>     |
| <b>Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b> ..... | <b>- 1,850,448</b>       | <b>- 1,090,682</b>           | <b>753,923</b>     | <b>-4,830,419</b>  |
| <b>PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b> .....   | <b>118,205,589</b>       | <b>72,938,782</b>            | <b>120,777,903</b> | <b>180,142,157</b> |
| <b>(Tax expense or (-) income related to profit or loss from continuing operations)</b> .....   | <b>21,677,558</b>        | <b>22,736,071</b>            | <b>33,864,969</b>  | <b>48,529,620</b>  |
| <b>PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS</b> .....  | <b>96,528,030</b>        | <b>50,202,710</b>            | <b>86,912,934</b>  | <b>131,612,538</b> |
| <b>PROFIT OR (-) LOSS FOR THE YEAR</b> .....  | <b>96,528,030</b>        | <b>50,202,710</b>            | <b>86,912,934</b>  | <b>131,612,538</b> |
| Attributable to non-controlling interests .....   | 71,783                   | 83,797                       | 116,198            | 148,229            |
| <b>Attributable to owners of the parent</b> .....   | <b>96,456,247</b>        | <b>50,118,913</b>            | <b>86,796,736</b>  | <b>131,464,308</b> |



## Consolidated Balance Sheet

|  | As at<br>30 June 2021 | As at<br>31-Dec-2020  | As at<br>31-Dec-2019  |
|--|-----------------------|-----------------------|-----------------------|
|  | (Amounts in euros)    |                       |                       |
|  | (unaudited)           | (audited)             |                       |
| <b>ASSETS</b>  |                       |                       |                       |
| <b>Cash, cash balances at central banks and other demand deposits</b>                            | <b>3,480,505,543</b>  | <b>3,798,213,281</b>  | <b>1,187,641,052</b>  |
| Cash on hand   | 115,361,737           | 119,581,555           | 143,990,164           |
| Cash balances at central banks   | 3,307,858,904         | 3,600,268,873         | 976,135,602           |
| Other demand deposits  | 57,284,902            | 78,362,853            | 67,515,287            |
| <b>Financial assets held for trading</b>   | <b>171,863,937</b>    | <b>19,278,479</b>     | <b>115,457,322</b>    |
| Derivatives  | 351,011               | 479,568               | 504,230               |
| Debt securities  | 171,512,926           | 18,798,911            | 114,953,092           |
| <b>Non-trading financial assets mandatorily at fair value through profit or loss</b>             | <b>44,768,598</b>     | <b>44,913,407</b>     | <b>48,659,816</b>     |
| Equity instruments   | 44,768,598            | 44,913,407            | 48,659,816            |
| <b>Financial assets designated at fair value through profit or loss</b>                          | <b>9,657,128</b>      | <b>31,193,937</b>     | <b>39,207,691</b>     |
| Equity instruments   | 52,594                | 100,116               | 80,478                |
| Debt securities  | 9,604,534             | 31,093,821            | 39,127,213            |
| <b>Financial assets at fair value through other comprehensive income</b>                         | <b>1,918,164,303</b>  | <b>1,294,477,066</b>  | <b>2,019,069,625</b>  |
| Equity instruments   | 16,681,927            | 19,420,269            | 16,712,142            |
| Debt securities  | 1,901,482,375         | 1,275,056,796         | 2,002,357,484         |
| <b>Financial assets at amortised cost</b>  | <b>17,408,073,718</b> | <b>16,724,720,492</b> | <b>14,552,152,949</b> |
| Debt securities  | 6,624,099,871         | 6,259,268,921         | 4,738,221,668         |
| Loans and advances - Central Banks and Credit Institutions                                       | 2,287,006             | 378,443               | 4,619,339             |
| Loans and advances - Customers   | 10,781,686,842        | 10,465,073,128        | 9,809,311,942         |
| <b>Derivatives - Hedge accounting</b>  | <b>195,237,576</b>    | <b>211,767,955</b>    | <b>131,034,224</b>    |
| <b>Investments in subsidiaries, joint ventures and associates</b>                                | <b>2,228,129</b>      | <b>1,829,779</b>      | <b>1,667,242</b>      |
| <b>Tangible assets</b>   | <b>296,780,004</b>    | <b>302,892,569</b>    | <b>312,085,320</b>    |
| Property, plant and equipment  | 253,577,804           | 255,116,819           | 260,990,420           |
| Investment property  | 43,202,200            | 47,775,750            | 51,094,900            |
| <b>Intangible assets</b>   | <b>97,733,978</b>     | <b>92,978,373</b>     | <b>80,806,021</b>     |
| Other intangible assets  | 97,733,978            | 92,978,373            | 80,806,021            |
| <b>Tax assets</b>  | <b>83,091,870</b>     | <b>84,662,924</b>     | <b>111,645,428</b>    |
| Current tax assets   | 3,678,053             | 3,998,719             | 14,794,306            |
| Deferred tax assets  | 79,413,817            | 80,664,205            | 96,851,123            |
| <b>Other assets</b>  | <b>402,349,457</b>    | <b>484,039,187</b>    | <b>351,158,659</b>    |
| <b>Non-current assets and disposal groups classified as held for sale</b>                        | <b>346,406,172</b>    | <b>360,394,145</b>    | <b>411,190,680</b>    |
| <b>TOTAL ASSETS</b>  | <b>24,456,860,412</b> | <b>23,451,361,595</b> | <b>19,361,776,029</b> |
| <b>LIABILITIES</b>   |                       |                       |                       |
| <b>Financial liabilities held for trading</b>  | <b>307,793</b>        | <b>416,359</b>        | <b>302,647</b>        |
| Derivatives  | 307,793               | 416,359               | 302,647               |
| <b>Financial liabilities measured at amortised cost</b>  | <b>21,233,524,952</b> | <b>20,287,941,454</b> | <b>16,363,892,908</b> |
| Deposits   | 21,084,032,802        | 20,130,106,765        | 16,218,810,206        |
| Debt securities issued   | 9,055,345             | 9,055,345             | 9,812,230             |
| Other financial liabilities  | 140,436,805           | 148,779,343           | 135,270,472           |
| <b>Derivatives - Hedge accounting</b>  | <b>200,241,232</b>    | <b>214,990,720</b>    | <b>138,655,180</b>    |
| <b>Provisions</b>  | <b>704,005,814</b>    | <b>765,972,112</b>    | <b>895,356,282</b>    |
| Pensions and other post employment defined benefit liabilities                                   | 317,717               | 321,979               | 362,553               |
| Commitments and guarantees given   | 14,859,412            | 15,377,820            | 12,133,850            |
| Other provisions   | 688,828,685           | 750,272,313           | 882,859,879           |
| <b>Tax liabilities</b>   | <b>17,934,309</b>     | <b>19,725,887</b>     | <b>14,839,887</b>     |
| Current tax liabilities  | 14,512,816            | 13,613,151            | 7,008,389             |
| Deferred tax liabilities   | 3,421,493             | 6,112,736             | 7,831,499             |
| <b>Share capital repayable on demand</b>   | <b>737,475</b>        | <b>796,140</b>        | <b>828,845</b>        |
| <b>Other liabilities</b>   | <b>327,406,298</b>    | <b>272,195,216</b>    | <b>276,320,937</b>    |
| <b>TOTAL LIABILITIES</b>   | <b>22,484,157,872</b> | <b>21,562,037,889</b> | <b>17,690,196,685</b> |
| <b>EQUITY</b>  |                       |                       |                       |
| <b>Capital</b>   | <b>1,396,534,822</b>  | <b>1,365,889,542</b>  | <b>1,212,695,896</b>  |
| Paid up capital  | 1,396,532,662         | 1,365,881,372         | 1,212,687,226         |
| Unpaid capital which has been called up  | 2,160                 | 8,170                 | 8,670                 |
| <b>Accumulated other comprehensive income</b>  | <b>-15,663,812</b>    | <b>-4,586,500</b>     | <b>-551,435</b>       |
| <b>Items that will not be reclassified to profit or loss</b>                                     | <b>-18,834,275</b>    | <b>-18,604,445</b>    | <b>-14,747,676</b>    |
| Actuarial gains or loss on defined benefit pension plans   | -19,887,448           | -19,887,448           | -13,470,474           |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 1,053,173             | 1,283,003             | -1,277,202            |
| <b>Items that can be reclassified to profit or loss</b>  | <b>3,170,463</b>      | <b>14,017,946</b>     | <b>14,196,240</b>     |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 3,170,463             | 14,017,946            | 14,196,240            |
| <b>Retained earnings</b>   | <b>-58,237,019</b>    | <b>-75,092,988</b>    | <b>-87,288,771</b>    |
| <b>Revaluation reserves</b>  | <b>1,914,360</b>      | <b>1,924,160</b>      | <b>2,761,940</b>      |
| <b>Other reserves</b>  | <b>549,869,923</b>    | <b>512,583,335</b>    | <b>410,810,531</b>    |
| Other  | 549,869,923           | 512,583,335           | 410,810,531           |
| <b>Profit or loss attributable to Owners of the parent</b>                                       | <b>96,456,247</b>     | <b>86,796,736</b>     | <b>131,464,308</b>    |
| <b>Non-controlling interests</b>   | <b>1,828,020</b>      | <b>1,809,421</b>      | <b>1,686,875</b>      |

|   | As at<br>30 June 2021     | As at<br>31-Dec-2020  | As at<br>31-Dec-2019  |
|---|---------------------------|-----------------------|-----------------------|
|   | <i>(Amounts in euros)</i> |                       |                       |
|   | <i>(unaudited)</i>        | <i>(audited)</i>      |                       |
| Other items .....                               | 1,828,020                 | 1,809,421             | 1,686,875             |
| <b>TOTAL EQUITY .....</b>                       | <b>1,972,702,540</b>      | <b>1,889,323,706</b>  | <b>1,671,579,343</b>  |
| <b>TOTAL EQUITY AND TOTAL LIABILITIES .....</b> | <b>24,456,860,412</b>     | <b>23,451,361,595</b> | <b>19,361,776,029</b> |

## APPENDIX

### Local Banks and Companies of the Group

|  | 30 June 2021  |                |                            |                |                   |                      |
|--|---------------|----------------|----------------------------|----------------|-------------------|----------------------|
| <i>In euros, except for %</i>  | Equity        | Net Assets     | Profit/(Loss) for the year | Direct holding | Effective holding | Consolidation method |
| <b>Banks</b>   |               |                |                            |                |                   |                      |
| Caixas de Crédito Agrícola Mútuo <sup>(1)</sup> .....                        | 1,692,012,547 | 19,099,067,145 | 34,473,502                 | 100.00%        | 100.00%           | Full                 |
| Caixa Central de Crédito Agrícola Mútuo .....                                | 411,962,818   | 12,440,372,598 | 32,126,493                 | 100.00%        | 100.00%           | Full                 |
| <b>Asset management and brokerage</b>  |               |                |                            |                |                   |                      |
| Crédito Agrícola Gest- SGOIC, S.A. de Investimento Mobiliário S.A. ....      | 2,704,597     | 3,595,848      | 139,840                    | 100.00%        | 100.00%           | Full                 |
| Crédito Agrícola Imóveis, Unipessoal, Lda. ....                              | 522,417       | 24,482,933     | (1,397,574)                | 100.00%        | 100.00%           | Full                 |
| <b>Provision of Services</b>   |               |                |                            |                |                   |                      |
| FENACAM - Federação Nacional das Caixas de Crédito Agrícola Mútuo FCRL ..... | 7,145,957     | 10,133,020     | 848,720                    | 99.98%         | 99.98%            | Full                 |
| Crédito Agrícola Informática-Serviços de Informática S.A. ....               | 7,814,865     | 12,702,299     | 323,101                    | 99.45%         | 99.45%            | Full                 |
| <b>Venture Capital</b>   |               |                |                            |                |                   |                      |
| CA Capital - Sociedade de Capital de Risco, S.A. ....                        | 883,135       | 2,667,652      | (39,174)                   | 100.00%        | 100.00%           | Full                 |
| <b>Investment Funds</b>  |               |                |                            |                |                   |                      |
| FEIIA CA Imobiliário.....  | 125,754,000   | 128,850,322    | (2,608,281)                | 99.91%         | 99.91%            | Full                 |
| Addressa Arrendamento FIIF .....   | 52,110,376    | 53,128,325     | (86,635)                   | 100.00%        | 100.00%           | Full                 |
| FEIIF ImoValorCA.....  | 25,070,694    | 25,658,632     | (479,423)                  | 100.00%        | 100.00%           | Full                 |
| FIM Alternativo de Obrigações Fechado CA Institucionais .....                | 19,964,380    | 20,784,528     | (67,721)                   | 100.00%        | 98.79%            | Full                 |
| <b>Insurance</b>   |               |                |                            |                |                   |                      |
| Crédito Agrícola Seguros.....  | 54,733,193    | 262,554,482    | 2,594,726                  | 97.40%         | 97.38%            | Full                 |
| Crédito Agrícola Vida.....   | 117,992,311   | 722,664,865    | 3,883,595                  | 99.95%         | 99.93%            | Full                 |
| <b>Other</b>   |               |                |                            |                |                   |                      |
| Associação – Fundo de Assistência do Crédito Agrícola Mútuo.....             | 134,461,602   | 134,523,851    | 59,793                     | 100.00%        | 100.00%           | Full                 |
| CA Serviços - Serviços Informáticos e de Gestão – ACE .....                  | 2,786,342     | 106,983,384    | 2,786,342                  | 100.00%        | 99.89%            | Full                 |
| Crédito Agrícola SGPS S.A. ....  | 59,935,223    | 172,369,435    | (1,373,537)                | 100.00%        | 100.00%           | Full                 |
| Crédito Agrícola Seguros & Pensões SGPS S.A. ....                            | 130,665,784   | 147,687,764    | (83,011)                   | 99.98%         | 99.98%            | Full                 |
| CCCAM Gestão de Investimentos e Consultoria, Unipessoal Lda. ....            | 1,540,103     | 6,996,932      | 105,717                    | 100.00%        | 100.00%           | Full                 |
| Rústicodivinal, Lda. ....  | (57,098)      | 654,358        | (24,154)                   | 100.00%        | 100.00%           | Full                 |
| RNA - Rede Nacional de Assistência, S.A. ....                                | 11,440,321    | 18,046,862     | 1,949,643                  | 20.00%         | 19.48%            | Eq., Method          |

Note: Values as at 30 June 2021 (accounting balances before consolidation adjustments).

(1) These values correspond to the algebraic sum of the balances of the Associated Caixas Agrícolas.

|  | 2020       |             |                            |                |                   |                      |
|--|------------|-------------|----------------------------|----------------|-------------------|----------------------|
| <i>Caixas de Crédito Agrícola Mútuo (in euros, except for %)</i> | Equity     | Net Assets  | Profit / Loss for the year | Direct holding | Effective holding | Consolidation method |
| AÇORES C.R.L. ....   | 50,869,390 | 526,957,010 | 2,227,339                  | 100.00%        | 100.00%           | Full                 |
| ALBERGARIA E SEVER C.R.L. ....                                   | 5,340,199  | 70,987,131  | (267,204)                  | 100.00%        | 100.00%           | Full                 |
| ALBUFEIRA C.R.L. ....  | 20,098,260 | 216,467,139 | 976,646                    | 100.00%        | 100.00%           | Full                 |
| ALCÁCER-SAL E MONTEMOR-NOVO C.R.L. ....                          | 4,406,518  | 173,722,634 | 211,930                    | 100.00%        | 100.00%           | Full                 |
| ALCOBAÇA, CARTAXO, NZ, R. MAIOR E SANTARÉM C.R.L. ....           | 35,048,909 | 440,146,667 | 1,460,542                  | 100.00%        | 100.00%           | Full                 |
| ALENQUER C.R.L. ....   | 22,198,055 | 145,009,058 | 410,705                    | 100.00%        | 100.00%           | Full                 |
| ALENTEJO CENTRAL C.R.L. ....                                     | 27,428,728 | 343,436,424 | 695,043                    | 100.00%        | 100.00%           | Full                 |
| ALENTEJO SUL C.R.L. ....   | 31,228,423 | 271,942,275 | 749,028                    | 100.00%        | 100.00%           | Full                 |
| ALGARVE C.R.L. ....  | 28,981,602 | 710,594,923 | 625,484                    | 100.00%        | 100.00%           | Full                 |
| ALJUSTREL E ALMODÓVAR C.R.L. ....                                | 11,994,424 | 147,546,212 | 638,644                    | 100.00%        | 100.00%           | Full                 |
| ALTO CÁVADO E BASTO C.R.L. ....                                  | 43,163,470 | 352,501,722 | 1,456,353                  | 100.00%        | 100.00%           | Full                 |
| ALTO DOURO C.R.L. ....   | 77,658,639 | 627,312,381 | 2,182,036                  | 100.00%        | 100.00%           | Full                 |
| ÁREA METROPOLITANA DO PORTO C.R.L. ....                          | 13,278,613 | 171,726,239 | 742,764                    | 100.00%        | 100.00%           | Full                 |
| AROUCÁ C.R.L. ....   | 10,486,334 | 98,942,392  | 40,154                     | 100.00%        | 100.00%           | Full                 |
| ARRUDA DOS VINHOS C.R.L. ....                                    | 10,778,719 | 85,211,016  | 14,318                     | 100.00%        | 100.00%           | Full                 |
| AZAMBUJA C.R.L. ....   | 7,571,221  | 97,782,513  | 60,852                     | 100.00%        | 100.00%           | Full                 |
| BAIRRADA E AGUIEIRA C.R.L. ....                                  | 6,447,652  | 249,841,729 | 669,627                    | 100.00%        | 100.00%           | Full                 |
| BAIXO MONDEGO C.R.L. ....  | 33,578,885 | 265,188,514 | 708,929                    | 100.00%        | 100.00%           | Full                 |
| BAIXO VOUGA C.R.L. ....  | 14,264,764 | 264,295,136 | 347,748                    | 100.00%        | 100.00%           | Full                 |
| BATALHA C.R.L. ....  | 57,197,589 | 280,699,632 | 1,571,563                  | 100.00%        | 100.00%           | Full                 |
| BEIRA BAIXA (SUL) C.R.L. ....                                    | 14,760,890 | 207,558,709 | 1,760,144                  | 100.00%        | 100.00%           | Full                 |
| BEIRA CENTRO C.R.L. ....   | 10,095,854 | 140,774,920 | 158,157                    | 100.00%        | 100.00%           | Full                 |
| BEIRA DOURO E LAFÕES C.R.L. ....                                 | 35,292,057 | 359,906,166 | 1,018,741                  | 100.00%        | 100.00%           | Full                 |
| BORBA C.R.L. ....  | 6,350,547  | 38,276,606  | (237,199)                  | 100.00%        | 100.00%           | Full                 |

| Caixas de Crédito Agrícola Mútuo<br>(in euros, except for %) | 2020        |             |                               |                   |                      |                         |
|--|-------------|-------------|-------------------------------|-------------------|----------------------|-------------------------|
|  | Equity      | Net Assets  | Profit / Loss<br>for the year | Direct<br>holding | Effective<br>holding | Consolidation<br>method |
| C. RAINHA, ÓBIDOS E PENICHE C.R.L. ....                      | 33,917,827  | 392,337,498 | 932,741                       | 100.00%           | 100.00%              | Full                    |
| CADAVAL C.R.L. ....  | 21,686,822  | 104,805,657 | 430,397                       | 100.00%           | 100.00%              | Full                    |
| CANTANHEDE E MIRA C.R.L. ....                                | 22,842,015  | 288,635,204 | 160,910                       | 100.00%           | 100.00%              | Full                    |
| COIMBRA C.R.L. ....  | 10,360,778  | 213,669,870 | 114,366                       | 100.00%           | 100.00%              | Full                    |
| CORUCHE C.R.L. ....  | 7,634,102   | 87,242,907  | 36,531                        | 100.00%           | 100.00%              | Full                    |
| COSTA AZUL C.R.L. ....                                       | 72,294,155  | 729,733,341 | 2,659,244                     | 100.00%           | 100.00%              | Full                    |
| COSTA VERDE C.R.L. ....                                      | (2,356,042) | 201,095,090 | 217,068                       | 100.00%           | 100.00%              | Full                    |
| DOURO E CÔA C.R.L. ....                                      | 21,743,566  | 157,714,147 | 896,844                       | 100.00%           | 100.00%              | Full                    |
| DOURO E SABOR C.R.L. ....                                    | 19,335,379  | 156,538,821 | (21,666)                      | 100.00%           | 100.00%              | Full                    |
| ELVAS E CAMPO MAIOR C.R.L. ....                              | 8,927,255   | 93,593,987  | (503,122)                     | 100.00%           | 100.00%              | Full                    |
| ENTRE TEJO E SADO C.R.L. ....                                | (365,010)   | 300,067,558 | 34,696                        | 100.00%           | 100.00%              | Full                    |
| ESTREMOZ, MONFORTE E ARRONCHES C.R.L.                        | 15,973,569  | 127,806,360 | 531,167                       | 100.00%           | 100.00%              | Full                    |
| GUADIANA INTERIOR C.R.L. ....                                | 16,486,217  | 321,868,067 | (620,511)                     | 100.00%           | 100.00%              | Full                    |
| LOURES, SINTRA E LITORAL C.R.L. ....                         | 13,734,068  | 292,165,819 | 1,450,272                     | 100.00%           | 100.00%              | Full                    |
| LOURINHÃ C.R.L. ....   | 26,821,157  | 291,261,227 | 976,797                       | 100.00%           | 100.00%              | Full                    |
| MÉDIO AVE C.R.L. ....  | 15,607,187  | 272,090,323 | 194,100                       | 100.00%           | 100.00%              | Full                    |
| MORAVIS C.R.L. ....  | 2,844,656   | 99,388,192  | 316,189                       | 100.00%           | 100.00%              | Full                    |
| NORDESTE ALENTEJANO C.R.L. ....                              | 10,779,094  | 125,039,196 | (702,388)                     | 100.00%           | 100.00%              | Full                    |
| NOROESTE C.R.L. ....   | 54,049,071  | 740,791,308 | 2,487,618                     | 100.00%           | 100.00%              | Full                    |
| NORTE ALENTEJANO C.R.L. ....                                 | 8,987,194   | 122,229,991 | 500,576                       | 100.00%           | 100.00%              | Full                    |
| OLIVEIRA DE AZEMEIS E ESTARREJA C.R.L....                    | 10,891,625  | 138,587,120 | 268,077                       | 100.00%           | 100.00%              | Full                    |
| OLIVEIRA DO BAIRRO C.R.L. ....                               | 11,978,391  | 100,354,460 | 174,109                       | 100.00%           | 100.00%              | Full                    |
| OLIVEIRA DO HOSPITAL C.R.L. ....                             | 9,054,031   | 98,770,767  | 128,319                       | 100.00%           | 100.00%              | Full                    |
| P. VARZIM, V. CONDE, ESPOSENDE C.R.L. ....                   | 32,886,980  | 548,324,458 | 1,684,688                     | 100.00%           | 100.00%              | Full                    |
| PAREDES C.R.L. ....  | 15,543,353  | 143,356,978 | 416,898                       | 100.00%           | 100.00%              | Full                    |
| PERNES E ALCANHÕES C.R.L. ....                               | 17,714,739  | 112,585,384 | 311,698                       | 100.00%           | 100.00%              | Full                    |
| POMBAL C.R.L. ....   | 85,845,880  | 779,238,752 | 2,893,877                     | 100.00%           | 100.00%              | Full                    |
| PORTO DE MÓS C.R.L. ....                                     | 10,620,683  | 181,964,351 | 279,095                       | 100.00%           | 100.00%              | Full                    |
| REGIÃO DO FUNDÃO E SABUGAL C.R.L. ....                       | 21,932,525  | 289,333,857 | 789,637                       | 100.00%           | 100.00%              | Full                    |
| RIBATEJO NORTE E TRAMAGAL C.R.L. ....                        | 15,094,403  | 232,402,268 | 179,987                       | 100.00%           | 100.00%              | Full                    |
| RIBATEJO SUL C.R.L. ....                                     | 9,439,473   | 133,610,019 | (84,273)                      | 100.00%           | 100.00%              | Full                    |
| S. B. MESSINES, S. MARCOS SERRA C.R.L. ....                  | 16,163,346  | 120,585,799 | 238,748                       | 100.00%           | 100.00%              | Full                    |
| SALVATERRA DE MAGOS C.R.L. ....                              | 20,821,952  | 210,593,909 | 895,663                       | 100.00%           | 100.00%              | Full                    |
| SÃO TEOTÓNIO C.R.L. ....                                     | 34,187,108  | 296,479,008 | 1,757,585                     | 100.00%           | 100.00%              | Full                    |
| SERRA DA ESTRELA C.R.L. ....                                 | 40,607,710  | 355,652,685 | 1,817,627                     | 100.00%           | 100.00%              | Full                    |
| SERRAS DE ANSIÃO C.R.L. ....                                 | 6,587,386   | 73,451,893  | 220,979                       | 100.00%           | 100.00%              | Full                    |
| SILVES C.R.L. ....   | 16,354,395  | 237,616,774 | 702,217                       | 100.00%           | 100.00%              | Full                    |
| SOBRAL DE MONTE AGRADO C.R.L. ....                           | 8,756,544   | 60,528,635  | 68,612                        | 100.00%           | 100.00%              | Full                    |
| SOTAVENTO ALGARVIO C.R.L. ....                               | 14,690,450  | 353,552,012 | 461,184                       | 100.00%           | 100.00%              | Full                    |
| TERRA QUENTE C.R.L. ....                                     | 18,975,750  | 176,885,348 | (529,503)                     | 100.00%           | 100.00%              | Full                    |
| TERRAS DE VIRIATO C.R.L. ....                                | 23,094,898  | 259,310,843 | 1,336,251                     | 100.00%           | 100.00%              | Full                    |
| TERRAS DO SOUSA, AVE, BASTO E TÂMEGA<br>C.R.L. ....          | 34,620,708  | 267,653,572 | 1,235,375                     | 100.00%           | 100.00%              | Full                    |
| TRÁS-OS-MONTES E ALTO DOURO C.R.L. ....                      | 30,096,047  | 405,278,015 | 500,021                       | 100.00%           | 100.00%              | Full                    |
| VAGOS C.R.L. ....  | 10,279,006  | 160,566,516 | 381,667                       | 100.00%           | 100.00%              | Full                    |
| VALE DE CAMBRA C.R.L. ....                                   | 6,545,929   | 90,232,574  | (56,019)                      | 100.00%           | 100.00%              | Full                    |
| VALE DO DÃO E ALTO VOUGA C.R.L. ....                         | 23,799,936  | 223,014,917 | 610,014                       | 100.00%           | 100.00%              | Full                    |
| VALE DO SOUSA E BAIXO TÂMEGA C.R.L. ....                     | 63,204,387  | 756,305,196 | 4,534,785                     | 100.00%           | 100.00%              | Full                    |
| VALE DO TÁVORA E DOURO C.R.L. ....                           | 38,707,950  | 392,308,862 | 742,777                       | 100.00%           | 100.00%              | Full                    |
| VILA FRANCA DE XIRA C.R.L. ....                              | 9,498,546   | 112,561,276 | (182,089)                     | 100.00%           | 100.00%              | Full                    |
| VILA VERDE E TERRAS DE BOURO C.R.L. ....                     | 17,898,017  | 195,462,543 | 746,636                       | 100.00%           | 100.00%              | Full                    |
| ZONA DO PINHAL C.R.L. ....                                   | 26,547,276  | 285,191,996 | 472,616                       | 100.00%           | 100.00%              | Full                    |

Note: Values as at 31 December 2020.

## DESCRIPTION OF THE ISSUER AND OF THE GROUP

### OVERVIEW

The Issuer, a limited liability cooperative ("*cooperativa de responsabilidade limitada*") operating under the commercial name Caixa Central, was incorporated on 20 June 1984 (and registered in the Lisbon Commercial Office on 10 September of the same year) and forms part of the Group. The Group is a cooperative financial group composed of the Issuer, its Associated Caixas (75 associated Caixas de Crédito Agrícola Mútuo, each a local cooperative credit institution operating in a designated geographic area set according to applicable law), as well as its Affiliated Companies (certain life insurance, non-life insurance and asset management companies and ancillary service companies of the Group).

