BASE PROSPECTUS dated 30 November 2023

novobanco

NOVO BANCO, S.A.

(incorporated with limited liability in Portugal)

€10,000,000,000

COVERED BONDS PROGRAMME

Novo Banco, S.A., with its registered office at Avenida da Liberdade, 195, 1250-142, Lisbon, Portugal, registered at the Commercial Registry Office of Lisbon with the single legal entity and taxpayer number 513204016 and with a share capital of € 6,567,843,862.91 (the "**Issuer**", "**Bank**" or "**novobanco**") is an authorised credit institution under Portuguese Law, for the purposes of Decree-Law No. 31/2022, of 06 May 2022 (as amended, the "**Covered Bonds Framework**").

The Covered Bonds (as defined below) will constitute covered bonds (*obrigações cobertas*) for the purposes, and with the benefit, of the Covered Bonds Framework. The Issuer and its subsidiaries are together referred to in this Base Prospectus as the "**Group**".

Under this €10,000,000,000.00 covered bonds programme (the "**Programme**"), the Issuer may from time to time issue covered bonds denominated in any currency agreed between the Issuer and the relevant Dealer (as may be settled through Euronext Securities Porto) (as defined below).

Covered Bonds will be issued in registered ("*nominativas*") form and will be represented in book-entry ("*escriturais*") form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000.00 (or its equivalent in other currencies calculated as described herein), subject to increases as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under *Overview of the Covered Bonds Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together, the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

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

This Base Prospectus has been approved by the Portuguese Securities Market Commission (the "**CMVM**"), as competent authority under the Prospectus Regulation. The CMVM only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CMVM should not be considered as an endorsement of the Issuer or of the quality of the Covered Bonds. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

Application has been made to Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados S.A, trading as Euronext Lisbon ("**Euronext Lisbon**"), for the Covered Bonds to be admitted to trading on its regulated market (the "**Euronext Lisbon Regulated Market**"). Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended, in any Member State of the European Economic Area ("**EEA**"). References in this Base Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the Euronext Lisbon Regulated Market or other regulated market. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. Covered Bonds may, after notification by the CMVM to the supervision authority of the Relevant Member States of the European Union, in accordance with the Prospectus Regulation, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other Member States of the EEA. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

As at the date of this Base Prospectus, the Covered Bonds are rated Aaa by Moody's. The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. The Covered Bonds issued under the Programme may be rated by Moody's. The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, the referred credit rating agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under *Terms and Conditions of the Covered Bonds*) of Covered Bonds will be set out in a final terms document (the "**Final Terms**") which will be delivered to the CMVM and, if admitted to trading on the Euronext Lisbon Regulated Market, to Euronext Lisbon.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for a period of twelve months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus in accordance with Article 23 of the Prospectus Regulation or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy will not apply when this Base Prospectus is no longer valid.

The date of this Base Prospectus is 30 November 2023.

Arranger

Barclays

Dealers

Barclays	**Novo Banco, S.A.**

The date of this Base Prospectus is 30 November 2023.

IMPORTANT INFORMATION AND RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds, the reasons for the issuance and its impact on the Issuer.

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"), or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account of or benefit of, U.S. persons as defined in Regulation S under the Securities Act, unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction (see *Subscription and Sale and Transfer Restrictions and Secondary Market Arrangements* below).

The format and contents of this Base Prospectus comply with the relevant provisions of the Prospectus Regulation and all laws and regulations applicable thereto, including Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (together with Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 (the "**Prospectus Delegated Regulations**").

In accordance with, and for the purposes of, Articles 149, 150 and 238(1) and (3)(a) of the Portuguese Securities Code, the Issuer, the members of the Executive Board of Directors and of the General Supervisory Board of the Issuer (see *Management and Supervisory Corporate Bodies*) and Ernst & Young, Audit & Associados – SROC, S.A. are responsible for the information contained in this Base Prospectus and hereby declare that, to the best of their knowledge, the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

In accordance with Article 149(3) (directly and ex vi Article 238(1)) of the Portuguese Securities Code, liability of the abovementioned entities is excluded if any such entity proves that the addressee knew or should have been aware of the inaccuracies in the contents of this Base Prospectus on the date of issue of the contractual declaration or when the respective revocation was still possible. Pursuant to Article 150 of the Portuguese Securities Code, the Issuer is strictly liable (i.e., independently of fault) if any of the members of its Executive Board of Directors or of its General Supervisory Board, or Ernst & Young, Audit & Associados – SROC, S.A. is held responsible for such information. Further to Article 238(3)(b) of the Portuguese Securities Code, the right to compensation based on the aforementioned responsibility statements is to be exercised within 6 months of the party seeking compensation becoming aware of an inaccuracy in the contents of this Base Prospectus or the amendment thereto, and ceases, in any case, 2 years following disclosure of (i) this Base Prospectus for the admission to trading on a regulated market or (ii) the amendment thereto that contains the defective information or forecast.

The only persons authorised to use this Base Prospectus in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the relevant Dealer(s) or the Managers.

Ernst & Young, Audit & Associados – SROC, S.A., registered with the CMVM under number 20161480 and with the Portuguese Institute of Statutory Auditors ("**OROC**") under number 178, with registered office at Av. da República no. 90 1700-157 Lisbon (the "**Auditor**"), has audited and expressed an opinion on the financial

statements of the Issuer for the financial period from 1 January 2021 to 31 December 2021 as well as on the financial statements of the Issuer for the financial period from 1 January 2022 to 31 December 2022. The consolidated financial statements for such financial periods give a true and fair view of the financial position of the Issuer as at 31 December 2022 and 31 December 2021, and of the results of the Issuer's operations and cash flows for the period then ended (see *General Information*).

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

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

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in, or not consistent with, this Base Prospectus or any other information supplied in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger (as defined in *Definitions*), the Common Representative (as defined under *General Description of the Programme*) or any of the Dealers.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing such information.

The Arranger, the Common Representative and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, amongst other things, the Issuer's financial statements, if any, of the Issuer when deciding whether or not to purchase any Covered Bonds.

This Base Prospectus or any Final Terms (as defined below) do not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary, no action has been taken by the Issuer, the Arranger or the Dealers (save for application for the approval by the CMVM of this Base Prospectus as a base prospectus for the purposes of the Prospectus Regulation) which would permit a public offering of any Covered Bonds or the distribution of this Base Prospectus or any other offering material relating to the Programme or the Covered Bonds issued thereunder in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material relating to the Programme or the Covered Bonds issued thereunder may be distributed or published in any jurisdiction, except under circumstances that would result in compliance with any applicable securities laws and regulations. Each Dealer has represented or, as the case may be, will be required to represent that to the best of its knowledge all offers and sale by it will be made on the terms indicated above. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of the Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or

sale of Covered Bonds in the United States, the European Economic Area (the "**EEA**") (including Italy) and the United Kingdom and Japan. See *Subscription and Sale and Transfer Restrictions and Secondary Market Arrangements*.

The Arranger, the Common Representative and the Dealers have not separately verified the information contained or incorporated in this Base Prospectus. Accordingly, none of the Arrangers, the Common Representative or the Dealers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the Covered Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers, the Common Representative or the Dealers that any recipient of this Base Prospectus or any other financial information supplied in connection with the Programme should purchase the Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, the Common Representative or any of the Dealers to subscribe for or to purchase any Covered Bonds.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Covered Bonds in any Member State of the EEA which has implemented the Prospectus Regulation and the United Kingdom (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant State of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Covered Bonds may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State and (in either case) published, all in accordance with the Prospectus Regulation, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

MiFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under Commission Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds,

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

IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors" or "Prohibition of Sales to EEA Retail Investors" (as the case may be), the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or, if so specified in the applicable Final Terms, in the United Kingdom (the "**United Kingdom**" or the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016, on insurance distribution (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or in the UK (as the case may be) has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK (as the case may be) may be unlawful under the PRIIPs Regulation.

BENCHMARKS REGULATION – Amounts payable on Floating Rate Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds*") will be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**") as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR (the European Money Markets Institute or "**EMMI**") is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Regulation (EU) No. 2016/1011 (as amended from time to time, the "**Benchmarks Regulation**"). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Prospectus to reflect any change in the registration status of the Administrator.

PROJECTIONS, FORECASTS AND ESTIMATES

Forward-looking statements, including estimates, and any other projections or forecasts in this document are necessarily speculative in nature and some or all of the assumptions underlying the forward-looking statements may not materialise or may vary significantly from actual results.

SUITABILITY OF INVESTMENT

PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN THE SECTION HEADED "RISK FACTORS" HEREIN.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

This Base Prospectus (and the documents incorporated by reference in this Base Prospectus) contains certain management indicators of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate Issuer's overall performance. These APMs are not audited, reviewed or subject to review by Issuer's auditors and are not measurements required by, or presented in accordance with, International Financial Reporting Standards as adopted by the EU ("**IFRS-EU**"). Accordingly, these APMs should not be considered as alternatives to any performance indicators prepared in accordance with IFRS-EU. Many of these APMs are based on Issuer's internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs. Furthermore, these APMs, as used by the Issuer, may not be comparable to other similarly titled indicators used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as indicators of Issuer's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the audited consolidated annual financial statements and the non-audited quarterly business activity and results report incorporated by reference in this Base Prospectus.

The descriptions (including definitions, explanations and reconciliations) of all APMs are set out in:

(a) pages 102 – 106 of the Group's 2022 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga per cent.C3 per cent.A7 per cent.C3 per cent.B5es-financeiras/relat per cent.C3 per cent.B3rio-e-contas/AR_novobanco_2022.pdf.coredownload.inline.pdf*);

(b) pages 87 - 91 of the Group's 2021 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/relatorio-e-contas/NovoBanco_AnnualReport2021_Non-ESEF.pdf*); and

(c) pages 63 - 67 of the Group's 2023 Interim Report for the first half of 2023 (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga%C3%A7%C3%B5es-financeiras/2023/presentation/AR_novobanco_1H23_ENp.pdf.coredownload.inline.pdf*),

all of which are incorporated by reference into this Base Prospectus (see the section titled Documents Incorporated by Reference).

LEGAL CONSIDERATIONS IN RESPECT OF INVESTING IN COVERED BONDS

The Covered Bonds will not represent an obligation or be the responsibility of the Arranger, the Common Representative or the Dealers or any person other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators.

Other assets/Hedging Contracts – The Covered Bonds Framework permits the inclusion in the Cover Pool of other eligible assets and hedging contracts subject to certain restrictions under the Covered Bonds Framework. See *Characteristics of the Cover Pool*.