The Group is governed both by the provisions in the Legal Framework of Credit Institutions and Financial Companies enacted by Decree-Law no. 298/92, of 31 December, as amended (the "**RGICSF**") and the provisions in its own legal regime, the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives, enacted by Decree-Law no. 24/91, of 11 January (the "**RJCAM**"), as well as the Portuguese Cooperative Code, enacted by Law 119/2015, of 31 August, as amended (the "**Cooperative Code**"). See "*Legislation regulating the activity of the Group*" below for further details. Under the terms of the RJCAM, the combination of the Issuer and its Associated Caixas is referred to, under the terms of the RJCAM, as the Integrated System of Crédito Agrícola Mútuo (the "**SICAM**"), with the Issuer acting as the central body that, among other aspects, is empowered to guide, monitor, oversee and supervise its associates.

As an integral part of the Group, the SICAM is the lynchpin, being recognised in the market through the registered trademark "*Crédito Agrícola*", under which the products and services it provides are advertised and marketed, and through which the Issuer and the Associated Caixas are known to their depositors and customers.

The current 75 Associated Caixas hold the entirety of the share capital of the Issuer and indirectly hold the Affiliated Companies that are part of the Group.

The Affiliated Companies are engaged in activities that are supplementary or ancillary to those of the Issuer and its Associated Caixas, notably insurance activities in the life business and non-life business, asset management, investment in venture capital, holding and management of the Group's assets, provision of information technology and other shared services, amongst others (please see "*Description of the Issuer and of the Group – Group Companies*").

Overall, the Group is a financial group with cooperative roots in the local banks (Associated Caixas). By virtue of having nation-wide coverage and being fully owned by national capital, the Group has more than 381,000 members (associates of the Associated Caixas), more than 1.3 million customers and 630 branches distributed throughout the national territory (comprising the largest banking branch network in Portugal). The legal framework for "Caixas de Crédito Agrícola Mútuo" was first established in 1911, with an initial focus on supporting the financing of farmers in Portugal and, over the years, has expanded its scope to support other economic sectors and extended its activities.

The Group is focused on the retail market with a universal offer providing a full range of financial products and services. These include solutions for the day-to-day management of customers through digital channels, financing products for the different needs of individual and corporate customers, as well as savings or investment products such as deposits, mutual funds and capitalisation insurance or insurance to protect customers and their assets.

The Group's strategic intent is to promote long-term sustainable development within local communities and enhance its cooperative values. To fulfil its mission and to enhance sustainable growth, the Group defined its six strategic priorities, namely to: (i) become a benchmark of sustainability in Portugal; (ii) increase digital presence and boost customer focus; (iii) improve efficiency, productivity and digital transformation; (iv) promote an internal culture able to attract, promote and retain talented employees; (v) maintain the Group's capitalisation and financial sustainability; and (vi) incorporate the fulfilment of regulatory requirements into the Group's mission.

The Group has committed to promoting the sustainable development of the communities in which it operates with the formalisation of its Sustainability Policy, which reflects its social and environmental concerns and presents a set of commitments on sustainable finance. In 2020, the Group formalised its

Sustainability Policy based on five primary Sustainable Development Goals (the "**SDGs**"), namely: (i) decent work and economic growth; (ii) reduce inequalities; (iii) sustainable cities and communities; (iv) responsible consumption and production; and (v) climate action.

On 30 June 2021, the Group's total assets reached €24.5 billion, making it the sixth largest company among its competitors (*Source: Earnings press releases of banks operating in Portugal 1H 2021*). Its total loans and advances portfolio (gross) to customers amounted to €11.5 billion, representing a market share of 5.8 per cent., based on the latest available data from the Bank of Portugal. On 30 June 2021, customer deposits totalled €18.0 billion, which represents a market share of 8.0 per cent., based on the latest available data from the Bank of Portugal.

According to CRD IV/CRR rules, as of June 2021, the Group's common equity tier 1 ("**CET1**") and total capital ratio were 17.9 per cent. (excluding net income for the period), the leverage ratio was 8.5 per cent. and the liquidity coverage level ("**LCR**") was 380.4 per cent., all above the recommended minimum thresholds.

The Issuer is registered with the Lisbon Commercial Registry Office under the sole commercial registration and tax identification number 501 464 301, and its registered offices are located at Rua Castilho, no. 233 – 233A, 1099-004 Lisbon, Portugal, with telephone number +351 213 809 900 and website [www.creditoagricola.pt](http://www.creditoagricola.pt). The information on the website does not form part of this Prospectus unless that information is expressly incorporated by reference into this Prospectus. The Legal Entity Identifier (LEI) code of the Issuer is 529900H2MBEC07BLTB26.

The Group operates notably under the Portuguese Companies Code enacted by Decree-Law 262/86, of 2 September, as amended (the "**Portuguese Companies Code**"), the RGICSF, the RJCAM, as well as the Cooperative Code. See "*Legislation regulating the activity of the Group*" below for further details.

## MAIN CONSOLIDATED INDICATORS OF THE GROUP

|  | As at and for the year or six months ended |                                    |                 | Δ Abs.<br>Jun-<br>21/Jun-20     | Δ%<br>Jun-<br>21/Jun-20 |
|--|--|------------------------------------|-----------------|---------------------------------|-------------------------|
|  | 31<br>December<br>2020                     | 30 June<br>2020                    | 30 June<br>2021 |                                 |                         |
| Consolidated indicators of the Group                                 | (audited)                                  | (unaudited<br>and not<br>reviewed) | (unaudited)     | (unaudited and not<br>reviewed) |                         |
| <i>Amounts in million euros, except for percentages</i>              |  |                                    |                 |                                 |                         |
| <b>Balance sheet</b>   |  |                                    |                 |                                 |                         |
| Total assets .....   | 23,451                                     | 22,175                             | 24,457          | 2,282                           | 10.3%                   |
| Total Loans and advances portfolio (gross) to customers .....        | 11,189                                     | 10,850                             | 11,525          | 675                             | 6.2%                    |
| of which: Loans to companies and public administration (gross) ..... | 6,947                                      | 6,685                              | 7,207           | 522                             | 7.8%                    |
| Loans and advances to customers (net) .....                          | 10,804                                     | 10,458                             | 11,140          | 681                             | 6.5%                    |
| Total customer' funds .....  | 18,767                                     | 17,512                             | 19,692          | 2,180                           | 12.4%                   |
| Customer funds on the balance sheet .....                            | 17,046                                     | 15,845                             | 17,996          | 2,151                           | 13.6%                   |
| Off-balance sheet funds .....  | 1,720                                      | 1,667                              | 1,696           | 29                              | 1.7%                    |
| Accumulated impairment and provisions .....                          | 579  | 602                                | 575             | -27                             | -4.5%                   |
| of which: Accumulated impairment of credit .....                     | 386  | 391                                | 386             | -6                              | -1.5%                   |
| Technical provisions of insurance activity .....                     | 726  | 753                                | 666             | -87                             | -11.6%                  |
| Total Equity .....   | 1,889                                      | 1,849                              | 1,973           | 124                             | 6.7%                    |
| <b>Profit and loss</b>   |  |                                    |                 |                                 |                         |
| Net interest income .....  | 318.5                                      | 156.3                              | 160.8           | 4.4                             | 2.8%                    |
| Technical margin of insurance activity .....                         | 37.3                                       | 21.1                               | 31.3            | 10.2                            | 48.4%                   |
| Net fees and commissions .....                                       | 125.9                                      | 53.7                               | 54.1            | 0.4                             | 0.8%                    |
| Net trading income .....   | 92.4                                       | 66.7                               | 54.4            | -12.3                           | -18.4%                  |
| Operating income .....   | 569.2                                      | 289.9                              | 303.8           | 14.0                            | 4.8%                    |
| Operating costs .....  | 364.8                                      | 180.9                              | 178.8           | -2.1                            | -1.2%                   |
| Impairment and provisions for the period .....                       | 72.9                                       | 36.4                               | 7.3             | -29.1                           | -80.0%                  |
| Consolidated net income .....  | 86.8                                       | 50.1                               | 96.5            | 46.3                            | 92.5%                   |
| <b>Profitability ratios</b>  |  |                                    |                 |                                 |                         |
| Cost-to-income .....   | 64.1%                                      | 62.4%                              | 58.8%           | -3.6 p.p.                       |                         |
| Return on assets (ROA) .....   | 0.4%                                       | 0.5%                               | 0.8%            | 0.3 p.p.                        |                         |
| Return on equity (ROE) .....   | 4.9%                                       | 5.7%                               | 10.0%           | 4.3 p.p.                        |                         |
| <b>Capital and liquidity ratios</b>                                  |  |                                    |                 |                                 |                         |
| CET 1 capital ratio <sup>1</sup> .....                               | 18.5%                                      | 16.8%                              | 17.9%           | 1.1 p.p.                        |                         |
| Total capital ratio <sup>1</sup> .....                               | 18.5%                                      | 16.8%                              | 17.9%           | 1.1 p.p.                        |                         |
| Leverage ratio .....   | 7.8%                                       | 7.7%                               | 8.5%            | 0.7 p.p.                        |                         |

|  | As at and for the year or six months ended |                                    |                 |                                 |                         |
|--|--|------------------------------------|-----------------|---------------------------------|-------------------------|
|  | 31<br>December<br>2020                     | 30 June<br>2020                    | 30 June<br>2021 | Δ Abs.<br>Jun-<br>21/Jun-20     | Δ%<br>Jun-<br>21/Jun-20 |
| Consolidated indicators of the Group   |  |                                    |                 |                                 |                         |
|  |  | (unaudited<br>and not<br>reviewed) |                 | (unaudited and not<br>reviewed) |                         |
| Amounts in million euros, except for percentages                               | (audited)                                  |                                    | (unaudited)     |                                 |                         |
| Loan to deposit ratio <sup>2</sup> .....                                       | 63.4%                                      | 66.0%                              | 61.9%           | -4.1 p.p.                       |                         |
| Liquidity coverage ratio (LCR).....  | 433.5%                                     | 408.9%                             | 380.4%          | -28.5 p.p.                      |                         |
| Quality of assets ratios   |  |                                    |                 |                                 |                         |
| NPL ratio <sup>3</sup> .....   | 8.1%                                       | 8.9%                               | 7.8%            | -1.0 p.p.                       |                         |
| NPL coverage by NPL impairments .....  | 35.3%                                      | 35.6%                              | 33.6%           | -2.0 p.p.                       |                         |
| NPL coverage by NPL impairments and collaterals. ....                          | 128.1%                                     | 128.4%                             | 129.3%          | 0.9 p.p.                        |                         |
| NPL coverage by NPL impairments and collaterals<br>(FINREP) <sup>4</sup> ..... | 86.8%                                      | 85.6%                              | 86.3%           | 0.7 p.p.                        |                         |
| Texas ratio <sup>5</sup> .....   | 40.8%                                      | 45.0%                              | 40.3%           | -4.7 p.p.                       |                         |
| Cost of risk .....   | 0.48%                                      | 0.04%                              | 0.07%           | 0.03 p.p.                       |                         |
| Other Indicators   |  |                                    |                 |                                 |                         |
| # of employees.....  | 4,092                                      | 4,141                              | 4097            | -44                             | -1.1%                   |
| # of bank branches.....  | 637  | 639                                | 630             | -9                              | -1.4%                   |

(1) The ratio does not incorporate the net income for the period. Except for December 2020.

(2) Ratio calculated pursuant to the Bank of Portugal Instruction No. 23/2012. Determined by the ratio between net credit to customers and customers deposits.

(3) Ratio calculated pursuant to the Bank of Portugal Instruction No. 20/2019.

(4) Applying haircuts and recovery costs, limited by the exposure of the contract.

(5) Determined by the ratio: NPL/(Tangible common equity + Stock of impairments).

Note: Information based on reported values.

## RATINGS

The Issuer's current baseline credit assessment rating ("BCA") is Ba1, reflecting Moody's view on the creditworthiness of the Group and its cooperative model enshrined in law. The BCA rating is complemented by deposits ratings of Baa3 Stable Outlook/ Prime-3 and Counterparty Risk Rating (CRR) of Baa2/Prime-2.

| Moody's                                   | September 2021 (last rating action) |
|---|-------------------------------------|
| <i>Intrinsic</i>                          |                                     |
| Baseline Credit Assessment (BCA).....     | ba1                                 |
| Adjusted Baseline Credit Assessment ..... | ba1                                 |
| <i>Long term/Short term</i>               |                                     |
| Counterparty Risk Rating .....            | Baa2/Prime-2                        |
| Counterparty Risk Assessment.....         | Baa1(cr)/Prime-2(cr)                |
| Long Term Deposit Rating .....            | Baa3                                |
| Outlook .....                             | Stable                              |
| Short Term Deposit Rating.....            | Prime-3                             |

## COOPERATIVE MODEL OF THE GROUP AND SICAM

The cooperative and mutualist nature of the relationship between the SICAM and the Group is based on a mechanism of reciprocal solidarity.

As provided for in Article 78 of the RJCAM, the Issuer fully guarantees the obligations assumed by the Associated Caixas (even if such obligations derive from facts which occurred before such entities became associates of the Issuer), under the terms of which the guarantor ("fiador") guarantees the bondsman's obligations ("afiançado"), and, notably, without the benefit of prior execution ("benefício da excusão") (i.e., the Issuer may not oppose foreclosure of its assets for payment of guaranteed obligations, even if the assets of the relevant Associated Caixa have not yet been fully foreclosed).

In turn, under Article 80 of the RJCAM, the Issuer has the right to demand from its Associated Caixas an increase of the Issuer's share capital up to an amount corresponding to the Issuer's then-current share capital if it is in a situation of "financial imbalance, translated, notably, in the reduction of own funds to a level below the legal minimum or in non-compliance with the ratios and prudential limits that apply to it".

For further details on the cooperative model of the Group and the reciprocal solidarity mechanism, see the risk factor entitled "*Risks relating to the Issuer's business – Risks related to the cooperative nature of the Group*" in the "*Risk Factors*" section of this Prospectus.

Notwithstanding the SICAM's solidarity system, the Group also has separate autonomous assets under the Crédito Agrícola Mútuo Assistance Fund (the "**FACAM**"), which was constituted to provide financial assistance to the Associated Caixas and to ensure the SICAM's robustness and sustainability at all times. FACAM is an association, membership of which is strictly limited to the Issuer and its Associated Caixas. FACAM's assets, mainly cash, are to be used exclusively for the purposes of providing financial aid to any of its members that may require it in order to restore its liquidity and/or solvency, essentially by means of loans. Should the FACAM be dissolved and its assets liquidated, such assets shall revert to its members.

The FACAM arose from the transformation into an association governed by private law of the former Crédito Agrícola Mútuo Guarantee Fund (the "**FGCAM**"), a legal person under public law, endowed with administrative and financial autonomy that, operating together with the Bank of Portugal, provided a deposit guarantee to all of the SICAM's depositor customers and, likewise, in relation to the financial assistance of the credit institutions included therein. This transformation was determined by Decree-Law 106/2019 of 12 August, which entered into force on 1 January 2020, and was executed on 8 January 2021.

With the enforcement of the legislation mentioned above and the transformation of the FGCAM into the current FACAM, the deposit guarantee of the SICAM was henceforth provided by the DGF, of which the Issuer and its Associated Caixas henceforth became stakeholders under the same circumstances as the entities in the rest of the banking system.

In turn, the range of assistance of the credit institutions included in the SICAM was henceforth provided by the FACAM, which is governed by its own Articles of Association and Internal Regulations.

The Articles of Association and Internal Regulations of the FACAM establish, in terms of its governance, the existence of (i) a General Meeting composed of all the members (all the Credit Institutions that are part of SICAM (the Associated Caixas)), (ii) the corresponding Board of the General Meeting, composed of three members (which elect natural persons as representatives), (iii) a Steering Board ("*Conselho Diretivo*"), also composed of three independent members with adequate qualifications, and (iv) an Audit Board ("*Comissão de Fiscalização*") composed of three members, the majority of which must be independent, and one of which must have adequate qualifications and knowledge in accounting and/or auditing. All of the FACAM's governing and statutory bodies are supported by the structures and services of the Issuer, where its registered office is located.

## GROUP COMPANIES

The following entities, all of which are Affiliated Companies, are also part of the Group:

- Federação Nacional das Caixas de Crédito Agrícola Mútuo, FCRL ("**FENACAM**"), whose corporate object consists of the representation and development of the Associated Caixas, strengthening the spirit of solidarity and cooperation between the associates, as well as the promotion, coordination and conduct of activities of common interest to them, and especially: (i) representation of the Associated Caixas and regional unions of their associates before any national, foreign or international entities in the exercise and defence of the rights and interests of the associates; and (ii) promotion of cooperativism within the Group;
- Crédito Agrícola S.G.P.S., S.A. and Crédito Agrícola Seguros e Pensões S.G.P.S., whose object is the management of equity holdings in other Group companies;
- The insurance companies Crédito Agrícola Seguros, S.A. ("**CA Seguros**") and Crédito Agrícola Vida, S.A. ("**CA Vida**"), dedicated to insurance activity in all non-life technical segments (except for the air, credit and surety segments) and in the life segment, respectively;
- Crédito Agrícola Serviços – Serviços Informáticos e de Gestão – ACE, whose object is the provision of information technology, operational, technical and management services in a manner complementing the individual and group activities of its Group members;

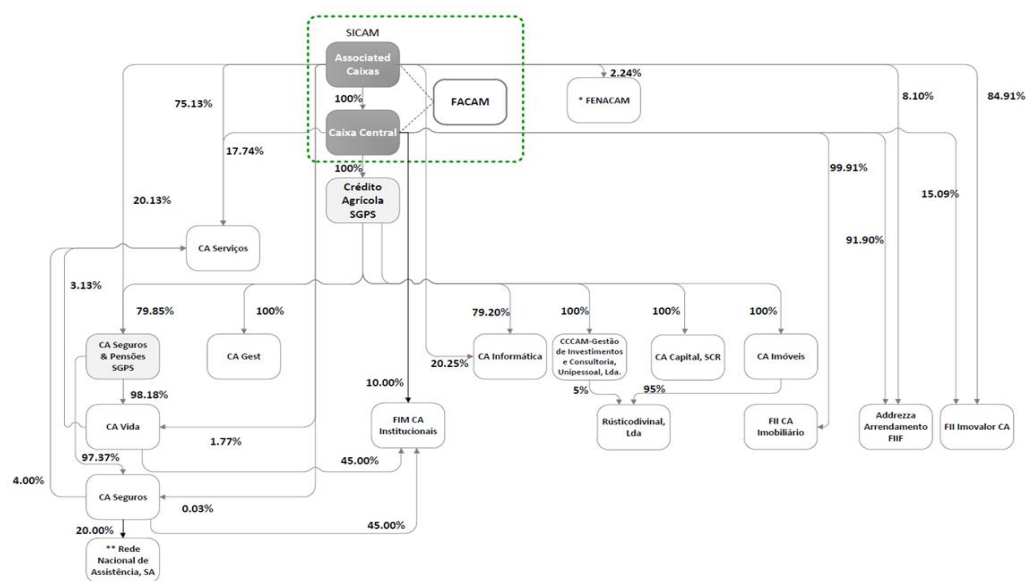
- Crédito Agrícola Informática – Serviços de Informática, S.A., essentially dedicated to the provision of information technology services, including consulting on matters such as selection of software and hardware, developing and supporting the development of applications, data processing, staff training and provision of consulting services in organisation and management, as well as the marketing and management of information technology equipment and products;
- Crédito Agrícola GEST - SGOIC, S.A. ("**CA Gest**"), whose main activity is the management of collective investment undertakings. It also carries out the activity of discretionary and individualised management of portfolios on behalf of others and consultancy for investments in securities. In 2019, it took up the management of Real Estate Investment Funds;
- Crédito Agrícola Imóveis Unipessoal, Lda., whose object is the holding, management and administration of real estate properties and the purchase of real estate properties for resale;
- CCAM Gestão de Investimentos e Consultoria, Unipessoal, Lda., which, in general, provides economic and financial or specialised strategic advisory services, as well as accounting or consulting services for corporate direction or management and the preparation of economic and financial studies; and
- CA Capital – Sociedade de Capital de Risco S.A., which, as a venture capital firm, has the core object of carrying out investments in venture capital reflected in the acquisition of equity instruments, in companies showing high potential development in activities considered strategic for the Group, notably ventures in fintech, insurtech, regtech, agriculture and cleantech, among others.

The Group also includes the real estate investment funds "FEIIA CA Imobiliário" and "Addressa Arrendamento FIIF", whose management company is an independent asset management firm, Square Asset Management – Sociedade Gestora de Fundos de Investimento Imobiliário S.A., the real estate investment fund "FEIIF Imovalor CA" and the bond investment fund "FIMF CA Institucionais", both managed by CA Gest.

## ORGANISATIONAL STRUCTURE

### The Group

The following diagram summarises the organisational structure of the principal subsidiaries of the Group as at 30 June 2021:



(\*) FENACAM holds 97.74% of its own capital.  
 (\*\*\*) Consolidation through the equity method.

Date: 30-06-2021



## General information

So far as the Group is aware, there are no arrangements in place, the operation of which may result in a change of control of the Group.

The Group has made no material investments since the date of the last published financial statements and the Group has not made relevant firm commitments on future investments.

There have been no recent events particular to the Group which are, to a material extent, relevant to the evaluation of the Group's solvency.

The Issuer is not aware of any contracts that are not entered into in the ordinary course of its business which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders of the Notes.

The current 75 Associated Caixas hold the entirety of the share capital of the Issuer and indirectly hold the Affiliated Companies that are part of the Group. The Group, where the Issuer acts as the central body, is not dependent upon Affiliated Companies; however, activities developed by the Affiliated Companies have an impact on the Group.

## Legislation regulating the activity of the Group

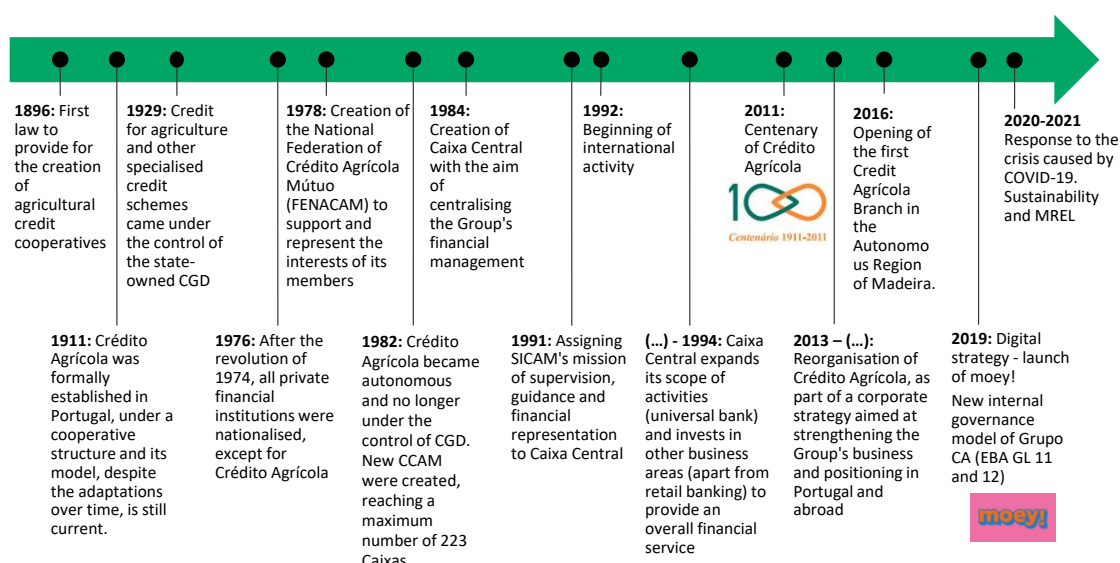
The Group is governed by European Union rules, banking and commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code – and, in particular, by the RGICSF, the RJCAM and the Cooperative Code, by the Portuguese Securities Code (*Código dos Valores Mobiliários*) and other complementary legislation.

In general terms, the activity of credit institutions within the Group is subject to the supervision of Bank of Portugal. Group entities are subject to the supervision of the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) as financial intermediaries and, if applicable, as issuers. The members of the SICAM are also subject to the supervision of the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)*), where acting as insurance agents for the insurance companies within the Group.

## STRATEGY

### Historic milestones

In Portugal, cooperative banking is represented by the Group with its secular history of contributing to society and the national economy. The Group continuously strives to achieve its mission, fostering the development of local communities and the Portuguese diaspora.



## **Mission, vision and values of the Group**

The Group's core values include:

- community development;
- cooperative values;
- customer centricity;
- innovation and sustainability; and
- simplicity, trust, proximity and soundness.

The Group's mission is to be the driver for the economic and social development of local communities, through purposeful, proximate and sustainable banking, promoting long-term relationships with customers and contributing to the fulfilment of their financial and protection needs and expectations.

The Group's vision is to be recognised as a benchmark in inclusion, sustainability and innovation in the Portuguese financial market among members, customers, regulatory bodies, partners, employees and other stakeholders. The Group has further updated its vision to include the aim of being recognised as the benchmark financial group in sustainability issues in the domestic market.

In an environment of constant change and increasing exposure to risks, fragilities and social and environmental challenges, the Group has reinvented itself and mobilised to strengthen its role in society as a driver of economic growth and employment and as a source of technology and innovation.

### **Strategic pillars for 2019-2021**

In order to realise the ambition and purpose of the Group in matters of sustainability, the strategic pillars for the three-year period 2019-2021 were revisited. This resulted in a list of six strategic pillars that are mobilising, differentiating, forward-looking and in line with the Group's vision and mission:

- sustainability (environmental, social and governance ("**ESG**") – to become a benchmark of sustainability in Portugal;
- customer focus – to increase digital presence and boost customer focus;
- efficiency – to improve efficiency, productivity and digital transformation;
- talent and innovation – to promote an internal culture able to attract, promote and retain talented employees;
- financial strength – to maintain the Group's capitalisation and financial sustainability; and
- effective regulatory fulfilment – to incorporate the fulfilment of regulatory requirements in the Group's mission.

### **Sustainable finance**

The Group is committed to promoting the sustainable development of the communities in which it operates, with the formalisation of its Sustainability Policy reflecting its social and environmental concerns and presenting a set of commitments on sustainable finance.

The Group believes that the COVID-19 pandemic is a unique opportunity to transition financial services to a more inclusive, resilient and biodiversity-oriented economic and social model. The Group has formulated actions that are part of its sustainability plan, with an emphasis on the opening of its first sustainable branch.

### ***Sustainability***

In 2020, the Group formalised its Sustainability Policy, recognising that "*Sustainability for the Group means promoting the sustainable development of local communities, through a set of financial products*

*that support Clients to reduce their negative environmental and social impacts, as well as to identify new business opportunities that are greener, more circular and more respectful of human dignity".*

This policy was created on the basis of the five SDGs which were identified as priorities for the Group, and so all the commitments made, and activities undertaken are designed to make a positive contribution to these five SDGs:

- decent work and economic growth;
- reduced inequalities;
- sustainable cities and communities;
- responsible consumption and production; and
- climate action.

The policy reinforces the ambition that the Group be recognised as the benchmark in sustainability in the domestic market. To this end, a set of commitments were adopted that guide the Group's current and future performance as a financial entity and that should be incorporated into its corporate culture. Some of these commitments are:

- to integrate the issue of sustainability as part of the Group's fiduciary duties;
- to integrate environmental, social and governance criteria in financing and investment analyses;
- to create financial products that contribute to lower environmental impact and foster the green and circular economy;
- to support customers with information and knowledge so that they can adopt consumption practices with lower environmental impacts;
- to be an active voice in the promotion of sustainability practices together with civil society, the business sector, the State and supranational organisations;
- to raise awareness of sustainability issues among employees, customers and civil society;
- to terminate relationships with customers and partners that do not comply with the spirit of the Group's Sustainability Policy;
- to define a list of sectors and activities for which the Group will not provide financial services; and
- to implement these commitments, working groups have been set up to incorporate sustainability across the board in the Group:
  - Taxonomy Group;
  - Sustainable Financial Products Group;
  - Carbon Neutrality Group;
  - Sustainable Agencies Group;
  - Technology and Information Group;
  - Human Capital Group; and
  - Repositioning and Image Group.

On the basis of the Sustainability Policy and the five priority SDGs, the Group has established a Sustainability Action Plan with well-defined activities (such as the establishment and publication of the Green, Social and Sustainability Framework) and timelines to achieve the following: improve green

financial products available to clients; increase knowledge about environmental and climate risks and opportunities amongst employees and commercial areas; reduce the Group's carbon footprint; incorporate the EU Taxonomy in the processes; information technology and culture of the Group; adapt internal policies in accordance with the Sustainability Policy; and anticipate future regulations by following the international agenda.

In addition, the Group endorsed the Lisbon Green Capital Commitment, which highlights its contribution to the ambition of attaining a 60 per cent. reduction in CO2 emissions by 2030, achieving carbon neutrality by 2050, and cooperating towards resilience in relation to climate change.

In 2020, the Group joined the "Act4nature" initiative, whose main objective is to mobilise and encourage companies to protect, promote and restore biodiversity and ecosystem services. In addition to endorsing 10 common commitments, a further set of individual commitments was proposed in order to contribute to enhancing the ambition to preserve biodiversity.

### ***Social***

The Group's investment in communities continued to be significant during 2020/2021 marked by strong constraints due to the COVID-19 pandemic. In this context, the Group remained available to its customers and the community, providing them with daily banking services, with the necessary health and safety precautions. The branches operated behind closed doors, with clear signs and health and safety equipment so that attendance was as safe as possible.

Among the main social support initiatives was the joint action "*SOS Coronavirus*", together with the Portuguese Business Association and the Portuguese Medical Association, for the supply of hospital equipment. The campaign "*My Gesture, for Our Portugal*" was also carried out with FENACAM, CONFAGRI and CARITAS, with the aim of supplying basic necessities to those most in need.

Approximately EUR 1.8 million were invested in local communities by the Group in 2020. In 2020, investment in social responsibility was down compared with recent years, due to the consequences of the COVID-19 pandemic and restrictions on cultural events, sporting events and trade fairs. Nevertheless, 1,217 institutions were supported, of which 33 per cent. were non-professional sports-related institutions and 23 per cent. linked to social cohesion. Donations of equipment were also made, with the vast majority being distributed to hospitals (52 per cent.).

### ***Environmental***

Within the Group, the environmental component of ESG has had two main areas of focus:

- the quantification of the Group's CO2 emissions, to enable it to set out its ambition for carbon neutrality; and
- the identification of criteria enabling the Group to understand how its customers are aligned with European environmental objectives, which are beginning to be incorporated into regulations directed at the financial sector. The Taxonomy Regulation was published on 22 June 2020 and came into force on 12 July 2020, producing effects regarding the use of criteria applicable to environmentally sustainable economic activities and transparency duties regarding the disclosure of information in non-financial statements, with the Group working in advance on the next step of the regulation, which comes into force in January 2022 and concerns objectives related to climate change mitigation and adaptation. This topic was followed up on by the Taxonomy and Sustainable Financial Products working groups.

In terms of the Group's emissions and impact, some examples of implemented measures include replacement of conventional lamps with LED lamps, motion detectors in offices and meeting rooms, installed timed water flow taps, eradication of paper invoices and documents, charging stations for electric vehicles, bicycle parking racks and a Zero Plastic internal campaign including replacing all plastic consumables with recycled or recyclable ones.

The Group supported the largest sustainability event in Portugal, the Planetiers World Gathering, where the challenges that society and the environment face in the long term were presented and debated. The Group strengthened its support for this event by holding two debates on "Innovation for a more sustainable future" and on "Sustainable banking and young people's expectations".

New contents linked to sustainability and decarbonisation were introduced in the seminar "Minute of Economics", with the aim of raising financial and environmental literacy amongst the Portuguese population.

## RECENT DEVELOPMENTS IN 2021

### *Performance of the Group in the first half of 2021*

| CONSOLIDATED INCOME STATEMENT – Selected<br>Financial Information            | For the six months until           |             |        |        |
|--|------------------------------------|-------------|--------|--------|
|  | June 2020                          |             |        |        |
|  | (unaudited<br>and not<br>reviewed) | June 2021   |        |        |
|  |                                    | (unaudited) | Δ Abs. | Δ%     |
|  | In million euros                   |             |        |        |
| Net Interest Income .....  | 156.3                              | 160.8       | 4.4    | 2.8%   |
| Technical margin of insurance activity.....                                  | 21.1                               | 31.3        | 10.2   | 48.4%  |
| Net fees and commissions .....   | 53.7                               | 54.1        | 0.4    | 0.8%   |
| Net trading income.....  | 66.7                               | 54.4        | -12.3  | -18.4% |
| Other net operating income .....   | -7.9                               | 3.3         | 11.2   | n.a.   |
| Operating income.....  | 289.9                              | 303.8       | 14.0   | 4.8%   |
| Operating costs.....   | -180.9                             | -178.8      | -2.1   | -1.2%  |
| Impairment and provisions for the period.....                                | -36.4                              | -7.3        | -29.1  | -80.0% |
| Profit or (-) Loss for the year attributable to owners of the<br>parent..... | 50.1                               | 96.5        | 46.3   | 92.5%  |

On 30 June 2021, the return on equity of 10.0 per cent., achieved by the Group, reflects the results achieved by the different components of the Group (CCAM, the Issuer, life and non-life insurance companies, management of assets and investment funds), including the positive contributions of the insurance business (€3.9 million from CA Vida and €2.6 million from CA Seguros).

The evolution of operating income as at 30 June 2021, which entailed an increase of €14.0 million compared with 30 June 2020, resulted from the growth of net interest income in the amount of €4.4 million (2.8 per cent.), the technical margin of insurance activity which registered an increase of €10.2 million (48.4 per cent.), as well as an increase of €11.2 million in other net operating income.

Net fees and commissions increased by €0.4 million to €54.1 million as at 30 June 2021 and net trading income decreased by €12.3 million (18.4 per cent.) to a total of €54.4 million.

The reduction in operating costs of €2.1 million compared with 30 June 2020 and the increase in operating income determined an improvement of 3.6 b.p. in the cost-to-income ratio that, with reference to June 2021, stood at 58.8 per cent.

Impairment and provisions for the period in the first half of 2021 amounted to €7.3 million, showing a reduction of €29.1 million when compared with the same period of 2020, essentially justified by: (i) a decrease of €20.8 million in generic provisions recorded in 2020 to cover risks related to the loans portfolio in recovery processes at the Issuer and real estate assets held; (ii) a decrease of €13.9 million in impairments in the securities portfolio resulting from the update of macroeconomic scenarios and consequent reduction of risk parameters compared with June 2020; and (iii) in the opposite direction, by increasing credit related impairments (by €3.9 million) and by the increase in impairments of other assets (by €1.6 million) related essentially to foreclosed assets.

In the first six months of 2021, the cost of risk reached 0.07 per cent. The increase of 0.03 b.p. when compared with June 2020, resulted from the reinforcement of credit related impairments recorded during the first half of the year.

The results recorded in the real estate divestment segment (notably via investment units devaluation) in June 2021 had a negative impact on consolidated income by deducting €4.6 million, with a favourable reduction of €0.1 million when compared with €4.7 million in the same period of 2020.

## Balance sheet of the Group

| Balance sheet – Selected Financial Information   | As at<br>December<br>2020<br>(audited) | As at June<br>2020<br>(unaudited<br>and not<br>reviewed) | As at June<br>2021<br>(unaudited) | Δ Abs.<br>Dec20/Jun21 | Δ%<br>Dec20/Jun21 |
|--|--|--|-----------------------------------|-----------------------|-------------------|
|  | In million euros                       |  |                                   |                       |                   |
| Total assets.....  | 23,451                                 | 22,175   | 24,457                            | 1,005                 | 4.3%              |
| Total Loans and advances portfolio (gross)<br>to customers.....                                  | 11,189                                 | 10,850   | 11,525                            | 336                   | 3.0%              |
| of which: Loans to companies and<br>public administration (gross).....                           | 6,947                                  | 6,685  | 7,207                             | 260                   | 3.7%              |
| Loans and advances to customers (net) .....  | 10,804                                 | 10,458   | 11,140                            | 336                   | 3.1%              |
| Total customer' funds .....  | 18,767                                 | 17,512   | 19,692                            | 925                   | 4.9%              |
| Customer funds on the balance sheet .....  | 17,046                                 | 15,845   | 17,996                            | 950                   | 5.6%              |
| Off-balance sheet customer funds.....  | 1,720                                  | 1,667  | 1,696                             | -25                   | -1.4%             |
| Accumulated impairment and provisions ...<br>of which: Accumulated impairment of<br>credit ..... | 579                                    | 602  | 575                               | -4                    | -0.7%             |
| Technical provisions of insurance activity .   | 386                                    | 391  | 386                               | 0                     | 0.0%              |
| Total Equity .....   | 726                                    | 753  | 666                               | -60                   | -8.3%             |
|  | 1,889                                  | 1,849  | 1,973                             | 83                    | 4.4%              |

On 30 June 2021, the total loans and advances portfolio (gross) to customers of the Group amounted to €11.5 billion, a growth of 3.0 per cent. in the last six months, reflecting the continuation of support for families, companies and institutions and the Group's customers.

On 30 June 2021, customer deposits totalled €18.0 billion, showing a growth of 5.6 per cent. compared with December 2020 corresponding to an increase of €950 million, demonstrating the customers trust in the Group during the current period of uncertainty. This increase in resources, higher than the increase in loans and advances to customers (net), contributed to the reduction in the loan to deposit ratio, which at the end of the period amounted to 61.9 per cent.

### Quality of the Group's loan portfolio

In terms of the quality of the loan portfolio of the Group, the gross ratio of Non-Performing Loans ("NPL"), according to Instruction 20/2019, in June 2021 stood at 7.8 per cent. representing a favourable evolution compared with the 8.1 per cent. registered at the end of 2020.

The accumulated Non-Performing Loans impairments with reference to the end of June 2021 amounted to €299 million, a value that gives a level of NPL coverage by NPL impairments of 33.6 per cent. and an NPL coverage by NPL impairments and collateral ("FINREP") of 86.3 per cent. (or a ratio of 129.3 per cent. not taking into consideration haircuts, costs and the exposure limit per contract). The Texas ratio, determined by the ratio between the NPL stock and the sum of the tangible common equity with the stock of impairments (loss reserves), reached 40.3 per cent.

### Group solvency, leverage and liquidity

According to CRD IV/CRR rules, the Group, as at June 2021, has a comfortable level of solvency, embodied by the common equity tier 1 ("CET1") and total capital ratios of 17.9 per cent. (excluding net income for the period), a leverage ratio of 8.5 per cent. and an LCR of 380.4 per cent., all of which are above the recommended minimum thresholds.

### Support and protection for families, companies and employees of Crédito Agrícola in the context of a pandemic caused by COVID-19

The Issuer supported 4,489 national companies by granting €335.8 million under the protocolled credit lines for COVID-19, with state guarantees.

As a result of the intense activity of supporting the economy, at the end of June 2021, the Issuer had approved the introduction of moratoria worth €2,789 million<sup>1</sup>. Of these, 79.8 per cent. of the amount corresponds to loans to companies, 12.8 per cent. corresponds to mortgage loans and 7.3 per cent. to consumer loans and other loans to individuals. Overall, 95.5 per cent. of total credit and 88.3 per cent. of the moratoria were in a performing condition (stages 1 and 2).

The 2021 financial year still has high levels of uncertainty that may be reflected in terms of an increase in impairments in the loan portfolio. In this context, the next quarter may undergo material changes resulting from regular monitoring activities of the loan portfolio, in particular, the economic sectors most affected by the crisis and with greater weight on loan agreements under a moratorium.

#### *External recognition*

The Issuer received for the first time, in July 2021, a level rating ("**BCA**") from Moody's of Ba1, the third highest rating, alongside another institution, among the seven largest banks. The BCA rating is complemented with a Baa3 Outlook Stable/ Prime-3 deposit rating and a Counterparty Risk Rating ("**CRR**") rating of Baa2/Prime-2, both investment grade.

In the first quarter of 2021, the ECSI 2020 European Consumer Satisfaction Index 2020 results were released, in which CA Seguros led for the third consecutive year, achieving the highest level with an assessment of 8.04 (on a scale from 0 to 10), in the area of "Customer Satisfaction".

During the first half of 2021, in the Behavioural Supervision Report for the year 2020 carried out by Bank of Portugal, the Issuer was the national bank that received the fewest complaints in the demand deposits (nine complaints per 100,000 demand deposit accounts, which compares with the banking system average of 34 complaints per 100,000 accounts) and consumer loans (18 complaints per 100,000 contracts versus the system average of 40 complaints per 100,000 contracts) categories. The Issuer was also positioned second in the number of fewest complaints in mortgage and mortgage loans, with 52 complaints per 100,000 contracts (below the average of the banking system of 119 complaints per 100,000 contracts).

## **BUSINESS OVERVIEW**

### **Business model**

The Group is a cooperative financial group focused on the retail market with a universal offer, providing a full range of financial products and services. These range from solutions to day-to-day needs through digital channels and the ATM network, to financing and protection solutions designed for individuals, families, sole proprietorships, SMEs and corporate customers, as well as savings or investment products such as deposits, mutual funds and capitalisation insurance or insurance to protect customers and their assets.

The Group seeks to serve its customers with value propositions adjusted to their profiles and needs. The Group has been focused on simplifying processes (customer journeys) for the most relevant products and channels and on improving analytics throughout several touchpoints with customers, enhancing overall customer experience and thus strengthening relationships.

The Group is a financial group with EUR 24.5 billion of total assets on 30 June 2021, over 4,000 employees, and 630 branches (which represents the largest network of bank branches in Portugal (*Source: Public press releases as of 30 June 2021*)) as at 30 June 2021.

The system of sustainability and robustness of the 75 Associated Caixas, on which the Group's business model is based, distinguishes the Group from other financial institutions, since one of its ultimate goals is to contribute to the development of local and regional communities. In this regard, the financial institutions within the Group are the only financial institutions in which:

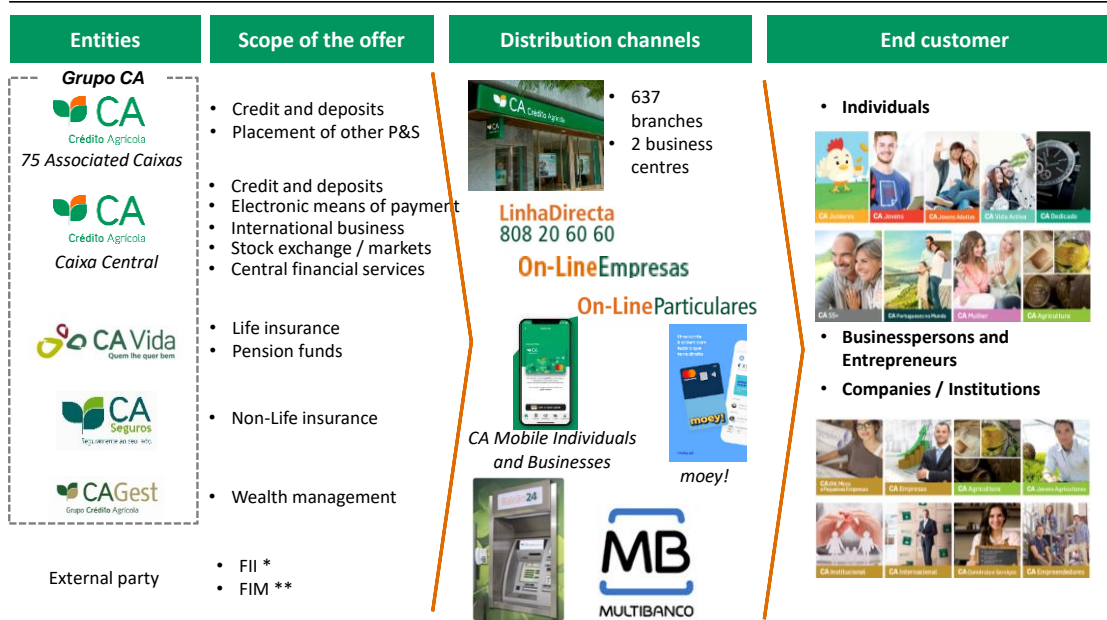
- the profit generated by each Associated Caixas is distributed or reinvested in the region itself;

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<sup>1</sup> All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

- the deposits are applied in financing projects in the region of the depositors;
- employees are recruited mainly locally; and
- decision-making is, as a rule, decentralised, although centrally controlled.

#### Business Model of Grupo Crédito Agrícola



(\*) managed by Square Asset Management (\*\*) managed by IM Gestão de Ativos, SGFI, SA

The Group also includes the life and non-life insurance companies CA Vida and CA Seguros, which complement the banking offer with insurance and investment products, respectively, and CA Gest for asset management.

#### Business development of the Group

The Group's planning and commercial dynamics are interactive processes between the Issuer and the Associated Caixas, without losing the autonomy that characterises the latter.

This model seeks greater alignment between the competitive positioning sought by the Group and its value propositions with the formulation of commercial policies and marketing strategy, where business goals are set and incentives are allocated, according to priority segments, taking into account the profitability generated per product and the importance to the Group's strategy as guidance.

Additionally, complying with GDPR requirements, the Group leverages sound analytical methodologies and processes in order to align customers' perceived needs and/or expectations with the Group's offering or services.

#### Digital banking

The Group provides its corporate and individual customers with access to digital and non-face-to-face channels. This allows the Group to serve transactional needs on a 24x7 basis and focus the relationship of the commercial network on higher value-added activities (e.g., advisory services).

The year 2020, marked by the COVID-19 pandemic, led financial institutions to accelerate their digital transformation, due to the need to adapt the relationship with their customers, facilitating access to basic services, namely transfers and payment of services.

In this area, the Group carried out concrete actions in 2020, notably the launch of remote account opening, in the mobile software application "App CA Mobile", with Digital Mobile Key and the development of the digital offering in the relationship with CA Customers, through the CA website and CA Online channel



(e.g., requests for moratoria and adequacy of all available information; questionnaire for monitoring moratoria).

#### *Digital banking solution, mobile-only ("moey!")*

The year 2020 was the first full year of operation of the Group's new brand, which is a 100 per cent. digital banking solution called "moey!".

During 2020 the pursuit of the strategic objectives that led to the creation of "moey!" was continued, namely: (i) rejuvenation of the Group's customer base; (ii) increase in market share in major urban centres; and (iii) digital transformation of the Group.

With regard to the first two objectives, and despite the impact of the pandemic, 2020 was a successful year, with the customer portfolio quadrupling and the target segments fully achieved (i.e., 85 per cent. of customers live in major urban centres and 90 per cent. are aged between 18 and 44).

Regarding the third objective, the implemented strategy took into consideration a broad vision of all the pieces that make up "moey!". Thus, the focus on innovation was always applied both at the product level and in terms of technology, data science and support channels, seeking to ensure the best possible customer experience in all interactions from their first contact with the brand.

#### *International presence*

The Group maintains a presence outside Portugal through representative offices in France, Luxembourg and Switzerland, which look to support both the relevant Portuguese and local communities and, in particular, the business communities. Additionally, the Group holds minority equity stakes in Spain (8.7 per cent. in Grupo CIMD and 0.47 per cent. in Banco de Credito Cooperativo - Grupo Cajamar, both in 2020).

Also worth highlighting is the institutional representation abroad, performed by the representative offices, in embassies, consulates, chambers of commerce, business associations and associations representing local communities.

### **Activity of the Group**

#### ***Banking activity (SICAM)***

##### *Evolution of the customers and members base*

The Group's customer portfolio continued its previous growth trend in 2020, with the total number of customers as primary holders of a demand deposit account surpassing 1.3 million. Growth in relation to 2019 was 2.9 per cent. and accumulated growth in the last three years was 14.1 per cent.

In the Individuals macro-segment, the number of customers increased approximately 2.6 per cent. compared to 2019, and in the last three years the accumulated growth was approximately 12.7 per cent., reaching approximately 1.2 million customers by the end of 2020.

The number of customers in the Companies and Sole Proprietorships macro-segment also grew to close to 150,000. The growth in 2020 compared to the previous year was about 5.4 per cent., and the accumulated increase in the last three years is about 26.7 per cent.

The Members macro-segment recorded a growth of about 0.7 per cent. in 2020 compared to 2019, and an increase of about 20.8 per cent. in the last three years. The Group had more than 381,000 members at the end of 2020.

##### *Evolution of the loan portfolio*

In 2020, the SICAM's total loans and advances portfolio (gross) to customers increased by 6.1 per cent. in relation to the previous year, rising from 10,614 million in 2019 to 11,260 million in 2020, due to a growth of 8.6 per cent. in loans to companies and 2.1 per cent. in loans to individuals. In June 2021, the SICAM's loan portfolio increased 3.1 per cent. when compared with December 2020, mainly supported by the 3.8 per cent increase observed in loans to companies.

As at 31 December 2020, SICAM's non-performing loans totalled EUR 881 million, corresponding to a ratio of 8.1 per cent. to total exposure, which compares with 9.2 per cent. as at 31 December 2019 (measured on the basis of Instruction 20/2019 of Bank of Portugal). In June 2021, the SICAM's non-performing loans ratio decreased by 0.3 percentage points, resulting in a ratio of 7.8 per cent.

Commitments to third parties of SICAM increased by EUR 236 million in relation to the situation in 2019 and the guarantees provided related to operations with customers increased by 2.4 per cent. to stand at EUR 214 million. In June 2021, both commitments to third parties and guarantees provided increased 3.6 per cent., totalling respectively, EUR 1,717 million and EUR 221 million.

|   | 2019                                | 2020   | June 2021 | Δ %<br>20/Jun 21 |
|---|-------------------------------------|--------|-----------|------------------|
| <b>SICAM's LOANS TO CUSTOMERS</b>                       | <b>(Unaudited and not reviewed)</b> |        |           |                  |
|   | <i>Million euros, except %</i>      |        |           |                  |
| Total Loans and advances portfolio (gross) to customers | 10,614                              | 11,260 | 11,606    | 3.1%             |
| Companies .....   | 6,471                               | 7,029  | 7,297     | 3.8%             |
| Individuals .....                                       | 4,144                               | 4,231  | 4,308     | 1.8%             |
| Loans overdue by more than 90 days .....                | 270                                 | 222    | 209       | -6.0%            |
| Ratio of loans overdue + 90 days .....                  | 2.6%                                | 2.0%   | 1.8%      | -0.2 p.p         |
| Non-Performing Loans (NPL) .....                        | 939                                 | 881    | 876       | -0.5%            |
| NPL ratio* .....  | 9.2%                                | 8.1%   | 7.8%      | -0.3 p.p.        |
| Commitments to third parties** .....                    | 1,421                               | 1,657  | 1,717     | 3.6%             |
| Irrevocable credit lines .....                          | 1,041                               | 1,244  | 1,277     | 2.7%             |
| Revocable credit lines .....                            | 329                                 | 360    | 376       | 4.5%             |
| Other .....   | 52                                  | 54     | 64        | 20.0%            |
| Guarantees Provided*** .....                            | 209                                 | 214    | 221       | 3.6%             |

\* Ratio calculated according to the Bank of Portugal Instruction No. 20/2019.

\*\* Includes off-balance sheet credit lines, off-balance sheet underwriting agreements and off-balance sheet authorised overdrafts.

\*\*\* Includes guarantees and sureties provided and import documentary credit, and excludes assets given as guarantee, namely credit and securities, in the Eurosystem.

The main contributors to the growth in the SICAM's total loans and advances portfolio (gross) to customers recorded in 2020 were investment loans, which increased by EUR 400 million (corresponding to growth of 14.9 per cent.), mortgage loans, which increased by EUR 189 million, or 6.2 per cent., and current accounts and working capital credit facilities, which increased by EUR 47 million (corresponding to growth of 3.3 per cent.), as well as the introduction of the credit moratoria<sup>2</sup> which totalled EUR 2,654 million at the end of 2020. In June 2021, the SICAM's loan portfolio increased by EUR 345 million in relation to December 2020 (corresponding to growth of 3.1 per cent.), sustained by the increase of EUR 174 million in investment loans (corresponding to growth of 5.6 per cent.), EUR 98 million in mortgage loans (corresponding to growth of 3.0 per cent.) and EUR 82 million in current accounts and working capital credit facilities (corresponding to growth of 5.6 per cent.).

|  | 2019                                | 2020  | June 2021 | Abs. Δ<br>19/20 | Δ %<br>19/20 | Abs. Δ<br>20/Jun21 | Δ %<br>20/Jun 21 |
|--|-------------------------------------|-------|-----------|-----------------|--------------|--------------------|------------------|
| <b>SICAM's LOANS BY TYPE OF OPERATION</b>                    | <b>(Unaudited and not reviewed)</b> |       |           |                 |              |                    |                  |
|  | <i>Million euros, except %</i>      |       |           |                 |              |                    |                  |
| Mortgage loans .....   | 3,046                               | 3,235 | 3,333     | 189             | 6.2%         | 98                 | 3.0%             |
| Investment loans .....                                       | 2,692                               | 3,092 | 3,267     | 400             | 14.9%        | 174                | 5.6%             |
| Current accounts and working capital credit facilities ..... | 1,420                               | 1,467 | 1,550     | 47              | 3.3%         | 82                 | 5.6%             |
| Consumer loans .....   | 481                                 | 480   | 493       | -1              | -0.1%        | 13                 | 2.6%             |
| Commercial paper .....                                       | 350                                 | 339   | 359       | -11             | -3.2%        | 19                 | 5.7%             |
| Leasing .....  | 233                                 | 270   | 279       | 37              | 15.7%        | 9                  | 3.3%             |
| Credit cards .....   | 44                                  | 43    | 44        | -1              | -2.9%        | 1                  | 2.6%             |

<sup>2</sup> All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

\* Includes guarantees and sureties provided and import documentary credit, and excludes assets given as guarantee, namely credit and securities, in the Eurosystem.

| SICAM's AVERAGE LENDING RATES                                | 2019        | 2020        | June 2021   |
|--|-------------|-------------|-------------|
| Mortgages and mortgage loans.....                            | 1.4%        | 1.3%        | 1.2%        |
| Personal and consumer loans.....                             | 4.6%        | 4.3%        | 4.2%        |
| Credit Cards .....   | 16.8%       | 16.1%       | 15.6%       |
| Current accounts and working capital credit facilities ..... | 3.3%        | 3.0%        | 2.8%        |
| Investment loans .....                                       | 2.8%        | 2.6%        | 2.6%        |
| <b>Total .....</b>   | <b>2.5%</b> | <b>2.3%</b> | <b>2.2%</b> |

In the SICAM's corporate segment, as noted above, there was growth of EUR 558 million (8.6 per cent.) in 2020, resulting mainly from the increase of EUR 400 million (14.9 per cent.) in investment loans. The 2021 first semester maintained the growth trend, with an additional EUR 268 million (3.8 per cent.) in relation to December 2020.

SICAM's loans granted by the Group in June 2021 particularly increased in both the accommodation and restaurants and health and social support sectors, with increases of 21.1 per cent. and 20.7 per cent., respectively. The mining industries, energy and construction sectors were the only sectors that recorded decreases in SICAM's loans granted in June 2021 when compared with June 2020; however, only the construction sector, with a decrease of 4.0 per cent., has impacted the loan portfolio (6.8 per cent.).

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**SICAM's Loans to Companies by Economic Activity Classification (CAE) - June 2021**

| <b>Economic activity</b>                                       | <b>Total<br/>Credit CA</b> | <b>Var. YoY<br/>CA</b> | <b>Weight %<br/>CA</b> | <b>Market<br/>share CA</b> | <b>Var. Year- on-<br/>year Market</b> | <b>Weight %<br/>Market</b> |
|--|----------------------------|------------------------|------------------------|----------------------------|---------------------------------------|----------------------------|
| <i>Million euros, except %</i>                                 |                            |                        |                        |                            |                                       |                            |
| Other .....  | 1,211                      | 10.5%                  | 16.6%                  | 10.2%                      | 17.8%                                 | 15.6%                      |
| of which: Financial<br>institutions                            | 226                        | 8.7%                   | 3.1%                   | n.a.                       | n.a.                                  | n.a.                       |
| <b>Total .....</b>   | <b>7,297</b>               | <b>8.0%</b>            | <b>100.0%</b>          | <b>9.6%</b>                | <b>10.4%</b>                          | <b>100.0%</b>              |
| Total excluding financial<br>institutions and public<br>sector | 6 512                      | 8.5%                   | n.a.                   | 8.6%                       | 10.4%                                 | 100.00%                    |

Source: Bank of Portugal

Concerning credit concentration, the sectors of agriculture and fisheries, real estate activities, trade and manufacturing industries account for approximately 51 per cent. of the total loans granted to companies. The agricultural sector is particularly relevant to the Group, whose market share in this segment reached 33.3 per cent. in June 2021. In contrast, the exposure of the Group to companies in the construction sector is, in relative terms, lower than that observed in the market (6.8 per cent. versus 9.1 per cent.), reflecting a market share of 7.1 per cent. (*Source: Internal calculation based on BPStat figures*).