Hedging Contracts – Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Framework, except if the Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any rate risk coverage. See *Characteristics of the Cover Pool – Hedging Contracts*.

Amortisation of Mortgage Credits – Mortgage credits which are included in the Cover Pool are and will generally be subject to amortisation of principal and payment of interest on a monthly basis. They are also subject to early repayment of principal at any time in whole or part by the relevant borrowers. Early repayments of principal on mortgage credits may result in the Issuer being required to include further mortgage credits and/or substitution assets in the Cover Pool in order for the Issuer to comply with the financial matching requirements under the Covered Bonds Framework.

None of the Arranger or the Dealers has or will undertake any investigations, searches or other actions in respect of any assets contained or to be contained in the Cover Pool but will instead rely on representations and warranties provided by the Issuer in the Programme Agreement.

GENERAL DESCRIPTION OF THE PROGRAMME

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

This Base Prospectus will only be valid for admitting Covered Bonds to trading on the Euronext Lisbon Regulated Market until no more of Covered Bonds concerned with this Programme are issued in a continuous or repeated manner in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding on all Covered Bonds previously or simultaneously issued under the Programme, does not exceed €10,000,000,000.00 (subject to increase in accordance with the Programme Agreement (as defined below)) or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

(d) the euro equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for business in London and Lisbon, in each case, on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Lisbon foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and

(e) the euro equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

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OVERVIEW OF THE COVERED BONDS PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of the Prospectus Delegated Regulations, in particular article 25(1)(b) of Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019.

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

Description	Covered Bonds Programme.
Maximum period for which Covered Bonds may be issued under the Programme	50 years, ending on 30 November 2073.
Programme size	Up to Euro 10,000,000,000.00 (or its equivalent in other currencies, all calculated as described under *General Description of the Programme*) aggregate principal amount (or, in the case of Covered Bonds issued at a discount, their aggregate nominal value) of Covered Bonds outstanding at any time. The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement.
Issuer	Novo Banco, S.A.
Arranger	Barclays Bank Ireland PLC and any other Arranger(s) appointed from time to time.
Dealers	Barclays Bank Ireland PLC, Novo Banco, S.A. and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.
Common Representative	Bondholders, S.L.
Agent	Novo Banco, S.A.
Paying Agent	Novo Banco, S.A.
Cover Pool Monitor	PRICEWATERHOUSECOOPERS & ASSOCIADOS, Sociedade de Revisores Oficiais de Contas, Lda., registered with the CMVM under number 20161485 and with the OROC under number 183 See *Cover Pool Monitor*.
Hedge Counterparties	The parties or party (each, a "**Hedge Counterparty**" and together, the "**Hedge Counterparties**") that, from time to time may enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Framework.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds issued under the Programme, including, *inter alia*, those set out under *Risk Factors* below. In addition, there are risk factors which are

material for the purpose of assessing the other risks associated with Covered Bonds issued under the Programme. These are also set out in detail under *Risk Factors* below and include, *inter alia*, the dynamics of the legal and regulatory requirements and the risks related to the structure of a particular issue of Covered Bonds.

Distribution	Covered Bonds may be distributed by way of private placement and on a non-syndicated or syndicated basis. The method of distribution of each Tranche of Covered Bonds will be stated in the applicable Final Terms. Covered Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). See *Subscription and Sale and Transfer Restrictions and Secondary Market Arrangements*.
Certain Restrictions	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale and Transfer Restrictions and Secondary Market Arrangements*).
Currencies	Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Ratings	Covered Bonds issued under the Programme may be rated by Moody's. Moody's is established in the European Union and is registered under the CRA Regulation. As such, the referred credit rating agency is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Listing and Admission to Trading	Application has been made to the Euronext Lisbon for Covered Bonds issued under the Programme to be admitted to trading on the Euronext Lisbon Regulated Market. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market or Covered Bonds admitted to trading on other regulated markets for the purposes of MIFID II or on any other market which is not a regulated market. The relevant Final Terms will state on which stock exchange(s) and/or market(s) the relevant Covered Bonds are to be listed and/or admitted to trading (if any).

Selling Restrictions	There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, the EEA (including Italy), the United Kingdom and Japan as set out in S*ubscription and Sale and Transfer Restrictions and Secondary Market Arrangements*.
United States Selling Restriction	The Covered Bonds have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Accordingly, the Covered Bonds are being offered and sold only outside the United States in reliance upon Regulation S under the Securities Act. There may also be restrictions under United States federal tax laws on the offer or sale of Covered Bonds to U.S. persons except in accordance with United States Treasury regulations as set forth in the applicable Final Terms. See *Subscription and Sale and Transfer Restrictions and Secondary Market Arrangements*.
Use of Proceeds	Proceeds from the issue of Covered Bonds will be used by the Issuer for its general corporate purposes.
Status of the Covered Bonds	The Covered Bonds issued under the Programme will constitute direct, unconditional and unsubordinated and secured obligations of the Issuer and will rank *pari passu* among themselves. The Covered Bonds will be covered bonds issued by the Issuer in accordance with the Covered Bonds Framework and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer for issues under the Programme and in accordance with the terms of the Covered Bonds Framework. Such cover assets pool is autonomous from any other cover pool maintained by the Issuer in relation to any other programmes that it has or may establish in the future, and it is allocated to the issue of Covered Bonds under this Programme only. See *Characteristics of the Cover Pool*.
Terms and Conditions of the Covered Bonds	Final Terms will be prepared in respect of each Tranche of Covered Bonds, completing the Terms and Conditions of the Covered Bonds set out in *Terms and Conditions of the Covered Bonds*.
Clearing Systems	Euronext Securities Porto (together with any other clearing system which may be chosen from time to time, the "**Clearing System**") and/or, in relation to any Series of Covered Bonds, any other clearing system as specified in the relevant Final Terms. See *Form of the Covered Bonds and Clearing Systems*.

Form of the Covered Bonds

The Covered Bonds are intended to be held through Euronext Securities Porto and will be in book-entry form (*forma escritural*) and *nominativas* (which means that Euronext Securities Porto, at the Issuer's request, can ask the Euronext Securities Porto Participants information regarding the identity of the holders of Covered Bonds and transmit such information to the Issuer), and thus title to such Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable regulations. No physical document of title will be issued in respect of Covered Bonds held through Euronext Securities Porto. See *Form of the Covered Bonds and Clearing Systems*.

Transfer of Covered Bonds

The Covered Bonds may be transferred in accordance with the applicable procedures established by the Portuguese Securities Code (or under any legislation which may replace or complement it in this respect from time to time) and the provisions of the relevant Clearing System or other central securities depositary with which the relevant Covered Bond has been registered. The transferability of the Covered Bonds is not restricted.

Maturity Date

The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Framework or any laws or regulations applicable to the Issuer or the relevant Specified Currency. See also *Extended Maturity Date*.

Issue Price

The Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.

Insolvency Event

If an Insolvency Event in respect of the Issuer occurs, pursuant to the Covered Bonds Framework the holders of Covered Bonds may approve a Resolution to determine the serving of an Acceleration Notice, in which case all outstanding Covered Bonds shall immediately become due and payable each at their Early Redemption Amount together with accrued interest, without prejudice to the applicability of the provisions of Condition 6.8 of the *Terms and Conditions of the Covered Bonds*.

Negative Pledge

None.

Cross Default

None.

Guarantor

None.

Fixed Rate Covered Bonds

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count

Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. ("**ISDA**") and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds of the relevant Series); or
- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds. Interest periods will be specified in the applicable Final Terms.

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

Zero Coupon Covered Bonds

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

Redemption

The applicable Final Terms relating to each Tranche of Covered Bonds will specify either (*i*) that the relevant Covered Bonds cannot be redeemed prior to their stated maturity, save as provided for in the Covered Bonds Framework (see *The Covered Bonds Framework*) and in the soft bullet provisions under Condition 6., or (*ii*) that the relevant Covered Bonds will be redeemable at the option of the Issuer and/or the holder of Covered Bonds upon giving notice to the holder of Covered Bonds or the Issuer (as applicable), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). See also *Extended Maturity Date*. The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms.

Extended Maturity Date

The applicable Final Terms may provide that an Extended Maturity Date applies to each Series of the Covered Bonds and shall correspond to at least one year after the applicable Maturity Date, provided that in any case the Issuer may not select an Extended Maturity Date in the applicable Final Terms that would entail that such Series of Covered Bonds would benefit from an earlier Extended Maturity Date vis-à-vis another Series of

Covered Bonds with an earlier Maturity Date. If an Extended Maturity Date is specified in the applicable Final Terms, the maturity of the relevant Series of Covered Bonds will be automatically extended to the Extended Maturity Date if either (i) the Issuer fails to redeem the relevant Series of Covered Bonds on the applicable Maturity Date and it is foreseeable (as determined by the Issuer) that such failure will continue for 5 Business Days thereafter or (ii) the authorisation of the Issuer as a credit institution is revoked by the competent banking supervisory authority, and in each case notice thereof has been (or, in the case of (ii), is subsequently) given to the CMVM, all as further described in Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) of the Terms and Conditions. If within 10 calendar days of receiving such notice, the CMVM objects to such extension of maturity, the extension of maturity will then cease to apply and the relevant Series of Covered Bonds will be redeemed on the applicable Maturity Date or (if the date such objection is received by the Issuer from the CMVM is after the applicable Maturity Date) the Extension Cessation Date.

In respect of any Series of Covered Bonds, in case of liquidation or resolution of the Issuer, no extension to an Extended Maturity Date will (i) affect the ranking between any holders of Covered Bonds or (ii) invert the sequencing of the original maturity schedule of Covered Bonds. See Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) of the Terms and Conditions.

Denomination of Covered Bonds

The Covered Bonds will be issued in denomination per unit equal to or higher than €100,000 (or its equivalent in another currency, all calculated as described under *General Description of the Programme*) as specified in the relevant Final Terms, subject to compliance with the applicable legal and/or regulatory and/or central bank requirements and provided that each Series will have Covered Bonds of one denomination only.

Benchmark Discontinuation

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

Taxation of the Covered Bonds

All payments in respect of the Covered Bonds will be made without deduction for, or on account of, withholding taxes imposed by any jurisdiction, unless the Issuer or other parties in the jurisdiction of the investor (e.g., a local paying agent) shall be obliged by law to make such deduction or withholding and provided that the Covered Bonds holders deliver, *inter alia*, certain tax certifications. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. See *Taxation*.