### Individuals

In 2020, loans to individuals at the SICAM recorded an increase of 2.1 per cent., compared with an increase of 1.6 per cent. in the national banking sector (*Source: BPStat – Bank of Portugal*). The evolution of the loans granted to this segment is justified by the growth of EUR 189 million in mortgage loans (6.2 per cent.), which offset the reduction recorded in other products. In June 2021 compared with December 2020, loans to individuals observed a growth of EUR 77 million (1.8 per cent.), mainly resulting from the contribution of mortgage loans (EUR 98 million, corresponding to growth of 3.0 per cent.) and consumer loans (EUR 13 million, corresponding to growth of 2.6 per cent.).

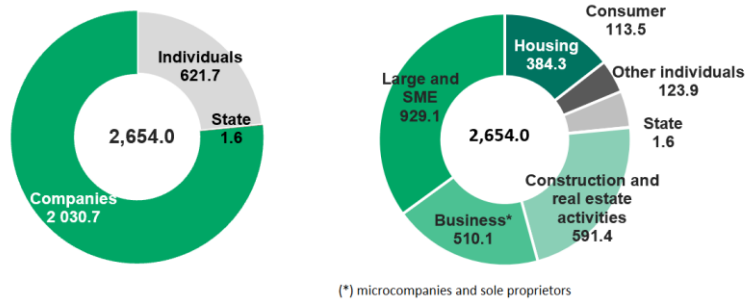
| <b>SICAM's INDIVIDUALS<br/>AND SOLE<br/>PROPRIETORSHIPS</b> | <b>2019</b> | <b>2020</b> | <b>June<br/>2021</b> | <b>Abs. Δ<br/>19/20</b> | <b>Δ %<br/>19/20</b> | <b>Abs. Δ<br/>20/Jun21</b> | <b>Δ %<br/>20/Jun21</b> |
|---|-------------|-------------|----------------------|-------------------------|----------------------|----------------------------|-------------------------|
| <i>(Unaudited and not reviewed)</i>                         |             |             |                      |                         |                      |                            |                         |
| <i>Million euros, except %</i>                              |             |             |                      |                         |                      |                            |                         |
| Mortgage Loans .....  | 3,046       | 3,235       | 3,333                | 189                     | 6.2%                 | 98                         | 3.0%                    |
| Consumer Loans .....  | 481         | 480         | 493                  | -1                      | -0.1%                | 13                         | 2.6%                    |
| Leasing.....  | 39          | 39          | 38                   | -0.2                    | -0.6%                | -0.5                       | -1.3%                   |
| Credit Cards .....  | 37          | 37          | 38                   | -1                      | -1.5%                | 1                          | 2.0%                    |
| Other Credit .....  | 541         | 441         | 407                  | -100                    | -18.5%               | -34                        | -7.6%                   |
| Loans to Individuals.....                                   | 4,144       | 4,231       | 4,308                | 87                      | 2.1%                 | 77                         | 1.8%                    |

### COVID-19 moratoria and credit lines

The growth in loans granted in 2020 by the Group reflected the support made available to households and companies in the current context of the COVID-19 crisis. At the end of December 2020, the moratoria<sup>3</sup> approved by the Group totalled EUR 2,654 million, in a total of 22,722 contracts. Of the total amount of moratoria approved, 76.5 per cent. corresponded to loans granted to companies (in which companies with the main CAE (Portuguese economic activity classification code) in the construction and real estate activities sector stood out with 22.3 per cent. of the total), 14.5 per cent. referred to mortgage loans and 8.9 per cent. to other loans to individuals.

<sup>3</sup> All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

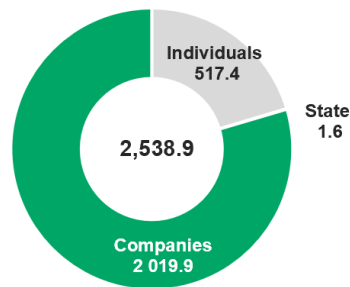
**LOANS IN MORATORIA BY SEGMENT (In € Million)**  
31 December 2020



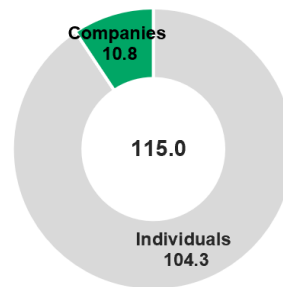
Note: All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

Of the Group's total moratoria, 96 per cent. correspond to public moratoria, amounting to EUR 2.5 billion, and 4 per cent. correspond to private moratoria, amounting to EUR 115.0 million.

**LOANS IN PUBLIC MORATORIA (In € Million)**  
31 December 2020



**LOANS IN PRIVATE MORATORIA (In € Million)**  
31 December 2020



Note: All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

The Group approved a set of procedures to ensure the efficient monitoring of the "COVID-19 Portfolio" (i.e., the total credit exposure from customers with, at least, one credit operation in moratorium, customers operating in activity sectors affected by the pandemic<sup>4</sup>, and customers that have been granted, at least, one COVID-19 support credit line<sup>5</sup>), including assessing the quality of credit exposures and the financial situation of borrowers, in order to identify relevant changes and ensure:

- triggering of appropriate monitoring and follow-up actions; and
- that any worsening of the risk is reflected in the SICAM accounts.

<sup>4</sup> Customers that operate in activity sectors especially affected by pandemic-related measures (as defined in Decree-Law 78-A/2020, of 29 September) and, as such, potentially subject to financial stress, from which, in the Issuer's internal definition, the following are included: "Alojamento, restauração e similares" (Accommodation, food & beverage and similar activities); "Actividades de saúde humana e apoio social" (Human health and social support activities); "Outras actividades de serviços" (Other service activities); "Actividades artísticas, de espetáculos, desportivas e recreativas" (Arts, entertainment, sports and recreation); and "Educação" (Education).

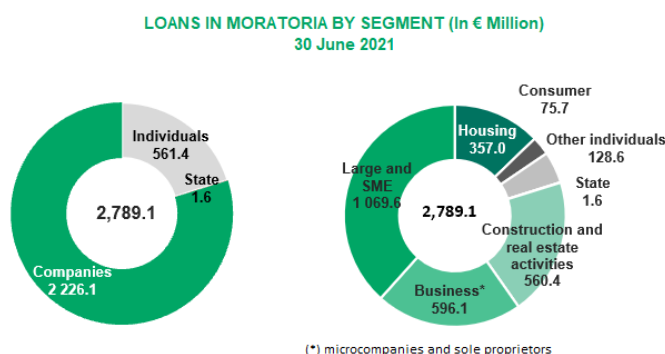
<sup>5</sup> Credit lines under the special regime guaranteed by the State (mutual guarantee companies).

The main challenge of this set of procedures is to anticipate and proactively identify situations of financial difficulties for customers especially affected by the pandemic.

The objectives of the monitoring framework specifically applicable to loans held by customers especially affected by the pandemic are as follows:

- gain in-depth knowledge of customers and their current situation;
- define a standardised and evolving offer associated with metrics and risk criteria that allows for consistent management in the SICAM of customers in financial difficulties in the context of the COVID-19 pandemic;
- increase the operational effectiveness of the commercial monitoring model, increasing digital interaction;
- provide the Issuer and Associated Caixas structures with detailed, accurate and sufficiently granular management information to adequately monitor customers;
- provide detailed and accurate management information to the Board of Directors of the Issuer to take strategic decisions and to the boards of the Associated Caixas to ensure their execution; and
- anticipate expected losses reflected in the calculation of impairment.

At the end of June 2021, the moratoria approved by the Group totalled EUR 2,789 million, reflecting the (i) adhesions to the new public moratoria that were established between January and March 2021 and whose grace periods end up to December 2021 and (ii) expiration of the private moratoria related to mortgage loans in March 2021 and the expiration of the private moratoria related to consumer loans in June 2021.



Note: All amounts disclosed in this Prospectus about credit moratoria exclude the credit moratoria amounts related with financial lease contracts (representing €81 million in December 2020 and €83 million in June 2021). The total credit amount in moratoria including financial lease contracts stood at €2,735 million as of December 2020 (24.4 per cent. of total portfolio recorded at the end of the period) and €2,872 million as of June 2021 (24.9 per cent. of total portfolio recorded at the end of the period).

Also, in support of the national economy, the credit granted by the Group within the scope of the COVID-19 protocolled lines, under the Mutual Guarantee Company's guarantee, amounted to EUR 264.4 million in 2020, with 3,758 national companies having been supported in this way. There was a greater concession in COVID-19 Support for Economic Activity and LC Support for the Economy COVID-19 MEP lines, both in terms of the amount contracted (EUR 110.5 million and EUR 61.6 million, respectively) and the number of applications (856 and 1,567, respectively). In June 2021 the Mutual Guarantee Company's guarantee, amounted to EUR 335.8 million.

#### *Evolution of deposits and other funds*

Against a backdrop of uncertainty, associated with the COVID-19 pandemic, the Group consolidated its position as a trusted savings bank, continuing the steady growth in its market share with a 12.2 per cent. growth of customer deposits, compared with the 10.1 per cent. recorded by the total national banking system (*Source: Internal calculations with BPStat figures (historical series)*). In June 2021, SICAM's customer deposits, maintained the growth trend, reaching EUR 18,097 million.

As regards distribution, in 2020 SICAM's demand deposits increased by EUR 1,475 million (22.7 per cent.), while term deposits grew by EUR 394 million (4.5 per cent.) in 2020 when compared with 2019.

|                                  | 2019                                | 2020          | June 2021     | Abs. Δ 19/20 | Δ % 19/20    | Abs. Δ 20/Jun21 | Δ % 20/Jun21 |
|----------------------------------|-------------------------------------|---------------|---------------|--------------|--------------|-----------------|--------------|
| <b>SICAM's CUSTOMER DEPOSITS</b> | <i>(Unaudited and not reviewed)</i> |               |               |              |              |                 |              |
|                                  | <i>Million euros, except %</i>      |               |               |              |              |                 |              |
| Demand Deposits .....            | 6,492                               | 7,967         | 8,554         | 1,475        | 22.7%        | 587             | 7.4%         |
| Term Deposits and Savings .....  | 8,793                               | 9,187         | 9,543         | 394          | 4.5%         | 356             | 3.9%         |
| <b>TOTAL .....</b>               | <b>15,285</b>                       | <b>17,154</b> | <b>18,097</b> | <b>1,869</b> | <b>12.2%</b> | <b>943</b>      | <b>5.5%</b>  |

Concerning off-balance sheet funds, the Group recorded a decrease of 7.4 per cent. to stand at EUR 1,720 million in 2020, caused by the 26.6 per cent. reduction recorded in capitalisation insurance. In June 2021, the off-balance sheet funds of the Group decreased by EUR 25 million (1.4 per cent. in relation to 2020 year-end), standing at EUR 1,696 million.

Regarding the distribution of investment funds of SICAM in 2020, special reference is made to the growth of EUR 71 million (9.5 per cent. in relation to 2019) in retail real estate investment funds, with mutual funds (securities) having decreased by EUR 33 million (7.6 per cent. in relation to 2019). In June 2021, real estate investment funds increased by EUR 52 million (6.2 per cent. in relation to 2020, year-end), while mutual funds decreased by EUR 28 million (7.0 per cent. in relation to 2020, year-end).

|  | 2019                                | 2020         | June 2021    | Abs. Δ 19/20 | Δ % 19/20    | Abs. Δ 20/Jun21 | Δ % 20/Jun21 |
|--|-------------------------------------|--------------|--------------|--------------|--------------|-----------------|--------------|
| <b>SICAM's OFF-BALANCE SHEET FUNDS OF CRÉDITO AGRÍCOLA</b> | <i>(Unaudited and not reviewed)</i> |              |              |              |              |                 |              |
|  | <i>Million euros, except %</i>      |              |              |              |              |                 |              |
| Investment Funds .....                                     | 1,195                               | 1,234        | 1,258        | 39           | 3.3%         | 24              | 1.9%         |
| Securities (FIM and FEI) .....                             | 432                                 | 399          | 371          | -33          | -7.6%        | -28             | -7.0%        |
| of which: OICVM <sup>1</sup> .....                         | 20                                  | 20           | 20           | 0            | 0.0%         | 0               | 0.0%         |
| Real estate .....  | 763                                 | 835          | 886          | 72           | 9.4%         | 52              | 6.2%         |
| of which: retail .....                                     | 745                                 | 816          | 865          | 71           | 9.5%         | 49              | 6.0%         |
| of which: institutional .....                              | 18                                  | 19           | 21           | 1            | 5.6%         | 3               | 13.6%        |
| Capitalisation insurance <sup>2</sup> .....                | 663                                 | 487          | 438          | -176         | -26.6%       | -48             | -10.0%       |
| <b>TOTAL .....</b>   | <b>1,857</b>                        | <b>1,720</b> | <b>1,696</b> | <b>-137</b>  | <b>-7.4%</b> | <b>-25</b>      | <b>-1.4%</b> |

1 Collective Investment Undertakings in Securities.

2 Includes value of mathematical provisions and financial liabilities of insurance contracts considered for accounting purposes as insurance contracts, relative to the Associated Caixas of the SICAM.

The structure of customer funds naturally continued to show the dominant weight of deposits, which accounted for 90.9 per cent. of the total funds entrusted to the Group at the end of 2020, a weight higher than that of the previous year. In June 2021, there was a slight increase in the deposits weight, reaching 91.4 per cent.

|  | 2019                                | 2020          | June 2021     | 2019                       | 2020          | June 2021     |
|--|-------------------------------------|---------------|---------------|----------------------------|---------------|---------------|
| <b>SICAM's CUSTOMER FUNDS UNDER MANAGEMENT OF CRÉDITO AGRÍCOLA</b> | <i>(Unaudited and not reviewed)</i> |               |               |                            |               |               |
|  | <i>Million euros</i>                |               |               | <i>Structure (% total)</i> |               |               |
| Demand Deposits .....  | 6,492                               | 7,967         | 8,554         | 37.9%                      | 42.2%         | 43.2%         |
| Term Deposits and Savings .....                                    | 8,793                               | 9,187         | 9,543         | 51.3%                      | 48.7%         | 48.2%         |
| <b>Total Deposits .....</b>  | <b>15,285</b>                       | <b>17,154</b> | <b>18,097</b> | <b>89.2%</b>               | <b>90.9%</b>  | <b>91.4%</b>  |
| Capitalisation Insurance .....                                     | 663                                 | 487           | 438           | 3.9%                       | 2.6%          | 2.2%          |
| Investment Funds .....   | 1,195                               | 1,234         | 1,258         | 7.0%                       | 6.5%          | 6.4%          |
| <b>Total Off-balance Sheet Funds .....</b>                         | <b>1,857</b>                        | <b>1,720</b>  | <b>1,696</b>  | <b>10.8%</b>               | <b>9.1%</b>   | <b>8.6%</b>   |
| <b>TOTAL: .....</b>  | <b>17,142</b>                       | <b>18,874</b> | <b>19,792</b> | <b>100.0%</b>              | <b>100.0%</b> | <b>100.0%</b> |

In view of the positive evolution, in particular in traditional deposits, the total value of customer funds managed by the Group recorded an increase in relation to the same period of the previous year of 10.1 per cent., having reached EUR 18.9 billion in December 2020. In June 2021, the growth of customer funds maintained its pace, reaching EUR 19.8 billion.

## Insurance activity

### Non-life insurance

In 2020, CA Seguros increased the number of customers with policies in force from around 395,000 to around 400,000.

In terms of costs, the contained evolution of operational costs, which improved the efficiency and productivity indices, and the positive effect of a larger deferral of acquisition costs, in conformity with the evolution of the applicable accounting rules, contributed to net results of EUR 4.12 million.

CA Seguros complied with all the requirements of the Solvency II regime, in terms of processes, capital quantification models, governance systems and reporting requirements, and presents a highly robust situation in terms of its solvency ratio, which stands above the threshold of 140 per cent., defined in risk appetite. As at December 2020, the solvency capital requirement ("SCR") ratio stood at 154 per cent.

In addition, CA Seguros has recorded yet another year with zero non-compliance in terms of time limits and deadlines imposed by the law, in the management of Motor insurance claims (Source: Relatório de Incumprimentos na Regularização de Sinistros Automóvel, ASF and Relatório de Incumprimentos na Regularização de Sinistros Automóvel, ASF).

In 2020, gross premiums issued reached EUR 138 million, representing an increase of 5.2 per cent., year-on-year, with growth above the non-life market, which showed a growth rate of 2.9 per cent. In June 2021, the gross premiums issued reached EUR 72 million.

|  | 2019                                | 2020    | June 2021 | Abs. Δ 19/20 | Δ % 19/20 | Abs. Δ 20/jun21 | % Δ 20/jun21 |
|--|-------------------------------------|---------|-----------|--------------|-----------|-----------------|--------------|
| <b>Non-life insurance activity-<br/>KEY INDICATORS</b> | <i>(Unaudited and not reviewed)</i> |         |           |              |           |                 |              |
|  | <i>Thousand euros, except %</i>     |         |           |              |           |                 |              |
| Gross Premiums Issued ..                               | 131,252                             | 138,027 | 72,462    | 6,775        | 5%        | -65,565         | -48%         |
| Financial Investments.....                             | 185,332                             | 200,048 | 201,692   | 14,716       | 8%        | 1,644           | 1%           |
| Total Assets.....                                      | 228,501                             | 247,986 | 262,554   | 19,485       | 9%        | 14,568          | 6%           |
| Total Equity .....                                     | 49,510                              | 53,932  | 54,733    | 4,422        | 9%        | 801             | 1%           |
| Profit or (-) Loss for the year                        | 5,159                               | 4,118   | 2,595     | -1,041       | -20%      | -1,523          | -37%         |

In 2020, Profit or (-) Loss for the year amounted to EUR 4.1 million, reflecting the contraction of the technical margin and the maintenance of operating costs and net trading income. In June 2021, the profit amounted to EUR 2.6 million, 15 per cent. below the same period from the previous year.

The equity of CA Seguros remained stable in 2020 and financial investments increased by EUR 14.7 million, but the weight of financial investments in total assets fell from 81.1 per cent. to 80.8 per cent. in 2020.

CA Seguros maintained a prudent policy in terms of the provisioning level, just as in previous years. Overall, the technical provisions amounted to the value of EUR 156 million as at 31 December 2020, having increased by 7.4 per cent. in relation to the previous year.

### Life insurance

The contribution of the life insurance activity to the Group, in terms of Profit or (-) Loss for the year, amounted to EUR 6.1 million in 2020. Life insurance financial assets managed within the Group stood at EUR 791 million, and distribution commissions paid to the SICAM totalled EUR 14.5 million in 2020. In June 2021, the Profit or (-) Loss for the year amounted to EUR 3.9 million, 10 per cent. below the previous year.

At the end of 2020, CA Vida held 262,828 life insurance policies in force and 25,883 pension fund contracts.

The level of production achieved was based on growth in the capitalisation segment, with this business line up by 85.7 per cent. year-on-year, and the risk business segment, which grew by 5.6 per cent. over the previous year, above that of the market, which stood at 1.1 per cent. (Source: Autoridade de Supervisão de Seguros e Fundos de Pensões).



Reference should also be made to the growth of the pension fund management activity, a business that has, in a gradual and sustained manner, increasingly performed an important and influential role, with the volume under management having grown by 15 per cent. in 2020, amounting to a total of EUR 220.8 million.

|  | 2019                                | 2020    | June 2021 | Abs. Δ<br>19/20 | Δ %<br>19/20 | Abs. Δ<br>20/Jun21 | % Δ<br>20/Jun21 |
|--|-------------------------------------|---------|-----------|-----------------|--------------|--------------------|-----------------|
| <b>Life insurance activity-<br/>KEY INDICATORS</b>                   | <b>(Unaudited and not reviewed)</b> |         |           |                 |              |                    |                 |
|  | <i>Thousand euros, except %</i>     |         |           |                 |              |                    |                 |
| Gross premiums issued and amounts paid in investment contracts ..... | 58,347                              | 73,279  | 50,121    | 14,932          | 26%          | -23,158            | -32%            |
| Pension fund contributions .   | 37,357                              | 32,402  | 15,309    | -4,955          | -13%         | -17,093            | -53%            |
| Total Assets .....   | 955,228                             | 800,423 | 722,665   | -154,805        | -16%         | -77,758            | -10%            |
| Financial assets .....   | 947,569                             | 791,427 | 714,702   | -156,142        | -16%         | -76,725            | -10%            |
| Total Equity .....   | 112,123                             | 119,383 | 117,992   | 7,260           | 6%           | -1,391             | -1%             |
| Profit or (-) Loss .....   | 8,304                               | 6,125   | 3,884     | -2,179          | -26%         | -2,241             | -37%            |
| Number of Employees at end of year .....                             | 46                                  | 46      | 48        | 0               | 0%           | 2                  | 4%              |

During 2020, with respect to the Solvency II regime, CA Vida maintained robust solvency ratios and a stable financial situation. In December 2020, CA Vida SCR ratio stood at 258 per cent., an increase of 13 percentage points compared with 2019.

## RECENT DEVELOPMENTS IN BANKING REGULATION

### Regulatory requirements

#### *Capital requirements:*

On 12 September 2010, the Basel Committee on Banking Supervision announced a new capital agreement on banking supervision known as Basel III, which revises most of the capital and liquidity minimum requirements. The Basel III framework sets out enhanced standards to strengthen financial institutions' capital base, improve risk management and governance, and increase transparency for market participants. It builds 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; (iii) Pillar 3 (market discipline) aims to increase transparency in banks' financial reporting allowing marketplace participants to better reward well-managed banks.

CRD IV empowers the EBA to draw up regulatory technical standards that specify some of the aspects covered by the amended diplomas. Upon the respective adoption by the European Commission these norms are directly applicable under Portuguese law. Guidelines are subject to their adoption by the competent authority.

Under the guidance of the SSM, the conclusions of the supervisory review take the form of prudential requirements (Pillar 2) being set to be held in excess of the minimum capital requirements (Pillar 1). Banks are required to maintain a total capital requirement that includes CET1 instruments and other capital instruments and are also subject to the overall capital requirement that also includes the combined own funds buffer requirement.

The supervision of internal models is based on current applicable EU and national law, including Regulation 575/2013/EU of the European Parliament and of the Council of 26 June 2013, as amended, on prudential requirements ("CRR"), the relevant regulatory technical standards of the EBA and EBA guidelines with which the ECB has announced its intention to comply. The internal risk models that the Group has implemented are supervised and monitored continuously by the supervisory authorities, with whom the Group maintains a regular dialogue on the matter. Adjustments to those models, with a view to their better calibration in light of possible context changes, requested by the supervisory authorities or as a result of the Group's initiative, or related to new regulation implementation may have an impact on the amount of risk weighted assets ("RWA"), and, consequently, affect the capital ratios of the Group. The revised regulatory framework of Basel III was implemented in the EU through the adoption of the 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 IV"). The CRD IV package is comprised of a directive (CRD IV) governing the access to banking activity, and the CRR, establishing how to

calculate the amount of capital that banks and investment firms must set aside; 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 per cent. of RWA, of 6 per cent. for Tier 1 capital ratio and the total capital ratio of 8.0 per cent.:

- (i) an additional capital conservation ratio requirement of 2.5 per cent. over common equity;
- (ii) a countercyclical capital buffer, which will be between 0.0 per cent. and 2.5 per cent. 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 per cent.

On 23 November 2014, Decree-Law No. 157/2014, of 24 October 2014, entered into force, amending the Legal Framework of Credit Institutions and Financial Companies, and implementing CRD IV and CRR at domestic level.

On 1 January 2018, Regulation (EU) 2017/2395 of the European Parliament and of the Council, of 12 December 2017, entered into force, amending the CRR as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State.

The banking package approved by the Council in May 2019 implements further material elements of the Basel III framework (Basel IV), which was finalised on December 2017, by the way of amendments to the CRR ("**CRR II**") and CRD IV ("**CRD V**"), the BRRD ("**BRRD II**") and Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**").

This legislative package includes revised rules on calculating capital requirements for market risk, ("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 MREL. The above Regulations and Directives entered into force on 27 June 2019. The amendments to the CRR are to be applied for the first time two years after entry into force (subject to certain earlier applications and exemptions, such as those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments), while the new CRD V rules are to be applied 18 months after entry into force, with application immediately thereafter. Member States shall adopt and publish the measures necessary to comply with the Directives.

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 7 December 2017, the Basel Committee on Banking Supervision reached an agreement on the remaining Basel III reforms ("**Basel IV**"). Basel IV, which paves the way for CRR III and CRD VI as they are to be transposed to European law, aims at reducing excessive variability of RWA. The agreed reforms address the following topics:

- improvement of the standardised approaches for credit risk;
- 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;

- 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.;
- introduction of a different output floor set at 72.5 per cent. introducing a limit to the regulatory capital benefits that a bank using internal models can derive compared to the standardised approaches; and
- revised procedure for calculating CVA in derivatives.

On January 2019 the Basel Committee on Banking Supervision published the revised standards for minimum capital requirements for Market Risk (Fundamental Review of the Trading Book) introducing deep changes to the framework and calibration of internal models and standardized models used for the calculation of own funds requirements for this type of risk.

Following the COVID-19 pandemic, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision, has endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the coronavirus.

These measures comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028;
- the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023; and
- the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

*Capital buffers:* The criteria for maintenance by credit institutions and certain investment companies of additional own funds' buffers include:

- a capital conservation buffer;
- the institution's specific countercyclical capital buffer;
- the systemic risk buffer, also referred to as SII buffer; and
- an O-SII buffer (for other systemically important institutions at a national level).

The combined buffer requirement 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 Group has a requirement (at an individual and consolidated level) to maintain a minimum CET1 capital buffer of 2.5 per cent., as provided in Article 138-D of RGICSF.

*Countercyclical buffer:* The countercyclical capital buffer is one of the main macroprudential instruments introduced by the new regulatory framework, 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, as provided in Article 138-G of RGICSF:

- (i) the rate will be set between 0 per cent. and 2.5 per cent. 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 per cent.

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 Bank of Portugal or the ECB, 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 April 2021. As at 8 April 2021 the weighted average of the countercyclical buffer rates that apply in the countries where the Group is located was also zero per cent. This decision is reviewed on a quarterly basis by Bank of Portugal and, on 30 September 2021, Bank of Portugal announced, for the fourth quarter of 2021, that the countercyclical buffer rate to be applied as of 1 October 2021 will remain at 0% of the total risk exposure amount.

On 15 April 2020, the ECB released a statement supporting the macroprudential policy actions taken by euro area macroprudential authorities in response to the coronavirus outbreak. In addition, some authorities have postponed or revoked earlier announced measures.

#### ***Evolution of the Solvency Ratio in 2020 and 1H2021***

In 2020, the Group presented liquidity coverage and leverage ratios of 433.5 per cent. and 7.8 per cent., respectively, showing a comfortable buffer in relation to prudential requirements.

The own funds of the Group, calculated in conformity with the prudential requirements under Regulation (EU) 575/ 2013 of 26 June 2013, amounted to EUR 1,860 million as at 31 December 2020. Considering the deductions established in the regulations in force, CET1 stood at EUR 1,860 million, having grown by EUR 290 million in relation to December 2019.

In December 2020, total own fund requirements increased to EUR 9,856 million (1.1 per cent.) compared to the EUR 9,752 million of total own fund requirements recorded in 2019. In relation to the previous year, own fund requirements for credit risk recorded an increase of EUR 193 million (2.2 per cent.). Own fund requirements for operational risk stood at EUR 921 million, requirements for market risk reached EUR 52 million and requirements for CVA stood at EUR 21 million at the end of 2020. In June 2021, the total own fund requirements increased to EUR 10,032 million (1.8 per cent. versus December 2020).

At the end of 2020, the total capital ratio and Group's CET 1 capital ratio stood at 18.47 per cent. and comfortably complying with the prudential requirements, in conformity with number 1 of article 92 of Regulation (EU) 575/ 2013. Solvency ratios, excluding net income, as of June 2021 increased 0,2 p.p. comparing with December 2020 (from 17.7 per cent. to 17.9 per cent.).

| <b>SOLVENCY - GRUPO CRÉDITO AGRÍCOLA</b>    | <b>2019</b>                    | <b>2020</b>   | <b>jun/21</b> | <b>Δ 19/20</b> |
|---|--------------------------------|---------------|---------------|----------------|
|   | <i>Million euros, except %</i> |               |               |                |
| <b>Total Own Funds <sup>(a)</sup></b> ..... | <b>1,620</b>                   | <b>1,821</b>  | <b>1,791</b>  | <b>12.4%</b>   |
| Common equity tier 1.....                   | 1,570                          | 1,820         | 1,791         | 15.9%          |
| Level 1 Own Funds (Tier 1).....             | 1,570                          | 1,820         | 1,791         | 15.9%          |
| Level 2 Own Funds (Tier 2).....             | 50                             | 1             | 0             | -98.2%         |
| <b>Exposure value <sup>(b)</sup></b> .....  | <b>18,915</b>                  | <b>23,329</b> | <b>24,261</b> | <b>23.3%</b>   |
| <b>Risk weighted exposure amounts</b> ..... | <b>9,752</b>                   | <b>9,856</b>  | <b>10,032</b> | <b>1.1%</b>    |
| Credit.....                                 | 8,668                          | 8,861         | 9,045         | 2.2%           |
| Market.....                                 | 140                            | 52            | 45            | -62.8%         |
| Operational.....                            | 921                            | 921           | 921           | -0.02%         |
| Credit valuation adjustment (CVA).....      | 23                             | 21            | 21            | -7.7%          |

| <b>SOLVENCY - GRUPO CRÉDITO AGRÍCOLA</b>    | <b>2019</b>                    | <b>2020</b>   | <b>jun/21</b> | <b>Δ 19/20</b>     |
|---|--------------------------------|---------------|---------------|--------------------|
|   | <i>Million euros, except %</i> |               |               |                    |
| <b>Solvency ratios <sup>(c)</sup></b>       |                                |               |               |                    |
| <i>Common equity tier 1</i> .....           | 16.1%                          | 18.5%         | 17.9%         | 2.3 p.p.           |
| <i>Tier 1</i> .....                         | 16.1%                          | 18.5%         | 17.9%         | 2.3 p.p.           |
| <i>Total</i> .....                          | 16.6%                          | 18.5%         | 17.9%         | 1.8 p.p.           |
| <b>Leverage ratio</b> .....                 | <b>7.4%</b>                    | <b>7.8%</b>   | <b>8.5%</b>   | <b>0.36 p.p.</b>   |
| <b>Liquidity coverage ratio (LCR)</b> ..... | <b>470.8%</b>                  | <b>433.5%</b> | <b>380.4%</b> | <b>-37.38 p.p.</b> |

(a) Incorporates net income for the period, except for June 2021.

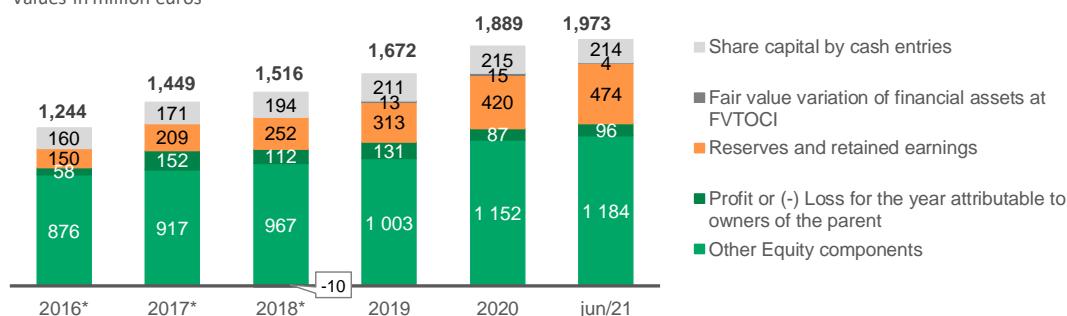
(b) Includes on-balance sheet, off-balance sheet and derivative positions, net of impairment.

(c) The ratios are calculated in accordance with the rules of Directive 2013/36/EU (CRD IV - Capital Requirements Directive) and Regulation (EU) 575/2013 (CRR – Capital Requirements Regulation). Solvency ratios excluding net income as of June 2021 increased 0,2 p.p. comparing with December 2020.

The Group has consistently and impressively demonstrated its ability to meet the required capitalisation levels, essentially by increasing the participation of current and new Members and through the incorporation of profit over the years, and in 2020 FACAM was incorporated into the accounting consolidation perimeter.

The other components of Total Equity relate to equity securities by incorporation of reserves and other forms of representation.

Values in million euros



(\*) in 2018, 2017 and 2016 "Profit or (-) Loss for the year attributable to owners of the parent" should be read as "Consolidated net income for the year"

### Leverage ratio

The Group's leverage ratio, including net income, stood at 7.8 per cent. in 2020, compared to 7.4 per cent. reported in 2019. In June 2021, the leverage ratio, excluding net income, reached 8.5 per cent. The liquidity coverage ratio ("LCR") decreased from 470.8 per cent. in 2019 to 433.5 per cent. in 2020. While in June 2021 decreased to 380,4 per cent.

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 Group's Tier 1 capital by its average total consolidated assets and expressed as a percentage.

CRD V introduces a binding leverage ratio minimum requirement of 3 per cent. Under the new CRD V rules, additional leverage ratio requirements can be imposed to address the institution-specific risk of excessive leverage.

### Liquidity requirements

Basel III and CRD and CRR, provide for the setting of short- and long-term liquidity ratios and funding ratios, namely the LCR and the NSFR. The NSFR, currently a mere reporting obligation will become binding following CRD V.

The Group's LCR calculated in accordance with the Commission Delegated Regulation (EU) 2015/61, of 10 October 2014, was 434 per cent., as at 31 December 2020, higher than the reference value of 100 per cent. (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 per cent. (the stock of HQLAs should at least equal total net cash outflows). In relation to the LCR, the EBA:

- (i) defined assets as "extremely high" and of "high" quality;
- (ii) put in place operational requirements for the holdings of liquid assets;
- (iii) recommended that all types of bonds issued or guaranteed by Member States' central governments and central banks in local currency as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high-quality assets;
- (iv) stated that the credit quality standards and eligibility of covered bonds, bonds, residential mortgage-backed securities and bonds issued by local government entities should be considered highly liquid and credit quality assets; and
- (v) recommended that common equity shares should be considered high quality liquid assets.

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 per cent. 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.

The Group's NSFR, estimated in accordance with Basel III methodology that supported the ECB's Short-Term Exercise report was 150 per cent, as at 31 December 2020, higher than the reference value of 100 per cent. (fully implemented).

### ***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 the Taxonomy Regulation. 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 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.

### ***Response to the COVID-19 crisis***

*ECB Banking Supervision provides temporary capital and operational relief in reaction to the COVID-19 crisis*

On 12 and 20 March 2020, the ECB announced several measures to support banks.

The ECB announced that it would allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance, the capital conservation buffer and the LCR. The ECB also clarified that capital buffers could be used in full and that no negative judgment will be attached to those making use of these relief measures. Once this period of financial distress is over, banks shall be granted sufficient time to build up the buffers again.

Banks would also be allowed to partially use capital instruments that do not qualify as CET1 capital, for example Additional Tier 1 or Tier 2 instruments, to meet the P2R. This brought forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision of the CRD V.

In addition, the ECB has taken individual measures, such as adjusting timetables, processes and deadlines (e.g. rescheduling on-site inspections and extending deadlines for the implementation of remediation actions stemming from recent on-site inspections and internal model investigations; extending deadlines for certain non-critical supervisory measures and data requests). Bank of Portugal clarified some of these measures through Carta Circular 2020/00000017 and 2020/00000021.

On 16 April 2020, the ECB Banking Supervision provided temporary relief for capital requirements for market risk by allowing banks to adjust the supervisory component of these requirements.

On 15 December 2020, the ECB published (i) a recommendation ECB/2020/62 concerning dividend distributions during the COVID-19 pandemic (repealing Recommendation ECB/2020/35) in which the ECB recommended that until 30 September 2021 significant credit institutions exercise extreme prudence when deciding on or paying out dividends or performing share buy-backs aimed at remunerating shareholders and (ii) reiterated its expectation of extreme moderation with regard to variable remuneration until 30 September 2021. On July 2021, in light of the latest macroeconomic projections indicate the start of the economic recovery and a further reduction in the level of economic uncertainty, the ECB considered that the reasons underpinning Recommendation ECB/2020/62 are no longer present and, by means of recommendation EC/2021/31, of 23 July 2021, repealed recommendation ECB/2020/62 from 30 September 2021.

#### *Banking Package to help mitigate the economic impact of the COVID-19 pandemic*

On 28 April 2020, the European Commission adopted a banking package to help mitigate the impact of the Coronavirus. It includes an Interpretative Communication on the EU's accounting and prudential frameworks, as well as targeted "quick fix" amendments to EU banking rules.

On 24 June 2020, Regulation (EU) 2020/873 (the CRR "quick fix") of the European Parliament and of the Council amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic was adopted.

#### *CRR*

In this regard, the following set of amendments to the CRR have been made:

- the IFRS 9 transitional arrangements have been extended by two years, and institutions have been allowed to fully add back to their CET1 capital any increase in expected credit loss provisions that they recognise in 2020 and 2021 for their financial assets that are not credit-impaired, as compared to end-2019. In addition, a temporary prudential filter that neutralises the impact of the volatility in central government debt markets on institutions' regulatory capital during the COVID-19 pandemic has been introduced; and
- more favourable treatment of publicly guaranteed loans under the NPL prudential backstop, namely by temporarily extending preferential treatment to NPLs guaranteed by the public sector in the context of measures aimed at mitigating the economic impact of the COVID-19 pandemic in accordance with EU State aid rules.

#### *IFRS 9*

The banking package also included an Interpretative Communication on the EU's accounting and prudential frameworks which has clarified:

- the flexibility available in IFRS 9 as regards (i) the Expected Credit Loss approach under IFRS 9; (ii) the Assessment of a "Significant Increase in Credit Risk" and (iii) the use of moratoria and "Significant Increase in Credit Risk";
- that individual or corporate loans that benefit from moratoria should not automatically be considered to have suffered a "Significant Increase in Credit Risk" if they have become subject to private or public moratoria. As such, if they fulfil a number of conditions (as specified in the EBA

guidelines of 2 April 2020 on payment moratoria, EBA/GL/2020/02) they are not considered as forbearance measures and therefore do not affect the classification of the loans concerned; and

- how the prudential rules on the classification of NPLs (definition of default and loan forbearance under the CRR) can accommodate Government guarantees and payment moratoria in line with the statements and guidance by the EBA and the ECB.

#### *Other measures*

The banking package also envisaged the following measures:

- (i) advancing the date of application of the revised supporting factor for SME and the new supporting factor for infrastructure finance, the preferential treatment of certain software assets, and the preferential treatment of certain loans backed by pensions or salaries; and
- (ii) a proposal for the modification of the offsetting mechanism associated with competent authorities' discretion to allow credit institutions to temporarily exclude exposures in the form of central bank reserves from the calculation of the leverage ratio.

#### ***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 National Competent Authorities). The key-elements of the Banking Union are the SSM, the SRM and the European Deposits Insurance Scheme ("**EDIS**"):

- 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);
- 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; and
- 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.

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 SRF, which is financed by the European banking industry. The SRF is only expected to reach its target funding level in 2023. Members of the Eurozone are automatically part of the Banking Union, while other Member States may opt in.

#### *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 Single Supervisory Mechanism ("**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 indirectly supervises the Group as a "less significant institution". 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 Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (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. 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;
- (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 Minimum Distributable Amount ("**MDA**"). The MDA is the maximum amount a bank is allowed to pay out, for example for bonuses or dividends. A bank whose capital ratio falls below the MDA trigger point faces restrictions on the amount of distributable profits.

CRD V 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 Group's capital and liquidity adequacy. Changes to guidelines, after being endorsed by the competent authorities may also have implications on the Group's compliance of supervisory requirements.

Based on the 2019 SREP, in force from July 2020, the Group is required to have a minimum CET1 ratio of 8.41% (4.50% Pillar 1, 1.41% Pillar 2 requirement and 2.50% CBR), a Tier 1 ratio of 10.38% (6.00% Pillar 1, 1.88% Pillar 2 requirement and 2.50% CBR) and a total capital ratio of 13.00% (8.00% Pillar 1, 2.50% Pillar 2 requirement and 2.50% CBR). As of July 2021, and excluding results from the period, the Group reported a 17.85% ratio for CET1, Tier 1 and total capital.

#### *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**"). Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014 (as amended, notably by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019, the "**SRM Regulation**"), which is directly applicable, establishes uniform rules and procedures for the resolution of credit institutions regarding the loss-absorbing and recapitalisation capacity.

The BRRD was transposed to the Portuguese legal order through Law No. 23-A/2015, of 26 March 2015, as amended (which amended the RGICSF).

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 Article 48 of the BRRD. Shareholders and creditors must therefore absorb losses for at least 8 per cent. 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 liabilities such as the Notes may be subject to loss absorption in case of application of resolution measures, 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 the BRRD and in applying the bail-in tool, the resolution authority should ensure that the institution is capable of absorbing an adequate amount of losses and that the post-resolution entity is recapitalised by an amount sufficient to meet ongoing capital prudential requirements after resolution, while sustaining sufficient market confidence. 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:

- safeguarding the continuity of essential banking operations;
- protecting the depositors, the client's assets and the public funds;
- risks to financial stability; and
- 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:

- (i) CET1;
- (ii) Additional Tier 1 instruments;
- (iii) Tier 2 instruments;
- (iv) other subordinated debt, in accordance with the normal insolvency hierarchy; and
- (v) other eligible liabilities, in accordance with the normal insolvency hierarchy.

On 23 November 2016, the European Commission published proposals for certain amendments to the BRRD (BRRD II), which include certain proposals in relation to the quality and quantity of MREL required by European banks. BRRD II, which entered into force in 27 June 2019, will be applied after being transposed into national law, without prejudice of the current direct applicability of the SRM Regulation.

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 transposed to Portuguese legal framework by 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 19 March 2020, the European Commission adopted a Temporary Framework to enable Member States to further support the economy in the COVID-19 outbreak. It establishes that if due to the COVID-19 outbreak, banks would need direct support in the form of liquidity recapitalisation or impaired asset measure, the bank receiving such direct support would not automatically be deemed to be failing-or-likely-to-fail, as established by the BRRD. To the extent such measures address problems linked to the COVID-19 outbreak, they would be an exception to the requirement of burden-sharing by shareholders and subordinated creditors.

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 Single Resolution Board ("**SRB**"). The SRB will work in close cooperation with, and will give instructions to, the national authorities of Member States, including

the Bank of 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:

- 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;
- 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);
- 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
- 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 the SRM Regulation, the use of the SRF was contingent upon an agreement among the participating Member States on transferring the funds raised at national level towards the SRF (which has already been entered into on May 2014), 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.

On August 2021, the Bank of Portugal, as the Portuguese supervisory authority, confirmed the MREL requirements applicable to the Issuer, based on information as of 31 December 2019 and within the scope of the BRRD II.

- The resolution strategy is the Single Point of Entry, considering the Issuer as the resolution entity;
- The resolution measure for the Group is the bail-in.

The entry into effect of the new banking regulations (in particular of the BRRD II and the SRM Regulation) plus the COVID-19 pandemic resulted in the need to comply with MREL requirements on 1 January 2024. The Bank of Portugal, as the Portuguese supervisory authority, also established interim targets for 1 January 2022 (binding) and 1 January 2023 (indicative). The MREL requirements applicable to the Issuer may be subject to changes, notably in result of the yearly review conducted by the Bank of Portugal, and flexibilization measures may be adopted by the Bank of Portugal.

Currently, the Group shall comply with:

- $MREL_{TREA+CBR}$  on a consolidated basis at the level of 16.59 per cent. of total risk exposure amount ("**TREA**") by 1 January 2022 and 21.73 per cent. of TREA from 1 January 2024 onwards. In the context of the annual resolution planning,  $MREL_{TREA}$  is subject to an annual revision carried out by the Portuguese supervisory authority.

On top of  $MREL_{TREA}$ , the combined buffer requirement ("**CBR**") determined for the Group (2.50 per cent of TREA) is also required, resulting on a  $MREL_{TREA+CBR}$  on a consolidated basis at the level of 19.09 per cent. of TREA by 1 January 2022 and 24.23 per cent. of TREA from 1 January 2024 onwards. Due to the COVID-19 pandemic, the Bank of Portugal, as the Portuguese supervisory authority has authorized a combined buffer requirement flexibilization (2.5 per cent. of TREA) for the first interim target (1 January 2022) until the end of 2022. The Bank of Portugal, in the quality of Portuguese supervisory authority, intends to take this flexibility into account for MREL requirements' monitoring purposes.

- $MREL_{LRE}$  on a consolidated basis at the level of 5.91 per cent. of leverage ratio exposure ("**LRE**") from 1 January 2022 onwards.

### ***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 transposed into the Portuguese law by Law No. 23-A/2015, of 26 March.

According to the DGS Directive, and the RGICSF (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 per cent. 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 Bank of 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 per cent. 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 Bank of Portugal.

The exemption from the immediate payment of *ex-ante* contributions shall not exceed 30 per cent. of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, 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.

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.

### ***Other financial service laws and regulations***

The Group is still subject to other Directives and Regulations, among which:

- Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended, transposed into the national legal framework by 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;
- 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 ("**PRIPs**"), 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;
- the European Market Infrastructure Regulation, Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, 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 – Bank of 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 (as amended), 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 Bank of Portugal No. 2/2018, of 26 September 2018, 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;

- rules and regulations related to internal control systems, notably those established in regulatory notice ("Aviso") of Bank of Portugal No. 3/2020 of 15 July 2020, which regulates organizational culture, internal governance, internal control system and remuneration policies and practices, and which led to the revision of most of the Group's policies on organizational culture and governance, including the Code of Ethics and of Conduct of the Group, the Policy of Prevention, Communication and Remedying of Conflicts of Interest and of Transactions with Related Parties, the Policy on Whistleblowing, the Policy for Selecting and Appointing a Chartered Accountant (ROC/SROC) and for Hiring Non-Banned Distinct Auditing Services, the Policies for Selecting and Assessing the Suitability of Members of the Management and Supervisory Bodies, the Remuneration Policies, among others.

### ***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 on Supervisory Reporting (Forbearance and non-performing exposures ("NPEs")), issued under Commission Implementing Regulation (EU) 2015/227, of 9 January 2015 (then in force), 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. A proposal for a directive on credit servicers, credit purchasers and recovery of collateral was also included in the comprehensive package of measures to be tackled by the European Commission. The proposal strengthens the ability of secured creditors to recover value from secured loans to corporates and entrepreneurs. The review by the Parliament and Council's Working Party is ongoing.

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 Group'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, Bank of 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. In September 2017, the regulatory notice ("Aviso") No. 4/2017 of Bank of Portugal, which entered into force on 1 January 2018, established procedures and criteria for banks for assessing customers' financial capacity before granting mortgage loans.

On 31 January 2020, Bank of Portugal announced the amendment to the macroprudential recommendation on new credit agreements for consumers: (i) the maximum maturity of new personal credit operations decreases from 10 to 7 years, with some exceptions (ii) up to 10 per cent. of the total amount of new credit granted by each institution may have a DSTI (debt service-to-income) of up to 60 per cent., continuing to allow institutions to consider other important aspects for assessing the borrowers' creditworthiness that are risk mitigating factors. The 5 per cent. exception to the DSTI ratio limits will be maintained.

Following the COVID-19 pandemic, Bank of Portugal has relaxed some of the macroprudential measures for consumer credit. Bank of Portugal has decided that personal credit with maturities of up to two years and duly identified as intended to mitigate households' temporary liquidity shortage situations will no longer have to comply with a DSTI ratio limit and is also exempted from observing the recommendation of regular principal and interest payments. This measure applies to new personal credit granted from 1 April 2020 until September 2020, date on which Bank of Portugal will reassess the adequacy of this change.

#### ***Relief measures regarding asset quality deterioration and non-performing loans***

Under the Decree-Law No. 10-J/2020, of 26 March, as amended, the Portuguese government approved a moratorium on bank loan repayments for households and companies affected by the COVID-19 outbreak. The Portuguese Government also launched state-guaranteed credit lines for medium, small and micro enterprises in affected sectors which will be operated through the banking system. This regime has been subject to successive amendments, which included extensions of the period of validity of the public moratorium under certain circumstances. Please see the subsection "*Temporary framework relating to Covid-19 in Portugal – Moratoria on loan repayments*" of this risk factor entitled "*Risks relating to the Issuer – Risks relating to the economic and financial environment – The Group is exposed to the adverse consequences of the ongoing Covid-19 pandemic*" for further detail in regard to the public moratorium regime.

In this context, the ECB decided to temporarily exercise flexibility in the classification requirements and expectations on loss provisioning for NPL that are covered by public guarantees and COVID-19 related public moratoria.

In particular, and on a temporary basis, supervisors will exercise flexibility regarding: (i) the classification of debtors as "unlikely to pay" when banks call on public guarantees granted in the context of coronavirus and (ii) loans under COVID-19 related public moratoria. Furthermore, loans which become non-performing and are under public guarantees will benefit from preferential prudential treatment in terms of supervisory expectations about loss provisioning. Lastly, when discussing with banks the implementation of NPL reduction strategies, the extraordinary nature of current market conditions will be taken into account.

In addition, excessive volatility of loan loss provisioning should be addressed to avoid excessive procyclicality of regulatory capital and published financial statements. Within its prudential remit, the ECB recommends that all banks avoid procyclical assumptions in their models to determine provisions and for banks to opt for the IFRS 9 transitional rules.

On 2 April 2020, the EBA issued guidelines (EBA/GL/2020/02) on public and private payment moratoria on loan repayments applied before 30 June 2020, aiming to clarify the following points in the context of the COVID-19 pandemic: (i) the criteria that payment moratoria have to fulfil not to trigger forbearance classification, (ii) the application of the prudential requirements in the context of these moratoria and (iii) ensuring the consistent treatment of such measures in the calculation of own funds requirements.

In this context, these guidelines clarify that payment moratoria do not trigger classification as forbearance or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions. In addition, the guidelines recall that institutions must continue to adequately identify those situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the existing regulation. The requirements for identification of forbore exposures and defaulted obligors remain in place.

On 21 September 2020, the EBA announced it will phase out its guidelines on legislative and non-legislative payment moratoria in accordance with its end of September deadline. The regulatory treatment set out in the guidelines will continue to apply to all payment holidays granted under eligible payment moratoria prior to 30 September 2020.

On 2 December 2020, the EBA reactivated its guidelines on legislative and non-legislative moratoria and decided to introduce a new deadline for the application of moratoria of 31 March 2021, replacing the previous date of 30 September 2020.

On 30 July 2021, Law No. 50/2021 was published, introducing new amendments to Decree-Law No. 10-J/2020, of 26 March, which establishes the new rules applicable to the public moratorium regime. The new amendment extends the period of validity of the public moratorium until 31 December 2021, in respect, exclusively, of principal amounts (i.e., excluding interest amounts) to certain entities (which must have benefited from the public moratorium until 30 September 2021, under prior extensions of the legal regime, and which must be counterparties in (i) mortgage credit for individuals and leasing of real estate for residential purposes, (ii) consumer credit with the purpose of education for individuals or (iii) credits contracted by entities whose main activity is covered by a certain economic activity classification codes (CAE) (cultural sector, restaurants, transport, accommodation, etc.). Eligible entities may request to benefit from this new extension, which is, however, subject to the reactivation of the legal framework established by EBA's guidelines (EBA/GL/2020/02), with the Portuguese Government being responsible to implement any measures required to adapt the national legislative framework with further EBA guidelines and their prudential treatment of the moratoria. Following the approval of the aforementioned law, EBA has delivered its opinion, dated 24 June 2021, to the Portuguese Parliament, on whether it would support such envisaged extension of loan moratoria, and it refused backing up any such extension on the grounds that its risks would outweigh any potential benefits for corporates and families. The effectiveness of the aforementioned law is thus largely hindered.

### ***Insurance business***

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 transposed into national law by 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. At a different level, the Solvency II in force (as amended) and IFRS 17, introduce additional requirements for insurance companies in terms of minimum capital requirements, supervisory review of firms' assessment of risk and enhanced disclosure requirements. 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.

## **THE ISSUER AND GOVERNANCE OF THE GROUP**

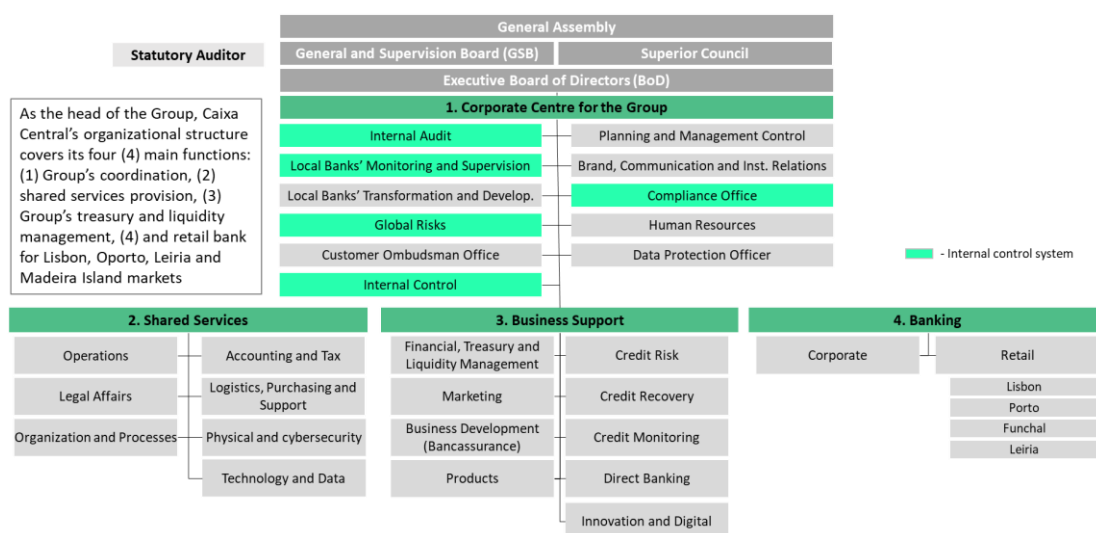
The Issuer, as the central body, coordinates and represents the Group, being responsible for the planning of the Group's activity, the integrated management of liquidity, overall risk monitoring and control, the centralised management of human resources, reporting to the supervisory entities, the definition and implementation of the Group's communication plans, and the definition and monitoring of the Group's main policies and regulations, such as, for example and among others, the Code of Ethics and Conduct of the Group, the Privacy and Data Security Policy of the Group, and the Overall Risk Policy of the Group.

Pursuant to these functions, and in view of the provisions in regulatory notice ("Aviso") of Bank of Portugal No. 3/2020 of 15 July, the Issuer's responsibilities extend to the definition of the Group's organisational



culture, including internal governance, internal control system and remunerative practices. Under the terms of the applicable law and its Articles of Association, the Issuer is responsible for issuing to the other members of the Group and, specifically, to its Associated Caixas, the guidelines, rules and policies required for the consistent and harmonised application of the applicable legislation and regulations, of which the Code of Ethics and Conduct of the Group referred to above are examples.

The Issuer, as the central body, has the following organisational model:



In its governance, the Issuer adopts the model commonly known as the "German Model", provided for in Article 278, paragraph 1, item c) of the Portuguese Companies Code, taking into account the provisions of paragraph 1 of Article 55 of the RJCAM. As such, the governance of the Issuer is conducted by its governing bodies: the General Meeting, the Executive Board of Directors, the General and Supervisory Board, the Superior Council and the Statutory Auditor; and by its statutory bodies: the Board of the General Meeting and the Assessment Committee.