The Covered Bonds Framework

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

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

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

Governing Law

Unless otherwise specifically provided, the Covered Bonds and all other documentation and matters relating to the Programme, including any non-contractual obligations arising out of, or in connection with, the Covered Bonds or the Programme, are governed by, and will be construed in accordance with, Portuguese law.

Jurisdiction	The courts of Lisbon, Portugal are to have jurisdiction to settle any disputes (including any non-contractual obligations) which may arise out of or in connection with the Covered Bonds or the Programme and, accordingly, any suit, action or proceedings arising out of or in connection with the Covered Bonds or the Programme may be brought in such courts, to the extent not mandatorily resulting otherwise from any applicable laws.

RISK FACTORS

The following is a description of the main risks associated with an investment in the Covered Bonds issued under the Programme. These risk factors are material to an investment in the Covered Bonds and in the Issuer. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Prospective investors in the Covered Bonds should carefully read and consider all the information contained in this Base Prospectus, including the risk factors set out in this section, prior to making any investment decision. The Issuer believes that the factors described below identify the risks that are considered more relevant prior to the issuance of the Covered Bonds, based on the probability of their occurrence and on the expected extent of their negative impact, should they occur. Although these are the specific risks which are considered to be more significant and capable of affecting the Issuer's ability to meet its obligations in relation to the Covered Bonds, they may not be the only risks to which the Issuer is exposed, and the Issuer may be unable to make payments on or in connection with any Covered Bonds for other reasons or for the identified risks having materialised differently. The Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Additional risks or uncertainties not presently known to the Issuer or which the Issuer currently considers immaterial may also have an adverse effect on the Issuer's ability to make payments on or in respect of the Covered Bonds. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus or incorporated by reference herein and make their own assessments prior to making any investment decision.

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

Introduction

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

1. Risks relating to the Issuer
   - (A) Risks relating to the Economic and Financial Environment;
   - (B) Risks relating to the Issuer's Business;
   - (C) Legal and Regulatory Risks;
   - (D) Tax and Accounting Risks;
2. Risks relating to the Covered Bonds issued under the Programme
   - (A) Risks relating to the Nature of the Covered Bonds;
   - (B) Risks relating to the Nature of the Covered Pool;
   - (C) Risks relating to the Market generally;
   - (D) Risks relating to Tax and other Relevant Laws;
   - (E) Risks related to the Structure of a particular issue of Covered Bonds.

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

Prospectus (including the documents incorporated by reference herein), in conjunction with each of the risk factors described below, and reach their own views prior to making an investment decision.

1 Risks relating to the Issuer

(A) Risks relating to the Economic and Financial Environment

Risks relating to the Portuguese economy

As a financial group whose core business is banking (taking deposits and granting credit) operating mainly in Portugal, the Group is dependent on the performance of the Portuguese economy. Moreover, in the last two years, the proportion of the Group's business conducted in Portugal stabilised, as the Group focused on its core retail and corporate banking business in Portugal and having divested from its non-core operations abroad, including as required by the commitments undertaken by the Portuguese Government towards the European Commission ("**EC**"). As at 31 December 2022 and 31 December 2021, 94.6 per cent. and 95.6 per cent., respectively, 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 and in turn are affected by both domestic and international economic and political events. Furthermore, because the Group has significant exposure to large corporate 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 more heavily affected by macroeconomic conditions in Portugal than other Portuguese banks with less exposure to the large corporate and SME segments.

The Portuguese economy performed strongly up until the end of February 2020, when the Covid-19 pandemic hit. The Portuguese Government implemented a comprehensive package of measures (included measures to counter the negative economic impact of Covid-19), addressing the immediate health policy challenges and implementing social distancing measures.

With the restrictions starting to ease in May 2020, economic activity gradually increased. The removal of most restrictions up to the end of the "state of contingency" in October 2021, allowed for an improvement in most indicators of economic activity, sustaining an economic recovery. GDP increased 5.7 per cent. in 2021 and 6.8 per cent. in 2022 (*Source: Statistics Portugal*). In 2022, economic activity benefited from a further expansion of private consumption (5.6 per cent. growth (*Source: Statistics Portugal*)) and a significant recovery of tourism services exports (80.9 per cent. growth (*Source: Statistics Portugal*)). The Bank of Portugal foresees annual GDP growth of 2.1 per cent. in 2023 and 1.5 per cent. in 2024 (*Source: Bank of Portugal, Economic Bulletin, October 2023*).

The average annual unemployment rate fell from 6.6 per cent. to 6.0 per cent. of the labour force in 2022 (*Source: Statistics Portugal*). The benign performance of the labour market in 2022 could be seen as a result of government support schemes to firms in the context of the pandemic and in the context of the energy shock suffered by the European and Portuguese economies with the start of the Russia-Ukraine conflict (as defined below). Furthermore, firms appeared to be reluctant to lay off workers, as labour shortages (particularly of skilled workers) remained a constraint in many sectors of activity. The monthly unemployment rate increased from 5.9 per cent. to 6.8 per cent. between January and December of 2022 and it stood at 6.5 per cent. in September 2023, after a 2023 low of 6.4 per cent. in August (*Source: Statistics Portugal*). A higher-than-expected increase in the unemployment rate in 2023 and 2024 would have a negative impact on consumption and could lead to a higher than expected increase in non-performing loans. The Bank of Portugal expects average annual unemployment rates of 6.5 and6.7 per cent., respectively, in 2023 and 2024 (*Source: Bank of Portugal, Economic Bulletin October 2023*).

However, the recovery of the Portuguese economy was constrained by the economic global conditions in 2022, marked by the Russia-Ukraine conflict and the significant and widespread increase in inflation and interest rates. In Portugal, the annual average consumer price index ("**CPI**") inflation rose to 7.8 per cent. in 2022, with the energy and food components rising 23.7 per cent. and 12.2 per cent., respectively (*Source: INE, January 2023*). Consumer prices decelerated in 2023, with year-on-year inflation falling from 8.4 to 2.1 per cent between January and October, given favourable base effects related to high energy prices in 2022. Annual average inflation stood at 5.7 per cent in October 2023 (Source: INE, October 2023). Significant uncertainties over the short and medium term remain. The war between Israel and Hamas that started in October 2023 could spread to other countries and regions, potentially constraining oil and gas supply and raising energy prices significantly. This could lead to a new rise in inflation and to tighter monetary policies. A further significant increase in interest rates, as a result of persistent inflation in the euro area, could lead to higher-than-expected household debt service burdens, which could translate into lower spending on goods and services, hurting economic growth, and to a rise in non-performing loans.

The stock of non-performing loans ("**NPLs**") has consistently declined (from a peak of 17.9 per cent. of total loans in June 2016 to 3.1 per cent. in the second quarter of 2023 (*Source: Bank of Portugal, Portuguese Banking System Statistics*). The end of the loan moratoria in September 2021, the gradual retreat of policy support measures associated with the Covid-19 pandemic and the increase in mortgage rates that followed the the rise in inflation and the tightening of monetary policy by the ECB since 2022 did not translate into any significant deterioration in credit quality. However, the impacts of the energy shock on households and firms, and the negative effects of higher inflation and interest rates, which are still to be seen in full, could lead to a deterioration in credit quality.

Activity growth expectations in 2024 are based on the assumption of progress in the execution of investments under the Growth and Resilience Plan (the "**Plan**"). Higher inflation and a rise in construction costs, as well as shortages of materials and management problems, could lead to a less effective execution of the Plan and to a lower-than-expected increase in investment in 2024, affecting GDP growth.

Further waves of the Covid-19 pandemic due to virus mutations, leading to a reintroduction of restrictive measures on activity and/or surge of other pandemics in other European countries and worldwide, could weaken economic activity, mainly due to the impact on foreign tourism, and to the effects of shortages of materials and intermediate consumptions (i.e. the value of goods and services consumed as inputs by a process of production) on manufacturing activity.

The materialisation of these risks would lead to negative spill-overs to the labour market, banking sector and public finances. A further and significant increase in energy and non-energy commodity prices, a sudden cut-off in Russian gas supplies to Europe and a shortage of oil supply related to a wider conflict in the Middle East could lead to energy rationing and to a contraction in economic activity in the euro area, with negative indirect effects on the Portuguese economy. Additionally, further escalation of tensions between Russia and Europe or the US , or between Iran and the US, would heighten uncertainty and have negative impacts on financial markets, which could lead to negative economic effects and to a rise in risk premia in the euro area periphery sovereign debt. See also the risk factor entitled "*—Risks relating to global economic conditions and geopolitical risks*".

In November 2023, Portugal's Prime Minister resigned, following news of an investigation on corruption and influence peddling involving members of the Government and close aides. The probe was related to lithium exploration concessions, hydrogen production and a large data-centre project. The President announced that an early General Election would take place on 10 March 2024. The current Parliament would still be able to vote on the 2024 Budget. A final vote was scheduled for 29 November 2023. Its

approval was generally expected, as the party supporting the Government holds an absolute majority in Parliament, and it was obtained on 29 November 2023. The Budget is projecting a surplus of 0.2 per cent of GDP in 2024, while the public debt ratio is seen falling to 98.9 per cent of GDP (Source: Budget 2024, Ministry of Finance). Uncertainty related to the election results, and a difficulty to form a new Government supported by a stable majority in Parliament could weigh on business and consumer confidence, which could lead to weaker demand growth. The adoption of a more expansionary fiscal policy stance by the future Government could lead to higher budget deficits and to an interruption of the downward trend in the public debt ratio. This could force rating agencies to revisit their assessment of Portugal's fiscal outlook, potentially leading to downward revisions in sovereign ratings. Delays in the formation of a new Government, due to the lack of a clear majority in Parliament, could have negative impacts on the execution of the Recovery and Resilience Plan, with adverse effects on investment and growth.

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.

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.

Risks relating to global economic conditions and geopolitical risks

The Group's businesses and performance are affected by global economic conditions and the perceptions of those conditions and future economic prospects.

In February 2022, the global economy was negatively impacted by the start of a military conflict by the Russian Federation ("**Russia**") in Ukraine (the "**Russia-Ukraine conflict**"), which further contributed to disruptions in global supply chains that were already affected by the Covid-19 pandemic, which in turn led to a significant and widespread increase in inflation rates, mainly through an acceleration in energy and food prices. The EU imposed economic sanctions on Russia and Belarus, which included, among others, a ban on all transactions with the Russian Central Bank and the freezing of its assets and the exclusion of major Russian banks from SWIFT.