In addition to the governing and statutory bodies, the Issuer's structure is also composed of the Departments and Offices shown in the organisational chart above, and the Boards, Commissions and Committees appointed by the General and Supervisory Board and by the Executive Board of Directors, to support the performance of their respective functions.

The mandate of the governing bodies is of three years, taking into account the provisions of paragraph 1 of Article 24 of the RJCAM applicable *ex vi* of Article 51 also of RJCAM, a legal rule that is enshrined in the Articles of Association. The current mandate is of 2019-2021.

Pursuant to the applicable law and the Articles of Association of the Issuer, it is mandatory for the General and Supervisory Board to have three committees: the Commission for Financial Matters, the Remuneration Committee and the Risk Committee, composed of at least three members of the General and Supervisory Board.

The Executive Board of Directors has instituted Boards and Committees to support its functions, composed of members of the actual Executive Board of Directors, heads of Departments and Offices, representatives of the Associated Caixas and representatives of Affiliated Companies. These Boards and Committees include, for example, the Asset, Liability and Capital Committee ("ALCCO"), the Programme Management Board, the Credit Board, the Credit Recovery Board, the Executive Committees for Monitoring and Supervision, among others.

The Executive Board of Directors, the General and Supervisory Board and their Boards, Committees and Commissions, as well as the Superior Council, are assisted by the Board Secretary who ensures their effective functioning.

### ***The Executive Board of Directors***

The responsibilities of the Executive Board of Directors are as follows:

- manage the Issuer in a healthy and prudent manner, observing banking standards and good practices, taking into account financial interests and solvency;
- define and approve essential policies for the activity of the Issuer, SICAM and the Group within the applicable legal and regulatory framework;
- define and approve the Issuer's global strategies, namely the commercial strategy and the risk strategy;
- define and approve the cultures in force at the Issuer, namely a risk culture and a corporate culture;
- cooperate closely with the other bodies of the Issuer, namely with the General and Supervisory Board, requesting their consent and/or the respective opinions provided for in the law and/or the Articles of Association and with the Superior Council, in consultation with and hearing it in all matters resolved or to be resolved as deemed necessary and/or convenient;
- represent the Issuer in and out of court, actively and passively, being able to contract obligations, propose and follow lawsuits, give up or settle processes, commit to arbitrators, sign liability terms and, in general, resolve on all matters that do not fall within the competence of other bodies;
- constitute representatives for the practice of certain acts or categories of acts, defining the extension of the respective mandates;
- hire Issuer workers, establishing the respective contractual conditions, and exercise the corresponding directive and disciplinary power in relation to them;
- acquire, dispose of or encumber any assets or rights;
- decide on the issuance of bonds, acquisition, sale and encumbrance of properties, which form part of the Issuer's permanent fixed assets and holdings referred to in paragraph 2 of Article 3 of the Articles of Association;
- represent SICAM and the Group;
- prepare business plans and budget proposals for the Issuer, SICAM and the Group for the following year;
- carry out the selection and evaluation of the holders of essential offices, under the terms of the Internal Policy for the Selection and Evaluation of Essential Office Holders approved at the General Meeting;
- admit and dismiss associates of the Issuer, after hearing the Superior Council;
- exercise the competences referred to in Sections II and III of Chapter VI of the Articles of Association, in terms of guidance and supervision of its associates;
- issue an opinion on the special registration at Bank of Portugal of members of the management and supervisory bodies of the associates;
- propose the application to aof the sanctions referred to in Section IV of Chapter VI of the Articles of Association, as well as the suspension referred to in Article 11;
- decide on any and all types of intervention in the management of associates;
- define and approve the application of mechanisms that ensure that the composition and succession plan of the Executive Board of Directors are adequate; and
- approve its operating regulations.

The Executive Board of Directors, elected at the General Meeting, is composed of five members - one Chairman and four Members - with the Chairman having the casting vote in the deliberations of the body.

In view of the cooperative nature of the Issuer, the selection and appointment of members of the Executive Board of Directors is provided for in its Articles of Association and in the Electoral Regulations in force, and this selection and appointment may be made:

- (i) by the majority of members in office of the Superior Council.
- (ii) or by five per cent. of Associated Caixas in full enjoyment of their rights, with a minimum of four.

The selection and appointment of the members of the Executive Board of Directors is carried out through the composition of a candidate list for election to the Social and Statutory Bodies, a list that necessarily includes candidates to all the Social and Statutory Bodies to be elected: General Meeting Board, Superior Council, General and Supervisory Board and Executive Board of Directors.

Having made the selection and nomination in the terms expressed in the previous point, it is the responsibility of the Issuer (Assessment Committee) to carry out, under the joint rules established in the Electoral Regulation and the Internal Policy on the Selection and Assessment of the Adequacy of Members of the Management and Supervisory Bodies ("**PISAAMOAF**"), the assessment of the prior or initial suitability of candidates for members of the Issuer.

The Electoral Regulation establishes the rules governing the entire electoral process of the Governing Bodies and PISAAMOAF defines the selection criteria and the adequacy assessment requirements, as well as the procedures to be adopted by the Assessment Committee to achieve this aim.

The Executive Board of Directors approved its Internal Regulation on 2 July 2020, which were revised on 14 January 2021 in line with the provisions of regulatory notice ("*Aviso*") of Bank of Portugal No. 3/2020, of 15 July.

The following table indicates the current members of the Executive Board of Directors for the 2019-2021 mandate, their positions as well as the principal activities outside of the Issuer:

| <b>Name</b>                    | <b>Position</b> | <b>Principal activities outside the Issuer</b>  |
|--------------------------------|-----------------|---|
| Licínio Manuel Prata Pina      | Chairman        | <ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Crédito Agrícola Seguros e Pensões, SGPS, S.A. since 2015;</li> <li>• Chairman of the Board of Directors of Crédito Agrícola, SGPS, S.A., since 2013;</li> <li>• Member of the National Council for the Social Economy, since 2014.</li> <li>• Chairman of the Board of the General Meeting of Agricultural Cooperative of Farmers of the Municipality of Seia, since 2017.</li> <li>• Member of the Board of the Portuguese Banking Association, since 2018.</li> </ul> |
| Ana Paula Raposo Ramos Freitas | Member          | <ul style="list-style-type: none"> <li>• Member of the Board of Directors of Crédito Agrícola, SGPS, SA, since 2013;</li> <li>• Director of CCCAM, Gestão de Investimentos e Consultoria, Unipessoal, Lda. , since 2016;</li> </ul>   |

|                                       |        |   |
|---------------------------------------|--------|---|
|                                       |        | <ul style="list-style-type: none"> <li>Member of the Board of Directors of Crédito Agrícola, Seguros e Pensões, SGPS, S.A., since 2019.</li> </ul>  |
| Sérgio Manuel Raposo Frade            | Member | <ul style="list-style-type: none"> <li>Chairman of the Board of Directors of CA Capital, SCR, S.A., since 2013;</li> <li>Member of the Board of Directors of Crédito Agrícola, SGPS, S.A., since 2013;</li> <li>Director of CCCAM – Gestão de Investimentos e Consultoria, Unipessoal, Lda., since 2016;</li> <li>Non-Executive Member of the Board of Directors, representing Crédito Agrícola, SGPS, S.A., of <i>Corretage e Información Monetaria y de Divisas</i>, SA, since 2013.</li> </ul>                 |
| José Fernando Maia Alexandre          | Member | <ul style="list-style-type: none"> <li>Member of the Board of Directors of Crédito Agrícola, SGPS, S.A., since 2004;</li> <li>Member of the Board of Directors of Crédito Agrícola, Seguros e Pensões, SGPS, S.A., since 2015;</li> <li>Chairman of the Executive Board of Directors of Crédito Agrícola Serviços – Centro de Serviços Partilhados, ACE, since 2013;</li> <li>Chairman of the Executive Board of Directors of Crédito Agrícola Informática – Sistemas de Informação, S.A., since 2013.</li> </ul> |
| Sofia Maria Simões dos Santos Machado | Member | <ul style="list-style-type: none"> <li>Member of the Board of Directors of Crédito Agrícola, SGPS, S.A., since 2020;</li> <li>Director of Crédito Agrícola Imóveis, Unipessoal, Lda, since 2019.</li> </ul>   |

To the best of the Issuer's knowledge, none of the abovementioned members of the Executive Board of Directors of the Issuer has any external activity relevant for the Issuer other than the ones listed above.

For all the purposes resulting from the functions of the members of the Executive Board of Directors, their professional domicile is at Rua Castilho, no. 233 – 233A, 1099-004 Lisbon, Portugal.

#### **Executive and Advisory Boards, Commissions, Committees and Forums of the Executive Board of Directors:**

The Executive Board of Directors has, in terms of executive and/or consultative support, Councils, Commissions, Committees and Forums that meet, periodically and in accordance with the previously and normatively defined, without prejudice to being able to meet extraordinarily under the terms defined in its Internal Regulations.

During the fiscal year of 2020, the Executive Board of Directors had seven Committees and Boards of an executive nature and two of a purely consultative nature, with the powers, periodicity of meetings and compositions that are detailed below.

In March 2020, because of the pandemic crisis in Portugal, the Business Continuity Plan (PCN) was activated and the Operational Crisis Management Committee was convened, in order to support the model of monitoring the response to the health crisis at SICAM. The COVID Committee held, in 2020, thirty meetings, attended by all members of the Executive Board of Directors, those responsible for the Risk Management Function, Compliance and the Business Continuity Coordinator, in addition to those responsible for the aspects of active work at every moment.

At the end of 2020, the Executive Board of Directors establish two more Executive Committees and another one of a purely advisory nature (the Internal Control Committee, the Executive Committee for Transformation and Development and the Risk Board).

#### *Executive Boards and Committees:*

##### (i) Asset, Liability and Capital Committee ("ALCCO")

The ALCCO meets monthly, being responsible for the integrated support to the management of the set of risks affecting the consolidated balance sheet of the Group and the individual balance sheet of the Issuer, having the general responsibility to propose and guarantee, within the established limits, the implementation of the Asset, Liability and Capital Management policy that maximises the value of equity in accordance with the guidelines issued by the Board of Directors, in which the members of the Executive Board of Directors participate, on an ordinary and regular basis, a representative of the Board of Directors of CA Gest, SA, a representative of the Board of Directors of Crédito Agrícola Vida, Companhia de Seguros, SA and the Directors of the Strategic Planning and Management Control Department, the Global Risk Department, the Monitoring and Supervision Department and the Financial Department, which is responsible for acting as secretary of the meetings.

##### (ii) Programme Management Committee (PMO)

The Programme Management Committee (commonly referred to as PMO) meets monthly, with the mission of monitoring the CA Group Transformation Programme and each of the initiatives designed in this context (grouped into *streams* - a set of revised initiatives which aim to respond to a challenge), as well as the most relevant initiatives in the Annual Activity Plan, in particular objectives, project plan(s), budget and its execution, with the participation of members of the Executive Board of Directors, member of the Executive Board of Directors of Crédito Agrícola Serviços, Shared Services Unit, ACE and those responsible, designated by the Executive Board of Directors, for each of the streams implementing the transformation programme of the Group and, on an optional basis, the head of the Global Risk Department, with all meetings being organised by the Strategic Planning and Management Control Department.

##### (iii) Information Systems Committee

The Information Systems Council meets monthly, with the mission of monitoring the management and structural decision-making of the Information Systems and Information Technology function of the Group, permanently participating in it members of the Executive Board of Directors, a member of the Executive Board of Directors of Crédito Agrícola Serviços, Shared Services Unit, ACE and those in charge of the Technology and Data Department, which organises the meetings for the Strategic Planning and Management Control Department, Office of Planning and Control of Agricultural Credit Services, Shared Services Unit, ACE, and, according to the topics on the agenda, other participants may be called.

##### (iv) Credit Boards

The Credit Boards (hereinafter "CC") and the Extended Credit Board (hereinafter "CCA") are collegiate and participatory bodies, with delegated powers, giving them responsibility for credit and recovery decisions, with the mission of ensuring the quality of the credit portfolio of the Issuer, including syndicated operations, structured by the Issuer and invested by SICAM entities. They may sit on any of the Credit Boards, in addition to the members of the Executive Board of Directors - at least two members in the CC and three members in the CCA -, those responsible for Business Areas, Credit Recovery Department, Department of Legal Affairs and Credit Risk Department, which secretariats the meetings, presenting the

proposals and providing technical support for decision-making, and may be called upon, when relevant and applicable, those responsible for other structures that create risk credit.

(v) Credit Recovery Board

The Credit Recovery Board meets generally weekly, having held throughout 2020, thirty-six meetings, with the mission of contributing to the profitability of the Issuer, by taking a position on the credit recovery management measures to be put in place and ensuring the minimisation of the negative effects arising from situations of default observed. Three members of the Executive Board of Directors sit on this Board, the person in charge of the Credit Recovery Department, who secretaries the meeting and presents the proposals, and the person in charge of the Credit Risk Department, who provides technical support to decision making.

(vi) Executive Monitoring and Supervision Committee

The Executive Monitoring and Supervision Committee usually meets weekly, having held forty-five meetings throughout 2020, assuming the mission of assessing and deciding on matters related to the monitoring and supervision of the Associated Caixas included in the scope of the Monitoring and Supervision Department, where three ordinary members of the Executive Board of Directors take part in it, the person in charge of the Monitoring and Supervision Department who secretaries the meetings and, with observer status, the person in charge of the Transformation and Development Office.

(vii) Shared Services Catalogue Pricing Board

The Shared Services Catalogue Pricing Board meets when and whenever one of the permanent members calls it, with the mission of monitoring the evolution of the services priced for the Group, with a perspective of continuous management, contributing to the improvement of the service price determination process, cost control and transparency of communication and billing to Associated Caixas. The members of the Executive Board of Directors, the members of the Executive Board of Directors of Crédito Agrícola Serviços, Shared Services Unit, ACE, the heads of the Strategic Planning and Management Control Department, the Accounting and Taxation Department, Planning and Control Office for Agricultural Credit Services, Shared Services Unit, ACE and Administrative and Financial Office for Crédito Agrícola Serviços, Shared Services Unit, ACE are part of this Board. Those responsible for the Human Resources Department, the Organisation and Processes Department, the Legal Affairs Department and the Logistics, Support and Purchasing Department may also participate.

(viii) Internal Control Committee

The Internal Control Committee will meet weekly, with the mission of coordinating and monitoring the implementation of all issues related to the SICAM Internal Control System in order to ensure its adequacy and effectiveness, also ensuring coordination between the Issuer, the Associated Caixas and companies of the Group, with three members of the Executive Board of Directors taking part in the Control functions and the Internal Control Office, the heads of the Internal Control Office, who secretariat the meetings, the Audit Department, the Global Risk Department, the Compliance Department, the Follow-up Department and Supervision, the Transformation and Development Office, the Organisation and Processes Department and the Technology and Data Department, where other participants may be called according to the specific meeting agenda.

(ix) Executive Committee for Transformation and Development

The Executive Committee for Transformation and Development will meet weekly and will be tasked with assessing and deciding on matters underlying the initiatives to stimulate and recover the Associated Caixas under intervention, under Articles 77 and 77-A of RJCAM or that are under financial assistance or that show less than expected financial, commercial or operational performance, in which three members of the Executive Board of Directors and those responsible for the Transformation and Development Office, which secretariats the meeting, and the Monitoring and Supervision Department participate.

*Advisory Boards and Committees:*

(i) Board for the Prevention of Money Laundering and Financing of Terrorism

The Board for the Prevention of Money Laundering and the Financing of Terrorism meets generally quarterly, having met twice during 2020, assuming the mission of coordinating and monitoring the implementation of all related topics with the prevention of money laundering and terrorist financing that may affect SICAM. It is attended by members of the Executive Board of Directors with responsibilities in the Compliance Department and the Business Areas, an independent member of the General and Supervisory Board and those responsible for the Compliance Department, which secretariats the meetings, of the Monitoring and Supervision Department, Audit Department, Retail Department and Companies Department, and representatives of other areas of the Issuer or the Associated Caixas, according to the needs and impacts evidenced by the topic under discussion.

(ii) **Business Continuity Management Board**

The Business Continuity Management Board meets every six months, having met twice during 2020, with the mission of ensuring the approval and dissemination of the policy and guidelines within the scope of Management of Business Continuity for the entire Group, playing a strategic role that enhances integration with other relevant topics such as risk management, in accordance with the recommendations issued by the supervisory entities of the national financial sector, participating in it one member of the Executive Board of Directors, a representative of five Associated Caixas, a representative of the Management Body of Crédito Agrícola Seguros - Companhia de Seguros de Ramos Reais, S.A., from Crédito Agrícola Vida – Companhia de Seguros S.A, from –CA Gest. and from Crédito Agrícola Serviços, Shared Services Unit, ACE and those in charge of the Organisation and Processes Department, which secretariats the meetings, of the Global Risk Department and the Audit Department.

(iii) **Risk Board**

The Risk Board will meet monthly and its mission is to define, monitor and promote risk management policies transversal to the Group, in order to guarantee the adequacy of the risk strategy and the compliance with the risk exposure defined by the Issuer, with the participation of the Executive Board of Directors and those responsible for the Global Risk Department, which is responsible for the meeting, for the Monitoring and Supervision Department, Credit Risk Department, Credit Monitoring Department, Credit Recovery Department and the *Compliance* Department.

***General and Supervisory Board***

The General and Supervisory Board is the Issuer's supervisory body. Without prejudice to the other provisions of the Law and the Articles of Association, it is incumbent upon the General and Supervisory Board to:

- (i) approve its operating regulations;
- (ii) supervise and monitor actions and decision-making in management matters, namely, to monitor and analyse the individual and collective performance of the Executive Board of Directors, as well as its decisions;
- (iii) monitor and follow the implementation of the Issuer's risk culture and policy;
- (iv) monitor the execution of the internal audit plan, after previous involvement of the Risk Committee and the Commission for Financial Matters;
- (v) supervise the integrity of financial information and reporting, as well as the control system, including a framework for sound and effective risk management;
- (vi) provide an opinion on the credit risk policies to be followed by the Executive Board of Directors and supervise and monitor their execution;
- (vii) supervise the application of the Code of Conduct and the Conflict of Interest Prevention Policy;
- (viii) give an opinion on the proposals for activity plans and budgets of the Issuer, SICAM and the Group for the following year;

- (ix) give prior consent on the acquisition, sale and encumbrance of properties, which form part of the Issuer's permanent fixed assets and holdings referred to in paragraph 2 of Article 3 of the Articles of Association;
- (x) provide prior consent on the issuance of bonds and other negotiable debt securities;
- (xi) give an opinion on the measures necessary to guarantee the solvency and liquidity of SICAM and its Associated Caixas and of the Group, proposed by the Executive Board of Directors and to supervise and monitor their execution;
- (xii) give an opinion on the measures necessary to satisfy the rights of SICAM's creditors, under the terms of Section VIII of Chapter VI of the Articles of Association, proposed by the Executive Board of Directors and to supervise their execution;
- (xiii) provide an opinion on the general guidelines for the management of the Issuer's liquidity from the surpluses deposited there by the associates and supervise and monitor its execution;
- (xiv) give an opinion on the guidelines and general rules provided for in Section II of Chapter VI of the Articles of Association and to supervise their execution;
- (xv) give an opinion on the inspection measures and on the intervention in the management of the associates, proposed by the Executive Board of Directors;
- (xvi) give an opinion on the special registration at Bank of Portugal of members of the management and supervisory bodies of the associates, under the provisions of Article 10 of the RJCAM;
- (xvii) suspend associates from exercising their rights;
- (xviii) apply to associates the sanctions provided for in the Articles of Association in case of non-compliance with the rules, guidelines, or binding recommendations, on the proposal of the Executive Board of Directors;
- (xix) perform the duties assigned to it within the scope of the Policy on Whistleblowing;
- (xx) ensure that those responsible for internal control functions are able to act independently;
- (xxi) designate and reappoint members to be a part of the Superior Council; and
- (xxii) create the Commission and the Committees referred to in Article 28 of the Articles of Association, designate their members as well as create mechanisms to guarantee their internal functioning, discriminating the role, composition and tasks of each one of them, as well as the flow of adequate information, approving their respective operating regulations.

The General and Supervisory Board is composed of nine members, the majority of whom, including its Chairman and Deputy Chairman, must be independent and qualified natural persons, under the terms defined in the applicable regulations and guidelines and in the law that at each moment is in force, and neither of them can represent and/or be appointed by the Associated Caixas.

The other members of the General and Supervisory Board may be the Associated Caixas in full enjoyment of their rights, who may be elected to the position on a rotating basis by designating a natural person to exercise the position individually.

The Chairman or whoever replaces him is given the casting vote in the deliberations of the General and Supervisory Board, as expressed in paragraph 5 of Article 27 of the Articles of Association.

The General and Supervisory Board's Internal Regulation was approved on 17 February 2020. At the end of 2020, the process for reviewing the Authority's internal regulations was initiated in line with the provisions of regulatory notice ("Aviso") of Bank of Portugal No. 3/2020 and a revised internal regulation of the General Supervisory Board was approved on 18 January 2021.

The following table indicates the current members of the General and Supervisory Board for the mandate 2019-2021, their positions as well as the principal activities outside of the Issuer:



| <b>Name</b>                               | <b>Position</b>    | <b>Principal activities outside the Issuer</b>  |
|---|--------------------|---|
| Vasco Manuel da Silva Pereira             | Chairman           | <ul style="list-style-type: none"> <li>Member of the Advisory Board of Instituto de Gestão da Tesouraria e do Crédito Público (IGCP), since 1996;</li> <li>Chairman of the Audit Committee of Sociedade Gestora dos Fundos de Pensões do Bank of Portugal, since 2018.</li> </ul>   |
| Ricardo Filipe de Frias Pinheiro          | Deputy Chairman    | <ul style="list-style-type: none"> <li>Managing partner (<i>sócio gerente</i>) of Companhia Agrícola da Assencada, Lda, since 2017;</li> <li>Member of the Finance Management Board (<i>Conselho de Gestão Financeira</i>) of Universidade Católica Portuguesa, since 2020;</li> <li>Professor at Católica Portuguesa, since 2019;</li> <li>Member of the Audit Committee of ECS - Sociedade Gestora de Fundos de Investimento Imobiliário, SA, since 2019.</li> </ul>  |
| João Luís Correia Duque                   | Independent Member | <ul style="list-style-type: none"> <li>Professor at Instituto Superior de Economia da Universidade Técnica de Lisboa (ISEG), since 1985;</li> <li>Member of the Steering Committee of PSI20 integrated in Euronext Lisbon, since 2009;</li> <li>Director of CJRD, Lda, since 2015;</li> <li>Member of the Remuneration Committee of REN – Redes Energéticas Nacionais, since 2018;</li> <li>Member of the Board of Directors of Fundação Económicas - Fundação para o Desenvolvimento das Ciências Económicas, Financeiras e Empresariais (Fundação Económicas do ISEG), since 2019.</li> </ul> |
| Maria Helena Maio Ferreira de Vasconcelos | Independent Member | <ul style="list-style-type: none"> <li>Advisor to the Board of Directors of Portugal Capital Ventures – Sociedade de Capital de Risco, S.A., since 2013;</li> <li>Chairman of the Audit Committee of Imprensa Nacional - Casa da Moeda, since 2017.</li> </ul>  |
| Vítor Fernando da Conceição Gonçalves     | Independent Member | <ul style="list-style-type: none"> <li>Professor (<i>Professor Catedrático</i>) of Management at ISEG – Instituto Superior de Economia e Gestão, Universidade de Lisboa, since 1994, being Chairman of ADVANCE – Centro de Investigação Avançada em Gestão, since 2018;</li> </ul>  |

|   |                        |   |
|---|------------------------|---|
|   |                        | <ul style="list-style-type: none"> <li>• Member of the General Board (<i>Conselho Geral</i>) of Universidade de Lisboa, since 2017;</li> <li>• Chairman of the Audit Committee of Fundação EDP, since 2008;</li> <li>• Chairman of the management (<i>Presidente da Direcção</i>) of GAPTEC – Gabinete de Apoio da Universidade de Lisboa, since 2007;</li> <li>• Member of the Audit Committee of EDP Ventures – Sociedade de Capital de Risco, S.A., since 2016.</li> </ul> |
| José Gonçalves Correia da Silva           | Non-Independent Member | <ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Caixa de Crédito Agrícola Mútuo do Noroeste, CRL, since 2010;</li> <li>• Second Secretary (<i>Segundo Secretário</i>) of Centro Social e Paroquial da Areosa, since 2018;</li> <li>• Professor (<i>Docente Convidado</i>) at Porto Business School, since 2010.</li> </ul>   |
| Artur Teixeira de Faria                   | Non-Independent Member | <ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Crédito Agrícola Mútuo de Terras do Sousa, Ave, Basto e Tâmega, CRL, since 2001.</li> </ul>  |
| Magda Cristina Baptista Antunes Santolini | Non-Independent Member | <ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Caixa de Crédito Agrícola Mútuo da Zona do Pinhal, CRL, since 2019.</li> </ul>   |
| João Gante Gonçalves                      | Non-Independent Member | <ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Caixa de Crédito Agrícola Mútuo de Pombal, CRL, since 2020.</li> </ul>   |

To the best of the Issuer's knowledge, none of the abovementioned members of the General and Supervisory Board the Issuer has any external activity relevant for the Issuer other than the ones listed above.

For all the purposes resulting from the functions of the members of the General and Supervisory Board, their professional domicile is at Rua Castilho, no. 233 – 233A, 1099-004 Lisbon, Portugal.

#### ***Commission and Committees of the General and Supervisory Board***

The General and Supervisory Board has within it the following Commission and Committees, which operate with the powers set out in the Law and in the EBA/GL/2017/11 Guidelines on Internal Governance:

- (i) the Commission for Financial Matters which, pursuant to Article 441, paragraph 1, items f) to o), ex-vi Article 444, paragraph 2, of the Portuguese Companies Code, has the following legal competences:
  - (a) verify, when deemed convenient and in the manner deemed appropriate, the regularity of the books, accounting records and documents that support them, as well as the status of any assets or values owned by the institution in any capacity;
  - (b) check if the accounting policies and valuation criteria adopted by the institution lead to a correct assessment of assets and profit or loss;

- (c) provide an opinion on the management report and accounts for the financial year;
  - (d) oversee the effectiveness of the risk management system, the internal control system and the internal audit system, if any;
  - (e) receive reports of irregularities presented by shareholders, employees of the institution or others;
  - (f) supervise the process of preparing and disclosing financial information;
  - (g) propose to the General Meeting the appointment of the Statutory Auditor;
  - (h) oversee the auditing of the institution's accountability documents; and
  - (i) supervise the independence of the Statutory Auditor, namely with regard to the provision of additional services,
- (ii) the Remuneration Committee with the powers referred to in Article 115-H of the RGICSF, namely:
- (a) prepare proposals and recommendations on the setting of remuneration of Supervisory Body members, as well as of the employees of the Issuer with the highest total remuneration of the Institution, including decisions with implications in terms of risks and risk management of the Issuer;
  - (b) provide all necessary support and make recommendations for the purpose of approving the general remuneration policy of the Issuer;
  - (c) use, in all matters within its competence, internal consultancy services as well as external consultancy services, in an appropriate and proportional manner to the size and complexity of the Issuer;
  - (d) review the conclusions of any consultancy services it has resorted to under the terms of the previous paragraph; and
  - (e) ensure that, using external consultancy services, no natural or legal person is contracted who provides or has provided services to the Issuer, in the previous three years, in relation to matters directly under the responsibility of the Executive Board of Directors or that have contractual or corporate relations with entities that provide consultancy services to the Issuer, a rule that must also be respected as regards natural or legal persons who are related to the external consultant through employment or service provision contracts,
- (iii) the Risk Committee with the powers referred to in Article 115-L of the RGICSF, namely:
- (a) advise the Executive Board of Directors on the risk appetite and general risk, current and future, of the credit institution;
  - (b) assist the Executive Board of Directors in supervising the execution of the credit institution's risk strategy by top management;
  - (c) analyse whether the conditions of the products and services offered to clients take into account the business model and risk strategy of the credit institution and submit a correction plan to the Executive Board of Directors, when that analysis results in the said conditions not adequately reflecting the risks; and
  - (d) examine whether the incentives established in the credit institution's remuneration policy take into account risk, capital, liquidity and expectations regarding profit or loss, including income dates,
- (iv) in addition to the Commission and Committees required by law, the General and Supervisory Board created, also and from among its members, the Committee for Cooperative Affairs, which serves as a forum for debate, analysis and preparation of topics related to the cooperative organisation of the credit institutions that are part of SICAM and a privileged observatory for

matters of a cooperative nature, in close connection with the entities that in the Group or in the national panorama, deal with specific matters related to the deepening of cooperativism.