The initial sanctions imposed on Russia have been extended and new ones have been added. The direct exposure of the Portuguese economy to Russia or Ukraine is not significant. In 2021, Portuguese exports of goods to Russia represented 0.3 per cent. of total exports of goods, while imports (75 per cent. of which were minerals) represented 1.3 per cent. of total imports of goods (*Source: Bank of Portugal, 2022*). Russian foreign direct investment in Portugal amounted to €305 million, while Portuguese foreign direct investment in Russia stood at €20 million in 2021 (*Source: Bank of Portugal, 2022*). Portuguese exports and imports of goods to and from Ukraine represented 0.1 and 0.4 per cent. of total exports and total imports, respectively, in 2021, with 60 per cent. of imports related to vegetables, fruits and cereals

(*Source: Bank of Portugal, 2022*). The Issuer's total exposure (customer loans and securities) to Russia, Belarus and Ukraine as at 31 December 2022 and 31 December 2021 was €20.7 million and €49.3 million, respectively.

Energy trade with Russia was not immediately or totally interrupted in Europe but fears of future significant supply disruptions translated into higher premia in oil and gas prices. Along with the constraints still felt in supply chains, this contributed to a significant rise in inflation. In the euro area, CPI inflation rose to 8.4 per cent. in 2022 (*Source: Eurostat, February 2023*). In this context, several central banks, including the ECB, accelerated the removal of monetary policy stimuli, which led to a rise in market interest rates and to a rise in volatility in financial markets, with increased fears of deceleration or contraction in global economic activity. Between July 2022 and September 2023, the ECB raised its policy interest rates by a cumulative 450 basis points, leaving the rate on the main refinancing operations at 4.5 per cent. and the deposit facility rate at 4.0 per cent. The euro area monetary authority also ended its net asset purchases under the pandemic emergency purchase programme in March 2022 and its net asset purchase programme in the third quarter of 2022 and approved a new transmission protection instrument for the effective transmission of monetary policy. The transmission protection instrument was announced in July 2022, aimed at countering "unwarranted, disorderly market dynamics" that could threaten the smooth transmission of monetary policy across all euro area economies, as the ECB continues to normalise its policy. In this context, the yield on the 10-year Portuguese Government bond increased to 3.586 per cent. by December 2022 (*Source: Bloomberg*), with the spread as compared to the German Bund widening to 102 basis points. This reflected a general increase in risk aversion in financial markets, as a result of the uncertainty around the impacts of the Russia-Ukraine conflict, higher inflation and the removal of monetary policy stimuli. The sovereign spread was, nevertheless, lower than in other periphery economies, such as Greece and Italy, as the Portuguese economy was not perceived as being in the frontline of the impacts of the war. In the beginning of November 2023, the yield on the 10-year Portuguese Government bond stood at 3.4%, with the spread as compared to the German Bund at 68 basis points (*Source: Bloomberg*).

Euro area GDP rose 3.4 per cent. in 2022, slowing down from its 5.9 per cent. increase in 2021 (*Source: Eurostat, November 2023*). Domestic demand was constrained by rising inflation and interest rates, which effectively reduced families' disposable income and purchasing power. At the same time, the sharp rise in energy costs and the cooling of external demand resulted in lower industrial activity and a slowdown in exports of goods. However, growth in the euro area economy was supported by the relaxation of Covid-19 restrictions and by the strong performance of services. The slowdown in private consumption was mitigated by the drop in unemployment rate, from 6.7 per cent. to 6.6 per cent. of the labour force (*Source: Eurostat, February 2023*).

The IMF expects the global economy to grow by 3 per cent. in 2023 and by 2.9 per cent. in 2024, down from a 3.5 per cent. expansion in 2022 (*Source: World Economic Outlook, October 2023*). For the euro area, the ECB foresees GDP growth of 0.7 per cent. in 2023 and 1 per cent. in 2024. The ECB sees annual average inflation falling, but still remaining above target at 5.6 per cent. in 2023 and 3.2 per cent. in 2024, down from 8.4 per cent. in 2022 (*Source: ECB Staff macroeconomic projections, September 2023*).

Inflation could be higher and more persistent than expected, forcing the ECB to raise policy rates further, to levels that are more restrictive than anticipated by households and firms. Tighter than expected monetary and financial conditions could lead to an environment of restricted liquidity. This, in turn, could lead to downward asset revaluations in markets, with negative wealth effects and with adverse impacts on confidence and spending by households and firms. There is also a possibility that an extended Russia-Ukraine conflict, or a wider conflict in the Middle East, contributes to more permanent increases

in energy and food prices, with a negative impact on global economic activity. Natural gas prices could increase again significantly in 2024, as European countries try to maintain their reserves, at the same time as gas demand increases with the recovery of China's economy and as supply risk is constrained by geopolitical tensions. Lower than expected temperatures could reinforce an upward pressure on global gas demand and on prices. Europe, in particular, also faces the risk of being cut off completely from the supply of Russian gas. All this could create a need to ration energy, which would likely lead to a contraction in economic activity.

A revaluation in asset prices and a market correction resulting from a stronger and more persistent than expected rise in inflation and in interest rates could lead to lower confidence levels, negative economic effects and a tightening in financing conditions. Higher interest rates and currency appreciations in the main developed economies could lead to capital outflows from emerging markets, particularly from those with more visible macroeconomic imbalances. Risks of financial instability and of recessions in emerging markets could rise, with the need to increase domestic interest rates and with declines in commodity prices. Worsening economic conditions in emerging markets could have a negative impact on the Portuguese business sector. Investor confidence could deteriorate, affecting financing conditions faced by the Portuguese Government and by Portuguese businesses. Portuguese exports and business investments could also feel a negative impact. For example, PALOP economies (Portuguese Speaking African Countries) account for 8.9 per cent. of Portugal's outward foreign direct investment, while BRIC (Brazil, Russia, India and China) economies account for 5 per cent. of that investment (Source: *Bank of Portugal, December 2022*). Brazil and Angola together account for 3 per cent. of Portuguese goods exports (Source: *Bank of Portugal, December 2022*).

Global economic growth and, particularly, activity in Europe, could be severely affected by an escalation of the war in Ukraine, with an increase in political and military tensions between Western countries and Russia, including the risk of a nuclear accident, or by an escalation of the war in the Middle East, with significant impact on energy markets. The rise in uncertainty could delay investment and consumption decisions, hurting economic growth. A rise in public defence spending could contribute to a further upward pressure on inflation and on interest rates. Confidence levels could also be constrained by a rise in political and trade tensions between China and the US, and by a rise in tensions between the US and Iran. This could also translate into a significant increase in oil prices, with negative impacts on global growth. The US and European economies also face an increasing risk of cyber terrorism, which could disrupt economic activity.

In March 2023, US authorities seized control of and closed Silicon Valley Bank ("**SVB**"), which had faced losses related to its large exposure to long term debt, triggering a run on its deposits. With the rapid and strong increase in interest rates in the US in 2022-23, financial institutions heavily exposed to long term debt – particularly mid-sized US regional banks – could be seen as vulnerable to potential losses in their balance sheets. Although European and Portuguese banks were not directly exposed to the issues that led to the SVB closure, the fall in investor confidence and adverse economic impacts in the US have led to contagion effects at the global level, as evidenced by the ensuing events concerning other financial institutions, including Credit Suisse and Signature Bank. Further adverse economic and market conditions could 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.

Risks relating to the Portuguese Sovereign Risk and Rating Downgrades

Economic growth, the improvement in public accounts and the stabilisation of the banking sector led to upgrades in the Portuguese sovereign rating in the past years. As at the date of this Base Prospectus, Portuguese sovereign debt is rated A- by Fitch Ratings Ltd. ("**Fitch**"), with stable outlook, BBB+ by

S&P Global Ratings ("**S&P**"), with positive outlook, A3 by Moody's, with stable outlook, and A by DBRS, with stable outlook. With these ratings, Portugal's sovereign debt is considered investment grade by all the main rating agencies.

Rating agencies S&P, Moody's, Fitch and DBRS have 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 negative external shocks, including the Covid-19 pandemic, the war in Ukraine and a recession in Europe.

The ability to use Portuguese 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 and debt issued from Portuguese companies

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

The Group is exposed to credit risk, meaning 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. Adverse changes in the credit quality of the Group 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 and doubtful debts and other credit losses.

The following indicators characterised the Group's credit risk exposure as at 30 September 2023 and 31 December 2022:

- the ratio of overdue loans greater than 90 days to gross loans (Overdue loans> 90 days/Gross loans) was 1.4 per cent., compared to 1.2. per cent. as 31 December 2022, with a coverage ratio (the ratio of provisions to overdue loans > 90 days) of 278.3 per cent (336.0 per cent. as at 31 December 2022);
- the ratio of NPLs was 4.2 per cent., compared to 4.3 per cent. as at 31 December 2022, with a coverage ratio of 83.8 per cent. (77.5 per cent. as at 31 December 2022).

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, 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 Group's hedging and other risk management strategies, which could in turn have a material adverse effect on 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, which could be magnified for Group as a result of its significant exposure to corporate and SME customers. In the context of weak economic conditions, and especially considering the high inflation and interest rate environment, mainly as a consequence of the Russia-Ukraine conflict, loans to corporates and individuals and the value of assets collateralising the Group's loans are expected to remain under pressure. Failure by the Group to adequately manage its credit risk could materially and adversely affect the Group financial condition and results of operations. For further details on the impacts see the risk factor entitled "*—Risks relating to global economic conditions and geopolitical risks*" above.

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 Group's financial condition and results of operations.

Expectations about future credit losses maybe 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 the maintenance of high levels of interest or inflation rates for a long period of time may result in losses which exceed the amount of Group's provisions or the maximum probable losses envisaged by its risk management models.

An increase in 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.

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

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. The Group's real estate assets registered as investment properties amounted to €0.5 billion as at 30 September 2023 and €0.5 billion as at 31 December 2022, and the real estate assets registered as other assets amounted to €0.2 billion as at 30 September 2023 (net of impairment amounted to €103 million) and €0.2 billion as at 31 December 2022 (net of impairment amounted to €114 million). During the first 9 months of 2023, the Group recognised a profit of €21.0 million related to the fair value and sale of investment properties (during 2022, the Group recognised a profit of €93.1 million related to the fair value and sale of investment properties). Concerning the real estate registered in other assets, the impairment charge-off as at 30 September 2023 and 31 December 2022 amounted to €7.7 million and an impairment charge-off of €12.8 million, respectively. The Group is also exposed to the real estate market through holdings of restructuring funds (funds managed by external parties which were established by the Portuguese banking system to deal with the financial recovery of companies which were in financial stress) with real estate underlying, and some minor stakes in real estate funds held in securities portfolios. A decrease in the value of Portuguese real estate market

prices would 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 Credit Institutions General Regime (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), established by Decree-Law no. 298/92 of December 1992, as amended (the "**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.

Furthermore, as at 30 September 2023 and 31 December 2022, 39.7 per cent. and 38.9 per cent. of the Group's loans and advances to customers consisted of mortgage loans, respectively. While the Group has experienced a relatively low level of defaults in these types of loans, a decrease in house prices, which can happen at any time in the future, 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 (which would increase in such circumstances).

The Group's loans and advances to customers in the real estate sector represented 7.2 per cent. of all its loans and advances to customers as at 30 September 2023 (6.9 per cent. as at 31 December 2022). If the real estate sector faces economic or other difficulties, this could also negatively impact the recovery value of the loans or increase the impairment charge or capital requirements. Any such changes could negatively affect the financial condition, results of operations and capital position of the Group.

The risk of devaluation of Portuguese real estate prices increased during the Covid-19 pandemic, including as a result of the decrease in occupancy rates that were reported at the time in the tourism sector, and more recently with the Russia-Ukraine conflict and the significant increase in interest rates and inflation rates which may significantly reduce demand and pressure house prices. Tighter financing conditions and lower real income growth (given high inflation) could translate into lower demand for housing, from residents and non-residents. A fall in tourism activity, resulting from a slowdown or contraction in global and European economic activity, could exacerbate this movement in demand. House prices increased 8.7 per cent. year-on-year in the second quarter of 2023 (*Source: Statistics Portugal, September 2023)* and some indicators point to signs of overvaluation in housing (*Sources: OECD data on housing prices 2023, Bank of Portugal, Financial Stability Report, May 2023*). Lower demand could lead to a sudden fall in house prices and to a deterioration in the financial health of firms in the real state sector. A decrease in the value of Portuguese real estate market prices would 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. For further details on the impacts, see the risk factor entitled "*—Risks relating to the economic and financial environment— Risks relating to global economic conditions and geopolitical risks*".

In February 2023, the Portuguese Government presented the "*Mais Habitação*" programme, aimed at increasing the supply of affordable housing in Portugal and at mitigating households' burdens with mortgage payments and with rents.

The measures related to rent support, subsidies and mortgage payments approved by the Portuguese Government entered into force on 23 March 2023 through the enactment of Decree-Law no. 20-B/2023 of 22 March 2023 producing its effects since 1 January 2023. The measures related to the increase of supply of affordable houses were approved by the Portuguese Government on 30 March 2023 were initially approved in Parliament in July 2023. The President issued a veto on the legislation in August 2023. The Government submitted the measures again to Parliament, without any changes, and these were approved by the absolute majority supporting the Government, and the President of the Portuguese Republic promulgated the parliamentary decree containing these measures on 30 September 2023, which was subsequently published in the Portuguese Official Gazette (*Diário da República*) as Law no. 56/2023, of 6 October 2023, and entered into force on 7 October 2023.

In September 2023, the Government proposed a temporary mechanism aimed at lowering and stabilising monthly mortgage payments that were contracted under a variable rate regime or a mixed rate regime. The mechanism was approved through Decree Law no. 91/2023, of 11 October, and has entered into force on 12 October 2023. The Government has also proposed a temporary reinforcement of the existing programme of subsidies to mortgage payments.

As of the date of this Prospectus, it is not possible to ascertain the impact of such measures in the Issuer's activity, depending on its clients and counterparties meeting the legal requirements to apply to these programmes.

Changes in government policies are out of the Group's control and given its exposure to the fluctuations of the real estate market this uncertainty could have an adverse effect on the Group's operational results.

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

The Group is subject to interest rate risk. As is the case with other banks in Portugal, novobanco 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 and other banks. 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. As a result, 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.

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 Group's results of operations.

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 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 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.

Inflationary pressures have significantly increased since 2021 and especially in 2022 with the Russia-Ukraine conflict. In this context, the major central banks, including the ECB, have accelerated the removal of monetary policy stimuli and have significantly increased interest rates. Despite the fact that rates usually improve interest margin and therefore have a positive impact on the Bank's financial condition, 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.

While interest rates are still expected to increase in 2023, expectations on the level of interest rates in the coming years are still very uncertain, which translates into significant volatility in the market. In addition to the high volatility in the interest rate markets and in financial markets globally, with a general rise in risk premia, the perspective of a sharp increase in interest rates have also generated fears of deceleration or even contraction in global economic activity, which could in turn favour a reduction of interest rates. 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.

Concentration risk in credit exposures

The Group is subject to a concentration of credit risk in particular industries, countries, counterparties, borrowers, issuers and customers. The Group's loans and advances to customers, which comprised a net amount of 57.4 per cent. of the Group's assets as at 30 September 2023 (53.4 per cent. as at 31 December 2022), had significant exposure with respect to the services sector and real estate activities, which represented 10.0 per cent. and 7.2 per cent., respectively, of its loans and advances to customers as at 30 September 2023 (10.6 per cent. and 6.9 per cent., respectively, as at 31 December 2022). Macroeconomic downturn or deterioration in real estate values, adverse business conditions, market disruptions or greater volatility in those industries as a result of lower prices in such industries or other factors could result in significant credit losses for the Group. See also the risk factor entitled "*—The Group is exposed to fluctuations in the value of Portuguese real estate*".

Additionally, the Group is exposed to risks arising from the high concentration of individual exposures in its loan portfolio, with the 10 largest loan exposures of the Group as at 30 September 2023 representing 8.7 per cent. of the total loan portfolio (gross) (8.7 per cent. as at 31 December 2022). See also the risk factor entitled "*—The Group is exposed to significant credit risk*".

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 pay liabilities as they become due. novobanco, 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 72.6 per cent. and 66.9 per cent. of total liabilities as at 30 September 2023 and 31 December 2022, 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 was needed, the Group could be required to obtain additional funding at significantly higher funding costs, liquidate certain of its assets, increase its central bank funding through monetary policy operations of the ECB or ultimately, as a last resort, the Issuer may seek Emergency Liquidity Assistance ("**ELA**") provided by the Bank of Portugal, as Portugal's Eurosystem National Central Bank (the "**National Central Bank**") (which allows for the support of solvent financial institutions facing temporary liquidity problems under exceptional terms). In the past the Issuer has experienced pressure on its customer deposits following public announcements or other relevant developments about its financial position or prospects and resorted to ELA funding in 2014.

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

Group's inability to attract customer deposits may impact the Group's ability to fund its operations and meet its minimum liquidity requirements (notwithstanding the availability of ELA funds under certain circumstances) and have a material adverse effect on its business, financial condition or results of operations.

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 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.

The Issuer has had limited access to the interbank markets, international capital markets and wholesale funding markets more generally since its establishment. 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 Group 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.
- The Group liquidity position relies largely 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, including to the collateral eligibility criteria, 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 is dependent 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 Group's ability to borrow on a secured or unsecured basis, which may have a material adverse effect on 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 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 September 2023, the liquidity coverage ratio ("**LCR**") and net stable funding ratio ("**NSFR**") stood at 136 per cent. and 117 per cent., respectively (210 per cent. and 113 per cent. as at 31 December 2022, 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 dependent on the ECB for access to funding, which is subject to certain conditions and risks

Group's access to capital markets was limited for a prolonged period since its establishment. As a result, in addition to deposits, the Group has made significant use of funding from the ECB, which currently makes funding available to European banks that satisfy certain conditions including pledging eligible collateral. Group had €0.4 billion net exposure with the ECB as at 31 December 2022 and €2.7 billion as at 31 December 2021. Gross ECB funding was €6.3 billion as at 31 December 2022 and €8.0 billion as at 31 December 2021 respectively. As at 30 September 2023, gross ECB funding reduced €5.2 billion since the beginning of the year, amounting to €1.1 billion.

The assets of the Group that are eligible as collateral for rediscount (liquidity facilities) with the ECB have been materially reduced in the past as a result of loss of eligibility due to changes in the eligibility criteria or changes in credit ratings, and 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, including those that benefit from measures implemented by the ECB to support liquidity, including the acceptance of additional credit claims. Additionally, 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 further decreasing the total amount of Group's eligible portfolio. The continuing eligibility of Portuguese 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 Group's business, financial condition or results of operations. In addition, if the value of Group 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 (namely (i) the interest rate reduction on the third targeted longer-term refinancing operations programme ("**TLTRO III**"); (ii) improved financing and liquidity packages; and (iii) the package of collateral easing measures to respond to the Covid-19 pandemic), the ECB has fast removed the monetary stimulus given the rise in inflation. Significant changes to the eligibility criteria of the ECB for collateral assets may require the Group to find alternative funding sources, some of which are expected to be more costly or may not be available at all, or to dispose of assets at a potentially significant discount in relation to their respective book values, with a corresponding negative impact on the Group's capital position and results of operations. Additionally, any sudden change could also have a material effect on the financial markets and the valuation of the Issuer's assets, including public debt portfolio.

The Issuer may also be eligible for ELA funding. National Central Banks in the Eurosystem may provide ELA funding to solvent financial institutions with temporary liquidity problems in their respective jurisdictions, unless the ECB restricts such funding if it considers that these operations interfere with the objectives and tasks of the Eurosystem or the funding conditions. As at 31 December 2022, the Group portfolio of assets eligible as collateral for rediscounting operations with the ECB (net of haircut) totalled €16.9 billion, which compares with €16.5 billion as at 31 December 2021. As at 30 September 2023, the Group portfolio of assets eligible as collateral for rediscounting operations with the ECB (net of haircut) amounted to €15.8 billion, a €1.1 billion reduction since the beginning of the year.

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 Group's business, financial condition or results of operations.

Group business is subject to operational and cybercrime risks

Group is subject to certain operational risks, including interruption of service, errors, 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.

Additionally, 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 and of its relevant third-party providers. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. 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 and fines 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, either regarding the Group or third-party providers. 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 could take place, 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.

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, legal liability and/or have a material adverse effect on the Group's financial condition and results of operations.

Novobanco's activity is subject to reputational risks

The Issuer is exposed to reputational risks which are understood as the probability of negative impacts for novobanco 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.