### ***The Superior Council***

Without prejudice to the provisions of the Articles of Association, the Superior Council is responsible for:

- (i) designating and replacing its Chairman;
- (ii) approving its operating regulations and relations with the other Governing Bodies of the Issuer;
- (iii) presenting, on its own initiative, to the Executive Board of Directors and/or the General and Supervisory Board, recommendations and suggestions within the scope and tasks of the Issuer, namely on:
  - (a) proposed amendments to the Legal Framework for the Issuer, to be presented by the Issuer;
  - (b) proposed amendments to the Articles of Association;
  - (c) the Issuer's guidelines on the Articles of Association of its associates;
  - (d) the proposal for the Issuer's business plan and budget, business plan and budget for SICAM and the Group;
  - (e) proposals for admission, suspension and/or exclusion of the Issuer's associates;
  - (f) the proposal for the application of sanctions to associates, pursuant to Section IV of Chapter VI of the Issuer's Articles of Association;
  - (g) the exercise by the Issuer of the powers provided for in paragraph 3 of Article 70 of the Issuer's Articles of Association; and
  - (h) communicate, through recommendations, suggestions or advice, on any other matters submitted by the Executive Board of Directors and/or the General and Supervisory Board of the Issuer.

Pursuant to Article 35 of the Issuer's Articles of Association, the Superior Council is composed of a number of members not exceeding fifteen, with nine of its members being elected by the General Meeting, from the Associated Caixas not represented on the General and Supervisory Board, on the General Meeting Board and on the Assessment Committee, each being responsible for designating a natural person to exercise the position in their own name.

The Superior Council, elected for the 2019-2021 triennium at the Ordinary General Meeting held on 25 May 2019 is constituted by the following members:

#### **Chairman**

Afonso de Sousa Marto, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo da Batalha, C.R.L.

#### **Deputy Chairman**

Hélio José de Lemos Rosa, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo de Alenquer, C.R.L.

#### **Members**

António Manuel Melo Gomes de Sousa, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo dos Açores, C.R.L.

José Lopes Gonçalves Barbosa, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo do Alto Cávado e Basto, C.R.L.

José Luís Tirapicos Nunes, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo do Alentejo Central, C.R.L.

Orlando José Matos Felicíssimo, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo de Aljustrel e Almodôvar, C.R.L.

António João Mota Cachulo da Trindade, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo do Baixo Mondego, C.R.L.

Caixa de Crédito Agrícola Mútuo de Trás-os-Montes e Alto Douro, C.R.L.<sup>6</sup>

Francisco Eduardo das Neves Rebelo, appointed by the elected Associated Caixa Caixa de Crédito Agrícola Mútuo de Vale do Távora e Douro, C.R.L.

For all the purposes resulting from the functions of the members of the Superior Council, their professional domicile is at Rua Castilho, no. 233 – 233A, 1099-004 Lisbon, Portugal.

### ***Statutory Auditor***

The current Statutory Auditor of the Group, PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., were elected at the General Meeting of Shareholders held on 25 May 2019, for the three-year term of office 2019-2021, by unanimity of the votes cast.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. was elected for the first time on at the General Meeting of 30 May 2015, for 2015 and reappointed for the three-year term of office of 2016-2018 and for the three-year period 2019-2021. Therefore, it performs functions consecutively for 7 years (2015, 2016-2018, 2019 and 2020).

There are no potential conflicts of interest between the duties to the Group of the persons listed above and their private interest or duties.

### ***The Board of the General Meeting***

In order to direct the work of the General Meeting, it is endowed, under the terms of Article 19 of the Articles of Association, with a statutory body, the General Meeting Board, which includes a Chairman, a Deputy Chairman and a Secretary, which are elected from among the associates of the Issuer in full enjoyment of their rights, and each of the candidate associates is responsible for presenting, from the outset and to the election, the natural person who, individually, will exercise the office.

The Board of the General Meeting of the Issuer, elected for the three-year mandate of 2019-2021 at the Ordinary General Meeting held on 25 May 2019, is, as of the date of this Prospectus, composed of the following members:

- **Chairman:** Nuno Carlos Ferreira Carrilho, appointed by Caixa de Crédito Agrícola Mútuo de Terras de Viriato, CRL.
- **Deputy Chairman:** Josué Cândido Ferreira dos Santos, appointed by Caixa de Crédito Agrícola Mútuo de Ferreira do Alentejo, CRL.
- **Secretary:** Joaquim Miguel Cruz Mendes, appointed by Caixa de Crédito Agrícola Mútuo de Elvas e Campo Maior, CRL.

### ***The Assessment Committee***

In compliance with the changes instituted to the RGICSF by Decree-Law no. 157/2014, of 24 October, especially in accordance with the provisions of its Article 30-A, the General Meeting of 30 May 2015, on the proposal of the Executive Board of Directors, approved the Internal Policy for the Selection and

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<sup>6</sup> Due to the recent passing, on 14 October 2021, of its appointed representative, Mr. Alcino Pinto dos Santos Sanfins, the elected Associated Caixa Caixa de Crédito Agrícola Mútuo de Trás-os-Montes e Alto Douro, C.R.L. is currently in the process of indicating a new representative, pursuant to Article 16(4) of the Issuer's Articles of Association.

Assessment of the Adequacy of the Members of the Management and Supervisory Bodies of the Issuer (PISAAMOAF), which defined:

- (i) those responsible for the Assessment of Adequacy, appointing an Evaluation Committee for that purpose;
- (ii) the composition and functioning of the Evaluation Committee;
- (iii) the Assessment Policy;
- (iv) the Initial Assessment procedures;
- (v) the Revaluation procedures;
- (vi) the specific prevention of conflicts of interest;
- (vii) the accumulation of positions;
- (viii) gender diversity; and
- (ix) professional training.

Following the approval of PISAAMOAF, which establishes that the Assessment Committee is made up of three Associated Caixas who do not hold any social position in it, the following Associated Caixas were appointed by the General and Supervisory Board to be part of that Committee, in its first three-year term:

- (i) Caixa de Crédito Agrícola Mútuo da Área Metropolitana do Porto, C.R.L.
- (ii) Caixa de Crédito Agrícola Mútuo da Anadia, C.R.L.
- (iii) Caixa de Crédito Agrícola Mútuo de Douro e Côa, C.R.L.

Each of these associates appointed a representative to exercise the position in their own name, with the members of the Assessment Committee being currently as follows:

**Chairman:**

Licínia do Carmo de Oliveira Bugalho, appointed by the Associate Caixa de Crédito Agrícola Mútuo da Área Metropolitana do Porto, C.R.L.

**Members:**

Álvaro Gonçalves Marques Pereira, appointed by the Associate Caixa de Crédito Agrícola Mútuo da Anadia, C.R.L.

Fernando João Miranda Silva, appointed by the Associate Caixa de Crédito Agrícola Mútuo de Douro e Côa, C.R.L.

For all the purposes resulting from the functions of the members of the Assessment Committee, their professional domicile is at Rua Castilho, no. 233 – 233A, 1099-004 Lisbon, Portugal.

***Conflict of Interests***

To the best of the Issuer's knowledge and in its understanding, based on legal requirements and internal governance for such cases, 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, that have not been identified and adequately disclosed and settled.

## **Internal control functions of the Group**

The Issuer, as SICAM's central body, ensures, through its internal control functions, that the activity of each of its Associated Caixas are carried out in a sound and prudent manner, without compromising the responsibilities of the respective management and supervisory bodies.

The development of the responsibilities allocated to the compliance, risk management and internal audit functions follows a corporate perspective in which the Issuer undertakes the coordination and control function, being tasked with ensuring that the defined internal control system is coherent, that it operates in an efficient and harmonious manner within SICAM and the Group, and that it is compliant with the provisions in the applicable law and regulations.

### ***Compliance Function***

The Compliance Function is allocated to the Compliance Department of the Issuer, which undertakes the functional coordination of the Compliance Function at SICAM, ensuring appropriate compliance with the applicable regulations and the prevention of money laundering and terrorist financing, and internal and external fraud. With a view to accomplishing its mission, the Compliance Department is specifically responsible for monitoring legislative and/or regulatory changes, analysing their impact on the business and disclosing them so as to ensure their compliance; developing, implementing and carrying out procedures that enable preventing money laundering and terrorist financing within SICAM; developing, implementing and monitoring control mechanisms that prevent, ensure the timely detection and trigger appropriate responses to situations of internal and external fraud directed against the Group or its customers, ensuring articulation with the judicial authority.

The Compliance Function is responsible for ensuring, together with all the other internal control functions, the adequacy, the strengthening, and the efficient and harmonious operation of SICAM's internal control system. Its purpose is to mitigate risks according to the complexity of its business and disseminate the risk and control culture so as to assure compliance with the existing laws and regulations, with a view to minimising the risk of incurring legal or regulatory, financial or reputation penalties.

In view of the defined organisational model, the Compliance Department of the Issuer articulates the tasks that are entrusted to it with the Compliance Monitors of the Associated Caixas and Affiliated Companies, which are crucial links in the consolidation of the compliance culture and improvement of the internal control system. This coordination and organisation enable the adoption of standard practices with regard to the identification, interpretation and implementation of legal and regulatory requirements and appropriate follow-up and monitoring of the identified risks.

During 2020, the internal control unit that existed in the Compliance Department was detached from this Department, with an Internal Control Office having been created, entrusted with the mission of the identification, management and promotion of the resolution of all flaws of the Group's internal control system, in order to ensure its adequacy and efficacy.

### ***Risk Management Function***

The Risk Management Function is allocated to the Global Risk Department of the Issuer, which carries out the functional coordination of the Risk Management Function at SICAM and the Group. Its mission is to develop and support, in an overall and integrated manner, the definition of the risk strategy and the risk appetite framework of SICAM and the Group, as well as the definition of the policies and processes associated with the risk management system.

In light of the defined organisational model, in articulation with the heads of the Risk Management Functions (Risk Officers) of the Associated Caixas, the Global Risk Department of the Issuer conducts an integrated risk management strategy defined by the Executive Board of Directors of the Issuer, maintaining an aggregate and holistic vision of all the risks inherent to the activity of SICAM and the Group.

The activities developed in this sphere by the Global Risk Department seek to promote an integrated risk management culture at SICAM and the Group, where all the Group's employees are bound to perform their duties in conformity with the risk tolerance levels defined for the set of indicators comprising the specific appetite framework of the Issuer, the Associated Caixas and Affiliated Companies.

### ***Internal Audit Function***

The Internal Audit Function is allocated to the Audit Department of the Issuer, which carries out the functional coordination of the Internal Control Function. Its mission is to contribute to the sound and prudent management of the Group and promote an organisational culture based on highly exacting ethical standards, through a monitoring process composed of all the autonomous, specific, regular or exceptional control actions and assessments that are effective and comprehensive, directed at risk, with a view to assessing the adequacy and efficacy of the organisational culture and of the governance and internal control systems of SICAM, as well as the respective individually considered components, including governing bodies and their supporting committees, namely through the detection of flaws in the design of the controls, including those related to the inexistence of controls, and in their implementation.

During 2020, the Internal Audit Function performed the following at SICAM:

- monitoring of the activity of the internal auditors of the Associated Caixas, responsible for pursuing the internal audit function, reporting functionally to the Audit Department of the Issuer, acting in articulation and under a common methodology of SICAM; and
- pursuit of the internal audit activities pursuant to the activities plan at the Issuer and through the hiring of shared audit services arranged by the Audit Department.

### ***Function of Monitoring, Guidance, Supervision and Overseeing of the Associated Caixas***

In view of the guidance and overseeing functions of the Associated Caixas that task the Issuer under the terms of the provisions in Articles 75 and 76 of the RJCAM and also considering the powers vested in the Issuer by Article 69 of the RJCAM and by Articles 3(3)(e) and 43(1)(f) and 2 of the Issuer's Articles of Association, the Issuer, through the Monitoring and Supervision Department, seeks to ensure, from a prudential perspective, the adequacy of the internal governance system and the economic and financial sustainability of the Associated Caixas, anticipating scenarios of possible imbalances and ensuring compliance with the guidelines defined by the Issuer, in line with best supervision practices and the applicable legislation and regulations.

Accordingly, the Monitoring and Supervision Department is specifically responsible for supervising and monitoring the activity of the Associated Caixas, through a series of controls and monitoring indicators, aimed at the preventive detection of imbalances in governance or equity and at ensuring compliance with the legal provisions of prudential nature and the guidelines of the supervision authorities and the Issuer.

### ***Function of the Transformation and Development Office***

The Transformation and Development Office also plays a supplementary role to that of the Issuer's other control functions (Compliance Department, Global Risk Department and Audit Department) in monitoring the situation of the Associated Caixas with levels of financial, commercial or operating performance deviating from the guidelines established by the Issuer or supervisors, and in assisting in the definition of concrete measures for their mitigation, contributing to the adequacy and efficiency of the internal control system of the Associated Caixas.

The mission of the Transformation and Development Office is to promote the dynamism and quick and effective recovery of Associated Caixas that show financial, commercial, operational performance below expectations and/or other deviating aspects, in order to ensure their alignment with the Issuer guidelines and to defend SICAM sustainability.

### ***Function of the Internal Control Office***

The mission of the Internal Control Office is to manage and monitor the adequacy and effectiveness of the Internal Control System, namely the identification, management and promotion of the resolution of all deficiencies of the Group.

In order to ensure the effectiveness of the Internal Control System, and despite the performance of the control functions and the Monitoring and Supervision Department, the Internal Control Office is also responsible for monitoring the identified weaknesses, analysing their pertinence, ensuring the existence of resolution plans and supervising their implementation under the terms set out in the Weaknesses Management Policy.



## RISK MANAGEMENT

### Governance of risk management

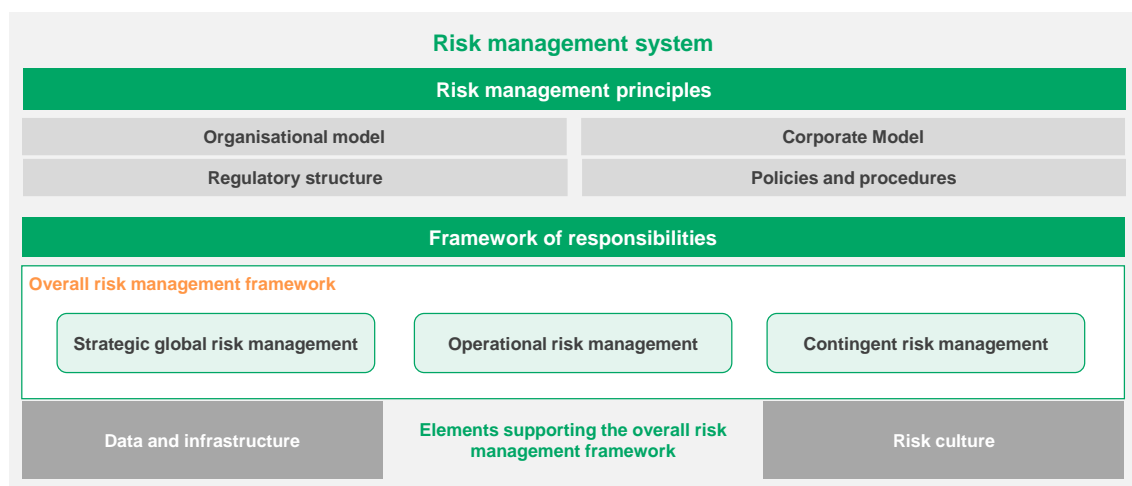
The Group guides its activity and in-house procedures according to best international practices on risk management matters, also taking into account the guidelines issued by the Basel Committee on Banking Supervision and the Committee of Sponsoring Organisations of the Treadway Commission, and ensuring full compliance with the requirements established in the Portuguese and European prudential frameworks.

Pursuant to the established provisions in terms of internal risk policies, the appropriate management of risks derived from the Group's activity is a priority for the Group, which recognises its decisive impact on the creation of value and its fundamental role in the construction of a cohesive and solid internal control system.

The risk management system is underpinned by a governance model, an organisational structure and processes of support and control of risk that assure, at all times, the complete separation between the risk origination, management and control functions. In this context, the comprehensive risk management system covers the following general principles:

- integration of business and risk strategies;
- risk management function performance and scope is complete, being an essential element of the organisational structure, being endowed with independence, autonomy and adequate resources;
- risk appetite framework ("**RAF**") represents a central element of risk management;
- solvency, leverage, liquidity and profitability adjusted to risk, within a framework of viability and sustainability of the business model are fundamental dimensions in risk management; and
- risk culture forms the basis of the Issuer's activities.

The diagram presented below illustrates, briefly, the main dimensions of the risk management system of the Group:

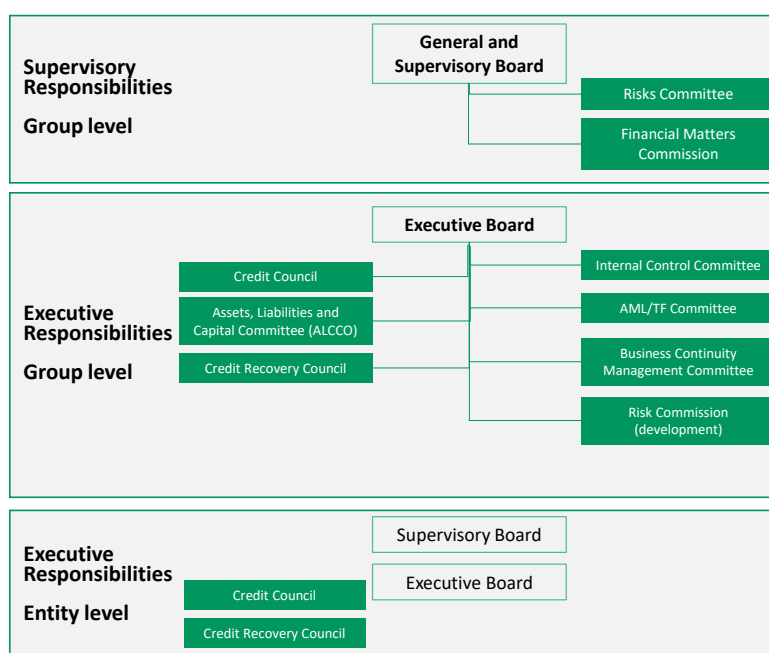


The Executive Board of Directors (executive management and supervisory functions) of the Issuer assumes ultimate and overall responsibility for the Group and defines, supervises and is responsible for the implementation of governance systems that ensure effective and prudent management, including the risk management system and similar functions at the level of the local associated banks (Associated Caixas) with respect to the established executive management and supervisory bodies at individual level.

The Executive Board of Directors of the Issuer is responsible for the operational implementation of the strategies defined by the management body (Executive Board of Directors and the General and Supervisory Board) – including the Group's global risk strategy, risk management framework and the risk appetite – and regularly discusses the application and suitability of these strategies with the General and Supervisory Board.

The General and Supervisory Board of the Issuer oversees and monitors the consistent execution of the Group's strategic objectives, organisational structure and risk strategy, including the overall risk management framework.

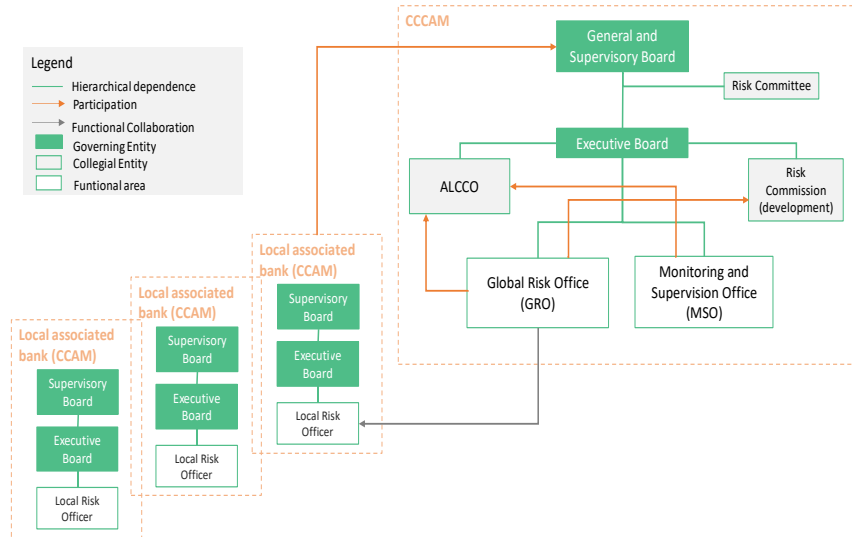
The Group has a series of collegiate bodies, instituted by the Executive Board of Directors, that intervene in matters of risk management, in particular: (i) the Risk Committee, which aims to support and advise the General and Supervisory Board on risk management strategies and policies and on the assessment of the risk appetite; supervise and appraise the action of the risk management function; monitor and assess the main results of the strategic and operational processes of risk management; monitor the development and adoption of methodologies, procedures, assessment models, infrastructures and tools to support risk management; promote the adoption of best practices with respect to the management of different risks; and promote the development of a risk culture underpinned by fundamental values that encourage the endorsement of high ethical and professional standards; (ii) the Risk Commission (under development), which is responsible for supporting and advising the Board on the design of strategies and risk management, as well as defining global objectives and policies to manage risks and issuing general guidelines for the group in order to ensure their application and transposition into operational practice, assisting in defining the risk appetite framework (the "**RAF**"), supervising compliance with it and advising on the content of the risk appetite statement, and approving risk assessment and monitoring methodologies; (iii) the ALCCO, whose mission is to assess and monitor the main results of the strategic and operational processes of risk management, appraise and decide on proposals of strategic guidelines for balance-sheet risk management policies, and propose, in particular, the pertinent risk thresholds for asset and liability management; and (iv) the Business Continuity Management Committee, which is responsible for approving and reviewing the policy, plan and other relevant guidelines for the Group's business continuity management, ensuring their disclosure within the Group, and ensuring alignment and articulation among all entities with respect to business continuity.



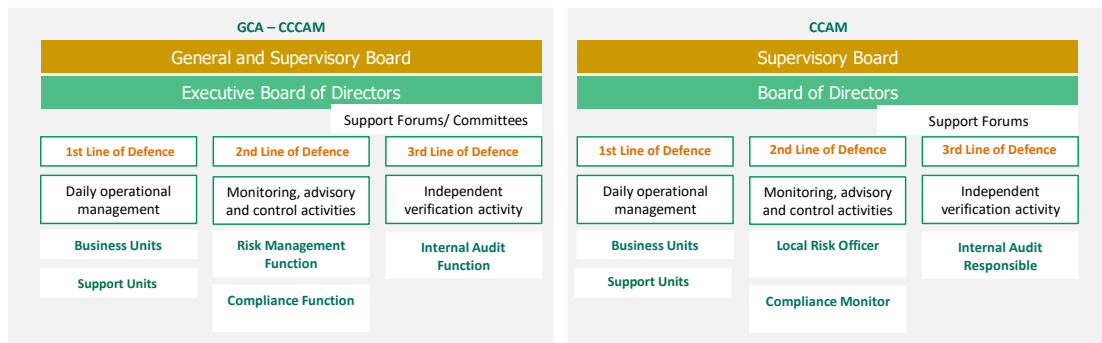
Risk management adopts a corporate risk governance model led by the Issuer, in which the Issuer supervises and controls risk management at Associated Caixas:

- (i) in each Associated Caixas, a structural body responsible for risk management is designated – the Local Risk Officer (the "**LRO**");
- (ii) at the Group level, this responsibility is assigned to the Global Risk Office (the "**GRO**"), that also acts with (functional) authority over LROs, establishing:
  - (a) policies, methodologies, processes and procedures;
  - (b) activities plans;

- (c) the monitoring and controlling of the level of execution, quality and extent of activities carried out by the LROs accordingly to the activities plans defined by the GRO;
- (d) the Group's and Associated Caixas reference risk appetite, risk profile and limits;
- (e) guidance and training;
- (f) dashboards and management information for internal and external reporting; and
- (g) the issue of instructions (binding) and guidelines to LROs and Associated Caixas;



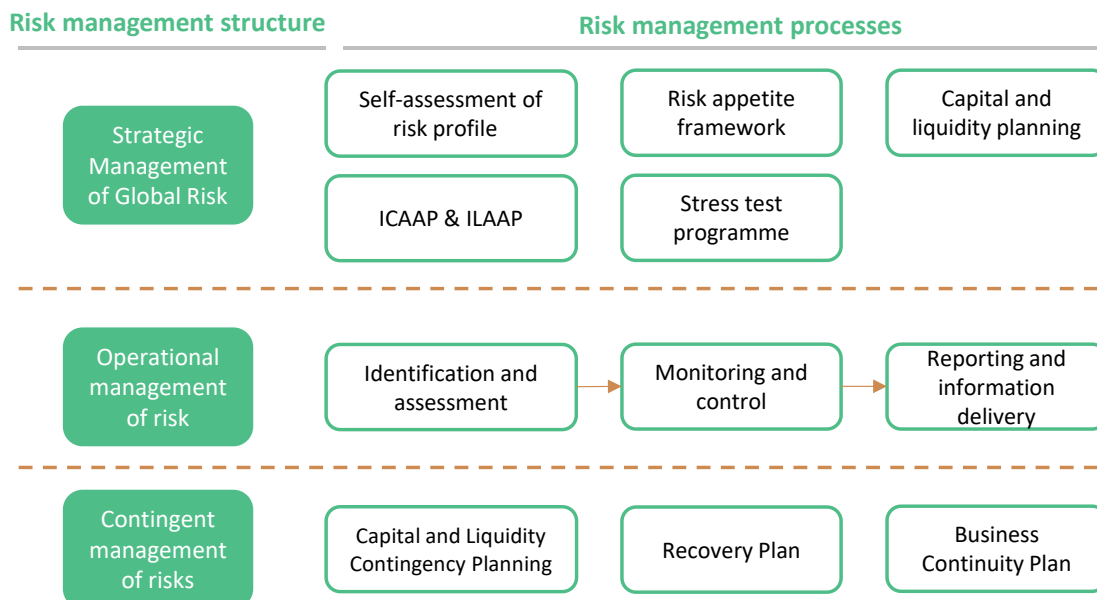
- (iii) close coordination with Monitoring and Supervision Office that generally supervises and monitors the actions of the local associated banks, ensuring sustainability and compliance with standards in accordance with the Group's strategic guidelines, necessarily including matters related to risk management.



The overall risk management framework is achieved in an integrated manner and founded on the following foundations (at Group level and entity level):

- risk culture (e.g., performance evaluation of holistic risk, training, internal and external communication);
- regulatory framework of the risk management system (e.g., four-tier internal regulatory structure, including regulations, global risk policy, policies for each risk category, management standards for Internal Capital Adequacy Assessment Process, Internal Liquidity Adequacy Assessment Process and stress testing, procedure manuals);
- strategic global risk management processes (e.g., RAF including Risk Appetite Statement, risk limit system, model for integrating risk appetite into strategic management practices);

- operational risk management processes (e.g., new products and services, significant transactions, related parties);
- contingent risk management processes; and
- support infrastructure (e.g., data, risk assessment models).



The RAF and its governance constitute a core component of the risk management system of the Group, and entail the following main items:

- risk appetite statement – consists of the formalisation of the risks that the Group is willing to accept in order to achieve its strategic goals, and is operationalised in the risk profile framework of the Group;
- underlying system of limits and response mechanism for the overstepping of the defined tolerance and its monitoring, based on the information provided, namely, by the Group's strategic and business planning, by the internal capital adequacy assessment process and internal liquidity adequacy assessment process, by the stress testing programme and by the risk management operational processes; and
- model of integration of risk appetite in the Group's management practices. The methodology underlying the definition of the risk profile is based on the accomplishment of the strategic objectives, proposed by the Executive Board of Directors and endorsed at the General Meeting, in terms of indicators and limits of exposure to risk, which should be incorporated in daily business activity.