On 11 February 2020, novobanco, S.A. – Spanish Branch was informed by a former employee that he had performed several allegedly fraudulent acts involving several clients, relating to the management of a client portfolio of a given agency of the Spanish Branch, outside the scope of and in non-compliance with the internal procedures defined by the Issuer. The quantification of the potential damages and identification of customers that may be at stake are still in progress and therefore the effects or the amounts that could potentially be at stake and the potential liability of the Issuer is, for the moment, unable to be finally determined. Nevertheless, according to the Issuer's current assessment, supported by legal and forensic analysis, the Issuer has booked a provision of €19.5 million for these claims. In any case, this may result in reputational damage to the Issuer.

The Issuer is subject to continuous political and public scrutiny (including, but not limited to) in relation to its incorporation and the Lone Star Sale (as defined below) in particular the existence of the CCA (defined below) and its functioning, which have led to a number of political initiatives, including two audits from the Court of Auditors (*Tribunal de Contas)* at the request of the Portuguese Parliament, and the creation of a Parliamentary Inquiry Commission (*Comissão Eventual de Inquérito Parlamentar às perdas registadas pelo Novo Banco e imputadas ao Fundo de Resolução*). See the risk factor below entitled "*The Resolution Fund may fail to make or be prevented from making payments under the Contingent Capital Agreement*". In addition, as a result of the rules introduced by Law No. 15/2019 of 12 February, on transparency of information concerning granting of credits of significant value, some independent audits of the Issuer have and may continue to be performed in the future.

Negative public opinion regarding the Issuer or the financial services sector as a whole may arise from actual or perceived practices within the banking sector or in the way, real or perceived, that the Issuer conducts its activities. Negative publicity or negative public opinion may adversely affect the ability of the Issuer to retain and attract customers, especially retail and institutional depositors. The occurrence of any or several events or circumstances, including, but not limited to as the ones described above, that have a negative impact on the Issuer's reputation could materially adversely affect the Issuer's business activities, financial condition and results of operations.

A reduction in novobanco'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 Base Prospectus, the Issuer's long-term credit ratings are the following: "Ba1" for long term senior unsecured debt with a positive outlook and "Ba1" for long term deposits with a positive outlook by Moody's, and "BB (low)" issuer rating and long-term senior debt rating with a stable trend and "BB" long-term deposits rating with a stable trend by DBRS. The Issuer's credit ratings are considered low as compared with other Portuguese and international peers, which have been constraining both the Issuer's market access and funding cost. Despite the recent upgrades and positive outlook on the Issuer's credit ratings, there can be no assurance that the rating agencies will maintain the current ratings or outlooks.

Downgrades of novobanco'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 novobanco'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 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.

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.

Risk 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 DTA's that are not contingent on future profitability, foreseeing that such DTA's are not deducted from CET1 capital. For such purposes, DTA's are deemed to not be contingent on future profitability when:

(a) 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;

(b) 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

(c) where the amount of tax credits referred to in point b) above exceeds the tax liabilities referred to in that same point, any such excess is replaced with a direct claim on the central government of the EU Member State in which the institution is incorporated.

The deduction of DTA's from CET1 capital would thus have an impact on credit institutions established in Member States where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses.

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

Law 61/2014 foresees that any DTA's arising from loan impairment losses and from post-employment and long-term employment benefits into tax credits. These DTA's 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; (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body.

The amount of DTA's is declared by corporate income taxpayers in their annual Corporate Income Tax return. The amount of the declared tax credit must subsequently be certified by the auditors and confirmed by the Portuguese Tax Authorities.

The tax credits obtained with the conversion of the DTA's may be offset against any State taxes on income and on assets payable by the taxpayer.

The conversion of DTA's entails the constitution of a special non-distributable reserve, equivalent to the amount of the tax credit obtained increased by 10 per cent., and conversely, the issuance of symmetric warrants to the Portuguese State. The warrants entitle the Portuguese State to (i) demand the Issuer to increase its share capital by converting the special reserve into ordinary shares representing the Issuer's share capital and to subsequently deliver such shares to the Portuguese State for no consideration; or (ii)

freely dispose of them, including by sale to third parties, which may subsequently demand such increase of novobanco's share capital.

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

Novobanco adhered to the special regime applicable to DTAs approved by Law 61/2014. The 2015 to 2019 conversion rights were converted and conferred a stake of 11.96 per cent. of the share capital of the Issuer. The conversion rights for 2020 are waiting for the certification by tax authorities and will confer an additional stake of 3.89 per cent. of the share capital of the Issuer. For further details, see "*Description of the Issuer and of the Group—Ownership Structure (Including Government Relationship)*".

As at 31 December 2022, the Group held €922.6 million of DTA's in its accounts, of which €63.5 million related to reported losses and €859.1 million related to temporary differences. Of these, €295.3 million are protected under the Portuguese special fiscal regime. If any DTA's are not recovered, this could have an adverse impact on the profitability and equity of novobanco and the Group.

DTA's related to reported losses are deducted from regulatory capital, whereas DTA's 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. DTA´s related to temporary differences protected by the Portuguese special fiscal regime are weighed at 100 per cent. Any future changes to the way in which the Portuguese fiscal regime operates could result in previously protected DTA's no longer being protected.

Law No. 24-D/2022, of December 30 (2023 State Budget) introduces changes in tax losses carry forward. Tax losses assessed in tax years starting on or after 1 January 2023 can be deducted against taxable profit generated in future taxable years for an unlimited time period. The new rule also applies to tax losses assessed in tax years prior to 1 January 2023, for which the carry forward period is still running as of that date.

The deduction of tax losses is capped at 65 per cent. of the taxable profit. This does not exclude the amount of tax that has not been deducted, under the same conditions, in the following fiscal years.

The elimination of the temporal limitation of tax losses does not apply to those calculated in tax years prior to 1 January 2023 in which one of the situations provided for in paragraph 1 of article 6 of the Special Regime applicable to Assets by Deferred Taxes (REAID), approved as an annex to Law No. 61/2014, of August 26 (conversion of deferred tax assets into tax credits), applying the deduction period in effective on 31 December 2022.

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. 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 significant pension liabilities associated with its defined benefit pension fund, which includes the following three plans: the "Master Plan", the "Complementary Plan" and the "Executive

Committee's Complementary Plan" (the "**Executive Committee's Complementary Plan**" is only for members of the Executive Committee and was subject to the split between the Issuer and Banco Espírito Santo, S.A. ("**BES**") pursuant to the Resolution Measure, which occurred during 2020, and related decisions) (the "**Pension Fund**"). Group's expected return on the assets in its Pension Fund is based on certain assumptions. If the returns on the assets in its Pension Fund is less positive than expected or negative, the Group will be required to recognise actuarial losses on the difference between a greater expected value of the assets and the actual value. 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 Group's Pension Fund in order to guarantee that its Pension Fund liabilities are fully funded, as required by regulation.

In addition to such losses requiring contribution to the Group's Pension Fund, 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, novobanco 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.

As at 30 June 2023, the Group's pension obligations in the Pension Fund amounted to €1.418 billion, and the fair value of the Pension Fund allocated to the Issuer as at the same date was €1.530 billion. The excess funding of the pension fund liabilities amounted to €112.6 million as at 30 June 2023, accounted as an asset.

The Group is exposed to market risks

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 September 2023, the Group's securities portfolio amounted to €10.8 billion (€10.9 billion as at 31 December 2022), of which 54.3 per cent. were public debt instruments, 42.4 per cent. were classified as bonds and 3.3 per cent. were shares and other variable income securities (59.0 per cent., 37.4 per cent. and 3.6 per cent. respectively as at 31 December 2022).

Additionally, as at 30 September 2023, 83.8 per cent. of such assets were classified as Level 1 (those that are quoted on a recognised market as of such date), 2.5 per cent. as Level 2 (those for which valuation methods with prices and standards that are observable in the markets are used) and 13.7 per cent. as Level 3 (those for which valuation methods with prices and standards that are not observable in the markets are used), which compares to 84.9 per cent., 2.7 per cent. and 12.4 per cent. as at 31 December 2022, respectively.

As at 30 September 2023, the Group had a value at risk ("**VaR**") of €15.9 million in its trading and investment positions in respect of equities, interest rates, volatility and credit spread, total commodities position and total foreign exchange position and investment portfolios, compared to €8.1 million as at 31 December 2022. The Group's VaR is calculated using the "Monte Carlo" simulation method, with a 99 per cent. confidence level and a holding period of ten days.

The Issuer had, in its securities portfolio, investments in restructuring funds in an amount of €240.6 million as at 30 September 2023 (€253.2 million as at 31 December 2022), most of which are covered

by the CCA. 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). In compliance with the guidance by the ECB, the Issuer obtained an independent valuation of its exposure to these funds.

Novobanco's 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 its balance sheet. Nevertheless, these activities involve 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 Group cannot close out deteriorating positions in a timely way.

The Group is exposed to the risk of public debt securities within the investment portfolio

Group is exposed to public debt securities of euro area countries. The Group is a market maker for Portuguese sovereign debt. The amounts and average maturity of the debt held over time varies as a result of its market making activities and of its outlook as to the attractiveness of such debt.

As at 30 September 2023, the Group's portfolio of public debt securities represented 54 per cent. of the Group's total securities portfolio (58% as at 31 December 2022). As at 30 September 2023, the Group's portfolio of public debt securities of euro area countries comprised, among others, approximately €1.0 billion in Portuguese public debt, approximately €1.5 billion in Spanish public debt, approximately €0.3 billion in Irish public debt, approximately €0.1 billion in Italian public debt and no exposure to Greek public debt, €1.0 billion, €2.1 billion, €0.2 billion, €0.1 billion and no exposure respectively as of 31 December 2022. Also, the Group has no exposure to Russian or Ukrainian public debt.

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 euro area members through a contagion effect.

Following a prolonged period when public debt yields have remained low and market conditions favourable, mainly due to the favourable monetary policies, the extreme volatility felt in 2022 and the rise in inflation and interest rates, has led to a considerable increase in public debt yields. As uncertainty remains high, the conditions for public debt can significantly deteriorate, including, but not limited, to the possibility of faster interest rate rise scenarios or an economic downturn on certain countries. For further details on the economic risks, see the risk factor entitled "*—Risks relating to the Issuer—Risks relating to the economic and financial environment—Risks relating to global economic conditions and geopolitical risks*".

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

The Resolution Fund may fail to make or be prevented from making payments under the Contingent Capital Agreement ("CCA")

As part of the conditions of the sale of 75 per cent. of the share capital of the Issuer to Lone Star agreed in March 2017 and completed in October 2017 (the "**Lone Star Sale**"), the Portuguese resolution fund, a public law legal entity created in 2012 pursuant to RGICSF, with the goal to provide financial support to resolution measures applied by the Bank of Portugal, in its capacity as national resolution authority

(the "**Resolution Fund**") and the Issuer have entered into the Contingent Capital Agreement (the "**CCA**").