The risk appetite statement and the risk limits system correspond to the risk level that the Group is willing to accept, pursuant to its strategic positioning, structural features and degree of acceptance of risk. The procedures endorsed with a view to the prudent management of the business and appropriate assessment of risk reflect the Group's risk profile at any given moment. Accordingly, its definition and continuous readjustment are deemed necessary to maintain the desired relationship between risk and return.

The risk appetite corresponds to the strategic component of the risk profile of the Group and may be defined through a set of strategic goals duly aligned with the Group's positioning, values and ethics. The strategic goals defined by the Executive Board of Directors are guided by the combination of short-term expectations and long-term goals. The risk appetite is reflected, at the tactical level, in a series of indicators relative to risk tolerance levels for each type of risk and for each business line. For each indicator, the aim is to collect

the maximum historical information possible, so as to enable the definition of the limits of exposure to risk taking into account the Group's historical trends and the current macroeconomic and market situation.

The Group also establishes, for the set of indicators referred to above, the limits that determine the taking of measures to regularise capital or liquidity levels, which are distinguished by their nature: (i) warning limits, referred to as "early warning signals", enable the identification of negative trends; and (ii) activation limits, referred to as "triggers", that lead to the triggering of the corrective measures established in the recovery plan. When the limits of the risk profile indicators are overstepped, the corresponding analysis shall be carried out to ascertain the need to activate measures aimed at their remediation, observing the materiality of their impact leading to possible situations of financial imbalance.

## 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 Portugal. 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 of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications for them of an investment in the Notes.*

### Portugal

This chapter summarises the Portuguese tax rules applicable to the acquisition, ownership and disposal of the Notes, in force as at the date of this Prospectus. This chapter does not analyse the tax implications that may indirectly arise from the decision to invest in the Notes, such as those relating to the tax framework of financing obtained to support such investment or those pertaining to the counterparties of the potential investors, regarding any transaction involving the Notes.

This chapter is a general summary of the relevant features of the Portuguese tax system. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Holder, including tax considerations that arise from rules of general application or that are generally assumed to be known to any Holder. It also does not contain in-depth information about all special and exceptional regimes, which may entail tax consequences at variance with those described herewith.

The tax treatment of each type of potential investor described in each section applies exclusively to that type of potential investor. No analogy regarding the tax implications applicable to other type of potential investors should be drawn. Potential investors should seek individual advice about the implications of the acquisition, ownership and disposal of Notes, in light of their specific circumstances.

This chapter does not include any reference to the tax framework applicable in countries other than Portugal. The rules of a Convention to prevent Double Taxation ("**Convention**") may have a bearing on Portuguese tax implications. Furthermore, the domestic provisions of other countries may exacerbate or alleviate such implications.

The meaning of the terminology adopted in respect of every technical feature, including the qualification of the securities issued as "Notes", the classification of taxable events, the arrangements for taxation and potential tax benefits, among others, is the one in force in Portugal as at the date of this Prospectus. No other interpretations or meanings, potentially employed in other countries, are considered.

The tax framework described in this chapter is subject to any changes in law and practices (and the interpretation and application thereof) at any moment. Although according to the Portuguese Constitution legislative amendments which increase taxation cannot have retroactive or retrospective effect, there is no general prohibition of amendments with such effect.

### General tax regime

Where no specific tax regime is applicable, e.g., the special debt securities tax regime further described below, the tax regime summarised in this section should generally apply.

**Portuguese tax resident individuals (income obtained outside the scope of business or professional activities) or individuals with a permanent establishment in Portugal to which income associated with the Notes is imputable**

### *Acquisition of Notes for consideration*

The acquisition of Notes for consideration is not subject to Portuguese taxation.

### *Income arising from the ownership of Notes*

Economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from the Notes (including, upon a transfer of the Notes, the interest accrued since the last date on which interest was paid), are generally classified as "investment income" for Portuguese tax purposes.

Such investment income arising to the Holders is liable for Personal Income Tax (Imposto sobre o Rendimento das Pessoas Singulares or "**IRS**"). IRS is generally withheld, at a 28 per cent rate, when the income becomes due and payable, or upon a transfer of the Notes (in this last case, on the interest accrued since the last date on which the investment income became due and payable). This represents a final withholding, releasing the Holder from the obligation to disclose the above income to the Portuguese tax authorities and from the payment of any additional amount of IRS.

Alternatively, the Holders may opt for declaring such income in their tax returns, together with the remaining items of income derived. In that event, income arising from the ownership of Notes shall be liable for tax at the rate resulting from the application of the relevant progressive tax brackets for the year in question, currently up to 48 per cent., plus a solidarity tax (taxa adicional de solidariedade) of up to 5 per cent. on income exceeding €250,000 (2.5 per cent. on income below €250,000 but exceeding €80,000). The progressive taxation under the IRS rules may then go up to 53 per cent., being the tax withheld deemed as a payment on account of the final tax due.

Investment income paid or made available (colocado à disposição) to accounts in the name of one or more accountholders acting on behalf of undisclosed third parties is subject to a final withholding tax at the rate of 35 per cent., unless the beneficial owner of the income is disclosed in which case general rules apply.

### *Capital gains and capital losses arising from the disposal of Notes for consideration*

The annual positive balance between capital gains and capital losses arising from the disposal of Notes (and other assets set forth in law) for consideration, deducted of the costs necessary and effectively incurred in the acquisition and disposal, is taxed at a special 28 per cent. IRS rate. Alternatively, Holders of the Notes may opt to include the capital gains and losses in their taxable income, together with the remaining items of income derived. In that event, the capital gains shall be liable for tax at the rate resulting from the application of the relevant progressive tax brackets for the year in question, currently up to 48 per cent., plus a solidarity tax (taxa adicional de solidariedade) of up to 5 per cent. on income exceeding €250,000 (2.5 per cent. on income below €250,000 but exceeding €80,000). The progressive taxation under the IRS rules may then go up to 53 per cent.

Losses arising from disposals for consideration in favour of counterparties subject to a clearly more favourable tax regime in the country, territory or region where such counterparty is a tax resident, listed in the Ministerial Order no. 150/2004 of 13<sup>th</sup> February, as amended from time to time ("**Blacklisted Jurisdictions**") are disregarded for purposes of assessing the positive or negative balance referred to in the previous paragraph.

If the gains are obtained in the context of a professional or entrepreneurial activity any capital gains and losses on the transfer of Notes for a consideration should be included in the computation of corporate and professional income and are taxable according to the rules as set forth in the PIT Code for income of business and professional nature.

Where the Portuguese resident individual chooses to include the capital gains or losses in their taxable income subject to the marginal PIT rates, any capital losses which were not offset against capital gains in the relevant tax period may be carried forward for five years and offset future capital gains.

### *Gratuitous acquisition of Notes*

The gratuitous acquisition (per death or in life) of Notes by Portuguese tax resident individuals is liable for Stamp Tax at a 10 per cent. rate. Spouses or couples under the civil partnership regime, ancestors and descendants avail of an exemption from Stamp Tax on such acquisitions.

**Non-Portuguese tax resident individuals without a permanent establishment in Portugal to which income associated with the Notes is imputable**

***Acquisition of Notes for consideration***

The acquisition of Notes for consideration is not subject to Portuguese taxation.

***Income arising from the ownership of Notes***

Investment income arising to the Holders from the Notes is liable for IRS. IRS is withheld, at a 28 per cent rate, when the investment income becomes due and payable, or upon a transfer of the Notes (in this last case, on the interest accrued since the last date on which the investment income became due and payable), unless in certain circumstances the transfer is made between two IRS taxpayers and the income is not imputable to an entrepreneurial or professional activity. This represents a final withholding, releasing the Holders from the obligation to disclose the above income to the Portuguese tax authorities and from the payment of any additional amount of IRS.

The above rate may be reduced pursuant to a Convention in force between Portugal and the country where the owner of the Notes is a resident for tax purposes, **provided that** both substantial and formal conditions on which the application of such benefit depends are duly observed. In broad terms, according to Portuguese tax law the formalities consist in a non-certified specific official form (Modelo 21-RFI) supplemented with a document issued by such tax authorities that attests both the tax residency of the beneficiary entity and that this entity is subject to tax in accordance with the Convention. Such specific official form shall be deemed valid for 1 year.

If the Holder is subject to a clearly more favourable tax regime in a Blacklisted Jurisdiction, the applicable withholding tax rate is 35 per cent. Similarly, the withholding tax rate is increased to 35 per cent. in case of payments made to accounts opened in the name of one or more accountholders on behalf of undisclosed third parties, unless the beneficial owner of such income is identified, in which case the general rules apply.

In any event, please refer to the section below entitled "*Taxation – Special debt securities tax regime*" in order to assess whether a tax exemption is available.

***Capital gains and capital losses arising from the disposal of Notes for consideration***

Capital gains arising from the disposal of Notes for consideration should be exempt from taxation as long as they qualify as "**securities**" (valores mobiliários), unless the alienator is resident for tax purposes in a jurisdiction listed in a Blacklisted Jurisdiction. Furthermore, capital gains arising from the disposal of Notes for consideration by an alienator resident for tax purposes in a country with which there is a Convention in force with Portugal may be excluded from taxation, depending on the specific provisions of the Convention. In case the taxable event cannot be prevented, the annual positive balance between capital gains and capital losses arising from the disposal of Notes (and other assets set forth in the law) for consideration, deducted of the costs necessary and effectively incurred in such disposal, is taxed at a special 28 per cent. IRS rate. Losses arising from disposals for consideration in favour of counterparties subject to a clearly more favourable tax regime in the country, territory or region where it is a tax resident, listed in a Blacklisted Jurisdiction are disregarded for purposes of assessing the positive or negative balance referred above.

If resident in a member state of the EU or of the European Economic Area with which, in the latter case, there is exchange of tax information, the Holders may opt for declaring such income in their tax returns, together with the remaining items of income derived (even if outside the Portuguese territory, in the latter case for purposes of ascertaining the relevant tax bracket). In that event, the capital gains shall be liable for tax at the rate that would result from the application of the relevant progressive tax brackets for the year in question, currently up to 48 per cent., plus a solidarity tax (taxa adicional de solidariedade) of up to 5 per cent. on income exceeding €250,000 (2.5 per cent. on income below €250,000 but exceeding €80,000). The progressive taxation under the IRS rules may then go up to 53 per cent.

In any event, please refer to the section below entitled "*Taxation – Special debt securities tax regime*" in order to assess whether a tax exemption is available.



### ***Gratuitous acquisition of Notes***

The gratuitous acquisition (per death or in life) of Notes by non-Portuguese tax resident individuals is not liable for Portuguese Stamp Tax.

### **Corporate entities resident for tax purposes in Portugal or non-Portuguese tax resident entities with a permanent establishment to which income associated with the Notes is imputable**

#### ***Acquisition of Notes for consideration***

The acquisition of Notes for consideration is not subject to Portuguese taxation.

#### ***Income arising from the ownership of Notes***

Investment income arising to Holders from the Notes is liable for Corporate Income Tax (Imposto sobre o Rendimento das Pessoas Colectivas or "**IRC**"). IRC is withheld, at a 25 per cent. rate, when the investment income becomes due and payable, or upon a transfer of the Notes (in this last case, on the interest accrued since the last date on which the investment income became due and payable), except where the Holder is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or otherwise benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law.

This withholding represents an advance payment on account of the final IRC liability. IRC is levied on the taxable basis (computed as the taxable profit deducted of tax losses carried forward) at a rate of 21 per cent., 17 per cent. on the first €25,000 in the case of small or medium-sized enterprises as defined by law and subject to the *de minimis* rule of the EU. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent. of the taxable profit, may also apply. Moreover, corporate taxpayers are also subject to a State surcharge of 3 per cent., for a taxable income from €1,500,000.00 to €7,500,000.00, of 5 per cent., for a taxable income from €7,500,000.00 to €35,000,000.00, or of 9 per cent. for a taxable income exceeding €35,000,000.00.

Investment income paid or made available (colocado à disposição) to accounts in the name of one or more accountholders acting on behalf of undisclosed third parties is subject to a final withholding tax at the rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case general rules apply.

There is no obligation to withhold tax, partially or entirely, on investment income of the issuer made available to taxpayers globally exempt from IRC (for instance: the Portuguese State and other corporate entities subject to administrative law; corporate entities recognised as having public interest and charities; pension funds; retirement savings funds, education savings funds and retirement and education savings funds; and venture capital funds, **provided that**, with respect to all the above funds, they are organised and operate in accordance with Portuguese law) or which benefit from a total or partial exemption on the investment income made available by the Issuer, assuming that proof of such exemption is presented to the entity responsible for the payment.

#### ***Capital gains and capital losses arising from the disposal of Notes for consideration***

Capital gains and capital losses are taken into consideration for purposes of computing the taxable profit for IRC purposes. IRC is levied on the taxable basis (computed as the taxable profit deducted of tax losses carried forward) at a rate of 21 per cent., 17 per cent. on the first €25,000 in the case of small or medium-sized enterprises as defined by law and subject to the *de minimis* rule of the EU. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent. of the taxable profit may also apply. Moreover, corporate taxpayers are also subject to a State surcharge of 3 per cent., for a taxable income from €1,500,000.00 to €7,500,000.00, of 5 per cent., for a taxable income from €7,500,000.00 to €35,000,000.00, or of 9 per cent. for a taxable income exceeding €35,000,000.00.

### ***Gratuitous acquisition of Notes***

The positive net variation in worth (variação patrimonial positiva), not reflected in the profit and loss account of the financial year, arising from the gratuitous transfer of Notes to Portuguese tax resident corporate entities liable for IRC, even if exempt therefrom, or to permanent establishments to which it is imputable, is taken into consideration for purposes of computing the taxable profit for IRC purposes.

IRC is levied on the taxable basis (computed as the taxable profit deducted of tax losses carried forward) at a rate of 21 per cent., 17 per cent. on the first €25,000 in the case of small or medium-sized enterprises as defined by law and subject to the *de minimis* rule of the EU. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent. of the taxable profit, may also apply. Moreover, corporate taxpayers are also subject to a State surcharge of 3 per cent., for a taxable income from €1,500,000.00 to €7,500,000.00, of 5 per cent., for a taxable income from €7,500,000.00 to €35,000,000.00, or of 9 per cent. for a taxable income exceeding €35,000,000.00.

**Corporate entities not resident for tax purposes in Portugal and without a permanent establishment to which income associated with the Notes is imputable**

***Acquisition of Notes for consideration***

The acquisition of Notes for consideration is not subject to Portuguese taxation.

***Income arising from the ownership of Notes***

Investment income arising to the Holders from the Notes is liable for IRC. IRC is withheld, at a 25 per cent. rate, when the investment income becomes due and payable, or upon a transfer of the Notes (in this last case, on the interest accrued since the last date on which the investment income became due and payable). This represents a final withholding, releasing the Holders from the obligation to disclose the above income to the Portuguese tax authorities and from the payment of any additional amount of IRC. If the Holder is an entity with domicile, legal seat or place of effective management in a country, territory or region subject to a clearly more favourable tax regime, listed in a Blacklisted Jurisdiction, the withholding tax rate is increased to 35 per cent.

The 25 per cent. withholding tax rate referred above may be reduced pursuant to a Convention in force between Portugal and the country where the owner of the Notes is a resident for tax purposes, **provided that** both substantial and formal conditions on which the application of such benefit depends are duly observed. In broad terms, according to Portuguese tax law the formalities consist filling out a specific official form (Modelo 21-RFI) supplemented with a document issued by the local tax authorities of the country of residence of the owner of the Notes attesting both the tax residency of the beneficiary entity and that this entity is subject to tax in accordance with the Convention. Such specific official form shall be deemed valid for 1 year.

In any event, please refer to the section below entitled "*Taxation – Special debt securities tax regime*" in order to assess whether a tax exemption is available.

***Capital gains and capital losses arising from the disposal of Notes for consideration***

Capital gains arising from the disposal of Notes for consideration should be exempt from taxation as long as they qualify as "securities" (*valores mobiliários*), unless the alienator is a tax resident, listed in a Blacklisted Jurisdiction, or more than 25 per cent. of the non resident entity's capital is held by a resident person (except if the disposing entity complies with the legally established conditions and requirements). Furthermore, capital gains arising from the disposal of Notes for consideration by an alienator resident for tax purposes in a country with which there is a Convention in force with Portugal may be excluded from taxation, depending on the specific provisions of the Convention.

In case the taxable event cannot be prevented, capital gains and capital losses are taken into consideration for purposes of computing the taxable profit for IRC purposes. The profit will be taxed at a 25 per cent. IRC rate, but a deduction of the costs necessary and effectively incurred in the relevant disposals is available.

Losses arising from disposals for consideration in favour of counterparties with domicile, legal seat or place of effective management in a country, territory or region subject to a clearly more favourable tax regime, listed in a Blacklisted Jurisdiction, are disregarded for purposes of assessing the positive or negative balance referred to in the previous paragraph.

In any event, please refer to the section below entitled "*Taxation – Special debt securities tax regime*" in order to assess whether a tax exemption is available.

### *Gratuitous acquisition of Notes*

The positive variation in worth (variação patrimonial positiva) arising from the gratuitous acquisition of Notes by corporate entities not resident for tax purposes in Portugal and without a permanent establishment to which they are imputable is taxed at a 25 per cent. rate.

### **Special debt securities tax regime**

#### *Overview*

Decree-Law No. 193/2005, of 7 November 2005, as amended from time to time, introduced a special tax regime applicable to income arising from debt securities ("**STRIDS**").

Under the STRIDS investment income arising from and capital gains obtained on the disposal of the Notes, as securities integrated in a centralised system managed by Portuguese resident entities such as the Central de Valores Mobiliários, managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e Sistemas Centralizados de Valores Mobiliários, S.A., may be exempt from tax, **provided that** the following requirements are cumulatively met:

- (a) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (b) the beneficial owners are either (i) central banks and government agencies; or (ii) international organisations recognised by the Portuguese state; or (iii) entities resident in a country or jurisdiction with which Portugal has entered into a Convention or a Tax Information Exchange Agreement ("**TIEA**") currently in force; or (iv) other non-resident entities which are not resident in a country, territory or region subject to a clearly more favourable tax regime, as listed in a Blacklisted Jurisdiction. Beneficial owners resident in a Blacklisted Jurisdiction may still qualify if a Convention or a TIEA between Portugal and such jurisdiction is in force (which is the case of some of the most commonly used offshore jurisdictions).

In order to apply, the STRIDS requires completion of certain procedures and certifications providing evidence of the non-resident status of the beneficial owner of the Notes. Under these rules, the direct register entity is to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date of payment of any interest (or prior to the redemption date, as applicable), or prior to their transfer, as the case may be.

A general description of the rules and procedures on the evidence required for the exemption to apply at source is set out below with respect to domestic cleared notes such as the Notes.

The beneficial owner of the Notes must provide proof of non-residence in the Portuguese territory substantially in the following terms:

- (i) if the beneficial owner of the Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the beneficial owner itself, duly signed and authenticated or evidenced pursuant to paragraph (ii) or (iv) below;
- (ii) if the beneficial owner 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 Convention, 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 beneficial owner and its domicile; or (c) proof of non-residence, pursuant to the terms of paragraph (iv) below;
- (iii) if the beneficial owner of the 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 Convention or TIEA, 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 its incorporation; or (b) proof of non-residence pursuant to the terms of paragraph (iv) below; and

- (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 paragraph (iv) above, in particular that the beneficial owner of the Notes must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up until three months after the date on which the withholding tax would have been applied and will be valid for a three-year period, counting from the date such document is issued. The beneficial owner of the Notes must inform the register entity immediately of any change that may preclude the tax exemption from applying. For the cases mentioned in paragraphs (i) to (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption.

No Portuguese exemption shall apply at source under the STRIDS, if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the STRIDS, whereby the refund claim is to be submitted to the direct or indirect register entity of the Notes within six months from the date the withholding took place.

The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities within two years from the end of the year in which the tax was withheld. The refund is to be made within three months, after which interest is due.

The form currently applicable for the above purposes were approved by Order (Despacho) no. 2937/2014 of the Portuguese Secretary of State for Tax Affairs, published in the Portuguese official gazette, 2<sup>nd</sup> series, No. 37, of 21 February 2014 and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Portugal) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and instruments characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding ("**grandfathered instruments**") unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional instruments that are not distinguishable from previously issued grandfathered instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all instruments, including the grandfathered instruments, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their

investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay Additional Amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Crédit Agricole Corporate and Investment Bank, Banco Bilbao Vizcaya Argentaria, S.A., J.P. Morgan AG and UniCredit Bank AG (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 3 November 2021, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.906 per cent. of their principal amount, subject to the provisions of the Subscription Agreement. Subject thereto, the Issuer has also agreed in the Subscription Agreement to pay a fee to the Joint Lead Managers and will reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

### Selling restrictions

#### Portugal

Each Joint Lead Manager has represented and agreed that this Prospectus has not been and will not be registered or filed with or approved by the Portuguese Securities Exchange Commission ("*Comissão do Mercado de Valores Mobiliários*" or the "**CMVM**") nor has a prospectus recognition procedure been commenced with the CMVM. The Notes may not be and will not be offered in Portugal under circumstances which are deemed to be a public offer under 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) (or under any legislation which may replace or complement it in this respect, from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and the above mentioned registration, filing, approval or recognition procedure is made. In addition, each Joint Lead Manager has represented and agreed that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold, re-sold, re-offered or delivered and will not directly or indirectly take any action, offer, advertise, 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 under any legislation which may replace or complement it in this respect, from time to time), notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code or other securities legislation or regulations, qualify as a private placement of Notes only ("*oferta particular*"); (iii) it has not distributed, made available or caused to be distributed, and will not distribute, make available or cause to be distributed, this Prospectus or any other offering material relating to the Notes to the public in Portugal; and (iv) it will comply with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation, any delegated acts published in connection with the Prospectus Regulation which are in force at any determined time and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

#### United States

The Notes have not been and will not be registered under the Securities Act and are not being offered or sold except to non-U.S. persons in offshore transactions in reliance on Regulation S thereunder. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

The Joint Lead Managers have agreed that, except as permitted by the Subscription Agreement, they 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 Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each dealer to which they sell 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.

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 a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Joint Lead Manager has represented 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 FSMA) received by it in connection with the issue or sale of the 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 the Notes in, from or otherwise involving the UK.

### **Prohibition of Sales to UK Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) 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
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented 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 EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (i) to qualified investors (*investitori qualificati*), pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any applicable provision of Italian laws and regulations; or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of Legislative Decree No. 58 of 24 February

1998, as amended (the "**Financial Services Act**") and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus 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, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations, including any limitation or requirement imposed by CONSOB or other Italian authority.

### **Singapore**

Each Joint Lead Manager has acknowledged that this Prospectus 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 Prospectus 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, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.



**General**

No action has been taken by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Joint Lead Managers have undertaken that they will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the General Assembly of the Issuer dated 14 September 2021 and by a resolution of the Executive Board of Directors of the Issuer dated 14 October 2021.

### Listing

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to be admitted to trading on the Market.

The Issuer estimates that the total expenses related to the admission to trading will be approximately €7,790.

### Indication of yield

Based upon a re-offer price of 99.906 per cent. of the principal amount of the Notes, the yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Call Date, is 2.525 per cent. per annum on an annual basis. The yield is calculated at the Issue Date and is not an indication of future yield.

### Clearing systems

The Notes have been accepted for settlement and clearing through the CVM, managed and operated by Interbolsa and may be held indirectly through direct or indirect accounts with Euroclear and Clearstream, Luxembourg. The ISIN of the Notes is PTCCCAOM0000 and the Common Code is 240532310. The address of Interbolsa is Avenida da Boavista, 3433 4100-138 Porto, Portugal.

The Classification of Financial Instrument (CFI) code and the Financial Instrument Short Name (FISN) code for the Notes are set out on the website of the Association of National Number Agencies (ANNA). The Legal Entity Identifier (LEI) of the Issuer is 529900H2MBEC07BLTB26.

### No significant / material change

There has been no significant change in the financial performance or financial position of the Group since 30 June 2021.

There has been no material adverse change in the prospects of the Issuer or the Group since the date of the last audited annual accounts, 31 December 2020.

### Litigation

The Group is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Group.

### Auditors

The financial statements of the Issuer for the financial periods ended 31 December 2019 and 31 December 2020 prepared in accordance with IFRS, have been audited in accordance with generally accepted auditing standards applicable in Portugal, and have been reported on without qualification by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PwC"), with registered office at Palácio SottoMayor, Rua Sousa Martins, nº 1, 3º 1069-316 Lisbon, Portugal, registered with the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) with number 183 and with CMVM under number 20161485, represented by Aurélio Adriano Rangel Amado (statutory auditor registered with Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) under number 1074 and with the CMVM under number 20160686).

The unaudited interim consolidated financial statements of the Issuer as of and for the six months ended 30 June 2021 were subject to a limited review by PwC, as stated in their report, which appear elsewhere in this Prospectus.

The Statutory Audit Report on the audit of the consolidated financial statements for the financial year ended 31 December 2019 mentions the following emphasis of matter: "We draw attention to the information disclosed in note 49 of accompanying explanatory notes to the financial statements, related to the possible impacts of the pandemic caused by COVID-19 in the economy and, consequently, on Crédito Agrícola Group's future activity. Our opinion is not modified in respect of this matter".

The Review Report on the unaudited interim consolidated financial statements of the Group for the six month period ended 30 June 2021 mentions the following qualified conclusion:

"The Group has prepared condensed consolidated interim financial statements for the first time, for the six-month period ended 30 June 2021. Hence, the comparative figures for the six-month period ended 30 June 2020 were not audited or reviewed. However, based on the audit procedures performed throughout 2020 for the completion of the year audit, it should be noted that, concerning the comparative figures recorded in the income statement, we acknowledged an undervaluation of the *"Impairments or (-) reversal of impairments on financial assets not measured at fair value through profit or loss"* of some Euro 22.2 million, as well as an overvaluation of the *"Provisions or (-) reversal of provisions"* of some Euros 16.8 million."

"Nevertheless, the findings described above were properly adjusted in the Group's audited financial statements for the year ended 31 December 2020."

#### ***Listing agent***

Maples and Calder (Ireland) LLP is acting solely in its capacity as listing agent for the Issuer in relation to the listing of the Notes on the Official List and is not itself seeking admission of the Notes to the Official List.

#### **Documents available**

Copies of the following documents will be available from the date hereof (in the case of the Instrument, from the Issue Date) and for so long as the Notes remain outstanding at the website of the Issuer (<https://www.creditoagricola.pt/institucional/investor-relations>):

- (a) the Instrument;
- (b) the Memorandum and Articles of Association of the Issuer; and
- (c) a copy of this Prospectus.

This Prospectus (together with any supplement to this Prospectus or further Prospectus) will be published on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

Information included on any website referred to above does not form part of this Prospectus, unless it is specifically incorporated by reference in this Prospectus.

#### **Conflicts of interest**

The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. 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 and its affiliates. Where the Joint Lead Managers or their affiliates have a lending relationship with the Issuer and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, the 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.

The Joint Lead Managers and/or their respective affiliates will act as dealer managers and solicitation agents in connection with the concurrent tender offers and associated consent solicitations.

**Language of this Prospectus**

The language of this Prospectus 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. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.

## ISSUER

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## JOINT LEAD MANAGERS

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### **Banco Bilbao Vizcaya Argentaria, S.A.**

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Spain

### **J.P. Morgan AG**

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Germany

### **UniCredit Bank AG**

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Germany

## AGENTS

### ***Principal Paying Agent and Agent Bank***

#### **Deutsche Bank AG, London Branch**

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London EC2N 2DB

United Kingdom

### ***Portuguese Paying Agent***

#### **Deutsche Bank Aktiengesellschaft**

– Sucursal em Portugal

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## LEGAL ADVISERS

### ***To the Issuer as to English Law***

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### ***To the Joint Lead Managers as to English Law***

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### ***To the Issuer as to Portuguese Law***

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### ***To the Agents as to Portuguese Law***

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## IRISH LISTING AGENT

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Ireland