Currently there are legal proceedings filed in the Portuguese courts challenging the validity of the CCA and of the obligations of the Resolution Fund in connection with it. Any court decision that considers the CCA illegal, void or otherwise invalid, in whole or in part, or that prevents the Resolution Fund from making any payments under the CCA may have a significant effect on the Group and its financial position, including as a result of any required repayment of funds already disbursed under the CCA. For further details on proceedings relating to the sale of the Issuer, see "*—Legal and regulatory risks— Risks related to Legal Proceedings —Proceedings relating to the sale of the Issuer*" and "*Description of the Issuer and of the Group—Legal, Administrative and Arbitration Proceedings—Proceedings relating to the sale of the Issuer*".

Additionally, uncertainties remain as to the fulfilment of the obligations of the Resolution Fund and the potential liabilities to which the Resolution Fund may be subject and the indemnification mechanism established in connection with the Lone Star Sale (the "**Indemnification Mechanism**"), in the event any of the resolution measure-related litigation contingencies materialise and the Resolution Fund is considered liable, this may have a significant impact on the Resolution Fund's financial resources and increase the risk that it has insufficient funds to comply with its obligations under the CCA, which could have a material adverse effect on the Issuer and its financial position.

There is a pending arbitration related to the amount due by reference to the 2020 financial year CCA call.

With respect to the 2021 financial year, the Issuer requested a payment in the amount of €209 million. As a result of the above and in line with the Joint Supervisory Team's ("**JST**") instructions, this amount and amounts requested by reference to the 2020 financial year, but not paid, were not included in its regulatory capital calculation.

Further arbitration and other proceedings may be submitted regarding the amounts that the Issuer believes are due and should be paid by the Resolution Fund in accordance with the rules of the CCA.

There can be no assurance that the Issuer will receive all or any of the amounts that are or may be due in the future and/or that are or may be under dispute and that the Resolution Fund will be willing or able to make such payments.

Additionally, the continuous political and public scrutiny in relation to the CCA payments have had and may continue to have a negative impact on the reputation and market perception of the Issuer and its business. Any of the events described above, if materialised, could have a material adverse effect on the Group and its financial position. For the avoidance of doubt, none of the CCA amounts currently in arbitration, or which were claimed and remained unpaid, are included in the Issuer's capital ratios.

(C) Legal and Regulatory Risks

Risks relating to regulatory requirements

Banking and insurance activities in Portugal and in the European Union 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 Group please see "*Description of the Issuer and the Group – Supervision and 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.

Moreover, the Group is subject to ongoing supervision from the Single Supervisory Mechanism ("**SSM**"), including the ECB and *Banco de Portugal*, as well as from the CMVM and *Autoridade de Supervisão de Seguros e Fundos de Pensões* ("**ASF**", the Portuguese Insurance and Pension Funds Supervisory Authority), under their respective competencies. Non-compliance with rules and regulations enforced by the ECB, the SSM, the Banco de Portugal, the CMVM or the ASF, or any other applicable regulatory body may result in severe penalties and other sanctions such as bans, inhibitions and suspensions, which would directly impact the Group's ability to perform its activities.

The Issuer is required by the SSM, ECB and the regulators in Portugal and other countries in which it undertakes regulated activities to maintain minimum levels of capital and liquidity. In jurisdictions in which it has branches, including within the EEA, novobanco is also subject to the regulatory capital and liquidity requirements of such jurisdictions. Currently, the Issuer has only one branch in Luxembourg, subject to the legislation applicable on this matter in that jurisdiction. The Issuer, its regulated subsidiaries and its branch may be subject to the risk of having insufficient capital resources to meet the minimum regulatory capital and/or liquidity requirements. In addition, those minimum regulatory capital requirements and/or liquidity requirements may increase in the future, or the methods of calculating capital resources may change. Likewise, liquidity requirements may have come under heightened scrutiny, and may place additional stress on novobanco's liquidity demands in the jurisdictions in which it operates.

Novobanco is subject to the Supervisory Review and Evaluation Process ("**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 Directive 2013/36/EU, as amended (including as amended by the Capital Requirements Directive V (Directive (EU) 2019/878 (the "**CRD V**")) (the "**CRD IV Directive**") and the CRR (the CRR and the CRD IV Directive together the "**CRD IV**") and assess whether additional own funds shall be required.

According to Council Regulation (EU) no. 1024/2013 of 15 October 2013 and based on the SREP conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 with reference date 31 December 2015, the ECB communicated to novobanco on 2 February 2022 that the Group should comply with an own funds requirement of 3.00 per cent. to be held in excess of the minimum own funds requirement, to be held in the form of 56.25 per cent. of CET1 capital and 75 per cent. in the form of Tier 1 (defined below) capital. Additionally, in the same communication, the ECB also informed the Issuer that it is subject to a Pillar 2 Guidance of 1.5 per cent. There can be no assurance that the SREP review to be conducted in the following years will not increase the minimum own funds requirement, including as a result of past or future stress test exercises conducted by the supervisory authorities.

In addition, credit institutions identified as other systemically important institutions ("**O-SIIs**") are subject to an additional buffer requirement (the "**O-SII Buffer**"). According to Banco de Portugal's decision, the O-SII buffer is not applicable to the Issuer from 2020 onwards (but rather applicable to its indirect controlling shareholder LSF Nani Investments S.à.r.l.). On 15 November 2023, the Bank of Portugal, as the macroprudential authority, introduced a 4% sectoral systemic risk buffer, applicable to institutions using the IRB approach, on the risk exposure amount of all retail exposures to natural persons secured by residential real estate located in Portugal, starting from 1 October 2024. On 17 November

2023, the Issuer informed that the implementation of this measure would result, in a pro-forma basis, of an estimated increase of c.30 basis points in capital requirements. There can be no assurance that this or other capital buffers will not be applicable or increased in the following years.

As at 31 December 2022, the Issuer reported a CET1 ratio of 13.7 per cent. (phased-in) and 13.1 per cent. (fully implemented) (11.1 per cent. (phased-in) and 10.1 per cent. (fully implemented) as at 31 December 2021). As at 30 September 2023, the Issuer reported a CET1 ratio of 16.5 per cent. (fully implemented), Tier 1 ratio of 16.5 per cent. (fully implemented) and a Total Capital ratio 19.3 per cent. (fully implemented).

If the Group is not able to satisfy its overall capital requirements 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 SSM. If novobanco 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, novobanco 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 novobanco. 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 novobanco' 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 Group conducts its business, the products and services it can offer and the value of its assets.

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 (as defined below) 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, such as CRR II which applied from 28 June 2021. The transposition of BRRD II and CRD V into Portuguese law took place at the end of 2022. 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 ("**TLAC**") 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 risk framework, the operational risk framework, the leverage ratio framework and a revised output floor. The proposals contained in the Basel III reforms were intended to apply from 2023 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 and therefore become applicable to and effective upon the Issuer.

The Issuer is in the process of implementing an internal-ratings based ("**IRB**") plan which foresees all model calibration as a result of the implementation of a new definition of default, which new plan may have an impact of the Group's capital ratios. The IRB plan is subject to the approval of the ECB in relation to the determination of the Issuer's internal risk weight estimates as well as the consequential impacts on capital, provision, results and overall performance. While novobanco has provided for its own estimates as to risk-weighted assets ("**RWAs**") and the IRB plan in its financial statements and planning, there is a risk that the ECB review leads to a change in such RWA levels and this has an impact on one or more of the Issuer's capital, provision, results and overall performance.

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. For further details, see the section "*Description of the Issuer and of the Group—Supervision and Regulation*".

Risks relating to the Bank Recovery and Resolution Directive and the Single Resolution Mechanism

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 (Directive 2014/59/UE 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**"). 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 the Group – Supervision and 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.

A Single Resolution Mechanism ("**SRM**") has been introduced, including a Single Resolution Board (the "**SRB**"), which focuses on resolution planning and enhancing resolvability, to avoid the potential negative impacts of a bank failure on the economy and financial stability.

Until 31 December 2015, the Bank of Portugal was the relevant resolution authority for the Issuer and since 1 January 2016, the SRM has applied with the SRB being the relevant resolution authority for the Issuer.

In order to ensure the effectiveness of a resolution measure, the relevant resolution authority may exercise, among others, the following powers: (i) suspension of payment or delivery obligations of the institution under existing agreements; (ii) suspension of enforcement rights benefiting holders of any security over assets of the institution; (iii) suspension of the rights to accelerate, terminate, or otherwise decide the termination under existing agreements; (iv) closing of agencies of the institution; (v) exercise of rights attached to shares and other instruments representing share capital of the affected institution; (vi) amendment of terms applicable to 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 Covered Bonds of their decision to exercise any resolution power. Furthermore, even though the bail-in powers are not intended to apply to secured debt (such as the Covered Bonds), whether or not securities issued by the Issuer will be subject to write-down, conversion or bail-in, is likely to be inherently unpredictable, although such a determination in relation to the Covered Bonds is not inconceivable.

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

Holders of Covered Bonds 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 a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Other powers contained in the RGICSF and required by the BRRD may affect the value of an investment in the Covered Bonds. 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 RGICSF will not adversely affect holders of Covered Bonds.

Minimum Requirement for own funds and Eligible Liabilities could have a material effect on novobanco

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. Under BRRD II, banks, such as the Issuer, are 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. The transposition of BRRD II into Portuguese law was done at the end of 2022 by means of Law 23-A/2022 of 9 December.

In accordance with Portuguese law, financial institutions will be required to meet certain MREL requirements. On 19 June 2023 Novobanco received the notification of the decision by the SRB, together with the Bank of Portugal. According to the decision, the Issuer should comply with MREL on a consolidated basis at the level of 14.64 per cent. of total risk exposure amount ("**TREA**") starting from 1 January 2022 (17.66 per cent. including the combined buffer requirement) and 23.47 per cent. of TREA from 1 January 2026 onwards, which shall be met at all times. The Issuer's MREL ratio as of 30 September 2023 was 22.8 per cent., which compares with 20.6 per cent. as of 31 December 2022. Novobanco has met the 1 January 2022 MREL target, as well as the interim non-binding 1 January 2023 target. The preferred resolution strategy for the Issuer is the single point of entry, with the Issuer being the resolution entity. Additionally, the Issuer is not subject to any subordination requirement. These MREL requirements, the resolution strategy and the lack of a subordination requirement may change from time to time.

If, until the applicable deadlines, novobanco is required but unable to issue or can only issue on unfavourable conditions own funds or eligible MREL liabilities which will be eligible to count toward the MREL requirement or to reduce its risk-weighted assets, this may result in regulatory sanctions or have a negative impact on the Issuer's profitability 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.

Risks associated with the disposal of non-performing assets

In recent years, the supervisory authorities have focused on the value of non-performing assets ("**NPAs**") and the effectiveness and organisational setup 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.

Novobanco has, mostly due to its "legacy" portfolio, a higher volume of NPAs when compared to its Portuguese peers.

The Issuer has approved a NPA reduction plan (2023 – 2025), which is expected to continue reducing the stock of NPAs (which mostly relates to NPLs) down to levels in line with peers, including sales to the market.

However, execution of the NPA reduction plan carries risk, such as additional losses arising from the completion of disposal processes due to the possible differential between their book value and the value that market participants are willing to offer for the NPAs. In addition, the final terms of any sale (if completed) may be different from the Issuer's expectations, as they depend on, among other things, market conditions at the time of the sale and the existence of a secondary NPAs market.

Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No. 575/2013 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.

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, which are currently under discussion by the ECB: (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, the significant increase in inflation and interest rates in the Euro Area can materially compromise economic growth and considerably increase the levels of non-performing loans. An increase in the entry levels of new NPLs may hinder the Issuer's ability to reduce its NPL stock.

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

Risks related to Legal Proceedings

The Issuer is the subject of actual and threatened litigation and other proceedings related to its incorporation under the resolution measure applied to BES.

In addition, 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 Base 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 regulatory requirements*". 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.

Proceedings in connection with the resolution measure applied to BES and the incorporation of novobanco

According to the Resolution Measure and related decisions of the Bank of Portugal, novobanco should only be liable in respect of matters or claims arising on or after 3 August 2014, which is the date on which the Issuer was established, or that such matters or claims were otherwise transferred to the Issuer pursuant to the Resolution Measure and related decisions of the Bank of Portugal.

Currently, a number of proceedings that seek to challenge the application of the Resolution Measure to BES and the related decisions of the Bank of Portugal, the establishment of novobanco and the resulting impact on other parties and their rights, including shareholders, members of corporate bodies, senior and subordinated creditors and clients are still pending.

The application and impact of the Resolution Measure and the incorporation of novobanco are being and may continue to be publicly and judicially challenged by several parties and creditors. These proceedings also include the challenges to the transfer of certain assets and liabilities to novobanco as a result of the Resolution Measure and the decisions of the Bank of Portugal, as well as proceedings requesting the set-off of liabilities that were not transferred to novobanco against credits transferred and held by novobanco. Several judicial proceedings have been initiated against the Bank of Portugal, the Resolution Fund and/or novobanco and it is likely that other similar proceedings will be submitted within the applicable legal time limits.

There are several legal proceedings, some of which were aggregated and designated as pilot-proceedings (*processos-piloto*). In one of these, notably the one which was initiated by a shareholder of BES before the Lisbon Administrative Court, the plaintiffs challenged the validity of the Resolution Measure applied to BES on the basis of alleged illegalities and unconstitutionalities. The Issuer was a counter-interested party in the proceeding. Following the Court of Justice of the European Union's favourable decision for both pilot-proceedings of 5 May 2022 in relation to the preliminary questions raised by the Portuguese Supreme Administrative Court, on 9 March 2023 the Portuguese Supreme Administrative Court issued a decision dismissing the Plaintiffs' appeal in each of the pilot cases, thereby confirming the favourable decision that had been issued by the Administrative Court of First Instance on 12 March 2019.

There are still relevant litigation risks, notably regarding the various disputes relating to the U.S.$835 million loan made by Oak Finance to BES, the placement of BES and Grupo Espírito Santo debt instruments directly and indirectly to BES retail clients and regarding the senior bond issues retransmitted to BES, as well as the risk of the non-recognition and/or non-implementation of the various decisions of Bank of Portugal by Portuguese or foreign courts (as it is the case of the courts in Spain where there are several unfavourable decisions) in disputes related to the perimeter of the assets, liabilities, off-balance sheet items and assets under management transferred to the Issuer.

For further details on proceedings in connection with the resolution measure applied to BES and the incorporation of the Issuer see *Description of the Issuer and of the Group – Legal, Administrative and Arbitration Proceedings – Proceedings Relating to the Resolution Measure*".

Should any or all of such proceedings be successful and the Indemnification Mechanism not be available or be insufficient to fully compensate the Group, the resulting costs and/or damages could materially and adversely affect the Group's financial position, results of operations and reputation, even in situations where the Issuer is not a party to such proceedings.

Ultimately, if a court were to declare the Resolution Measure invalid and, despite its disruptive effects, determine the invalidity and ineffectiveness of all contracts and legal acts performed by the Issuer since its incorporation, the establishment of the Programme, the security created over cover pool and the issue of the Covered Bonds would become void and investors could suffer substantial losses.

Successful claims of this or a similar nature 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. In addition, while the Indemnification Mechanism may help mitigate economic risks arising from litigation related to the Resolution Measure and related decisions of the Bank of Portugal, there can be no assurance that it will be applied or, if applied, upheld. Even if the Indemnification Mechanism is successfully applied, such claims may result in adverse reputational impact on the Issuer and/or the Group. See also the risk factor entitled "*novobanco's activity is subject to reputational risk*" above.

Proceedings Relating to the sale of the Issuer

Following the conclusion of the Lone Star Sale, certain legal suits have been lodged, related to the conditions of the sale, notably the administrative action brought by Banco Comercial Português, S.A. ("**BCP**") against the Resolution Fund, of which the Issuer is not a party, and, according to the public disclosure made by BCP on the website of the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) on 1 September 2017, it requested the legal assessment of the contingent capitalisation obligation assumed by the Resolution Fund within the CCA.

Any final court decision that may be issued in the context of such judicial proceedings, notably in respect of the validity of the CCA, may adversely affect the capacity of the Issuer to carry out its obligations under this Base Prospectus, the Programme Agreement, the Set of Agency Procedures, the Common Representative Appointment Agreement, the Cover Pool Monitor Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto and in relation to the Programme (the "**Programme Documents**") and/or the Covered Bonds, without prejudice to the protection granted to the holders of the Covered Bonds in the terms and subject to the limits provided for in the applicable legislation, as mentioned in the "*Insolvency of the Issuer*" section of this Base Prospectus.

For further details on proceedings relating to the sale of the Issuer, see "*Description of the Issuer and of the Group—Legal, Administrative and Arbitration Proceedings*".

Other Proceedings

There is one pending proceeding regarding the sale of the shares of Tranquilidade by novobanco in enforcement of a pledge agreement brought by Partran, SGPS, S.A. and Massa Insolvente da Espírito Santo Financial Group, S.A. (currently only Massa Insolvente da Espírito Santo Financial (Portugal), S.A. is claimant) against the Issuer and Calm Eagle Holdings, S.A.R.L. through which it is intended that the pledge of the shares of Companhia de Seguros Tranquilidade, S.A. is declared invalid and, secondarily, that said pledge is annulled or declared ineffective.

For further details on the other proceedings mentioned above see Description of the Issuer and of the Group – Legal, Administrative and Arbitration Proceedings– Other Proceedings.

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

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

The Issuer may be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by changes of

interpretation by the competent tax authorities of legislation and regulation. These changes include the change to the real estate tax introduced by the 2021 State Budget Law which led the Issuer to register a contingent liability of €173 million for the financial years of 2021 and 2022. The tax implications of these changes for the Issuer are still uncertain and may impact the Issuer in subsequent years. 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 financial condition, results of operations and prospects.

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 holders of Covered Bonds may not be aligned

Novobanco and its direct and indirect shareholders (including its indirect controlling shareholder LSF Nani Investments S.à.r.l.) 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 Covered Bonds holders in connection with any such strategic decisions, including in respect of the capital of the Issuer, the Group or LSF Nani Investments S.à.r.l. Holders of Covered Bonds will not have any claim against novobanco 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, the Group or LSF Nani Investments S.à.r.l.

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 Single Resolution Mechanism (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 "**Bank Levy**"). The periodic contributions to the Resolution Fund are determined by the application of a contributory rate to the end of month outstanding balance of liabilities, deducted by own funds and deposits already included in the deposit guarantee scheme. Pursuant to Bank of Portugal's Instruction (*Instrução*) 19/2022 for 2023, the rate has been set at 0.029 per cent.

The Group's contribution will vary from time to time depending on the liabilities and own funds of novobanco and applicable members of the Group, as compared to other participating institutions. Contribution to the Resolution Fund is adjusted to the risk profile and systemic relevance of each participating institution, also taking into account its solvency profile. For the nine month period ended 30 September 2023, the Group paid €7.1 million in contributions to the Resolution Fund, €29.9 million in bank levies and €15.0 million in contributions to the Single Resolution Fund (compared to €16.4 million, €28.9 million and €24.5 million, respectively, for the year ended 31 December 2022).

With regard to additional periodic contributions, credit institutions established in Portugal, such as novobanco 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 EC 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 its 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 novobanco 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.

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 DGSG was implemented in Portugal by Law 23-A/2015, of 26 March 2015, as amended, which amended the RGICSF.

As a result of these developments, the Group may incur additional costs and liabilities which may adversely affect 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 novobanco and the Group is subject, notably, to: (i) the General Data Protection Regulation, approved by 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 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.

Banking institutions, including novobanco, are legally obliged to apply the negative index value only to loans for acquisition or construction of own Housing

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

According to this law, when the sum of the relevant index rate (such as EURIBOR) and the relevant margin is negative, this negative interest rate amount will have to either (i) be discounted from the principal amounts outstanding of the relevant loans or (ii) be converted into a credit which may in the future set off against positive interest rates (and ultimately be paid to the borrowers if it has not fully been set off at maturity). Novobanco has decided to apply the first option, i.e., to deduct the negative index interest rates from the principal amounts of outstanding debts. Despite the recent rise in interest rates, there can be no assurance that interest rates will not be negative in the future again. The introduction of this law, or other similar laws that may come into force in the future, could result in material adverse effects on the Issuer's business, financial condition, results of operations and prospects.

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' 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 novobanco 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 novobanco.

(D) Tax and Accounting Risks

Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on novobanco's results of operations

On 14 February 2013, the EC published a proposal (the "**Commission's Proposal**" or "**FTT Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

Currently, after the withdrawal of the Republic of Estonia as a Member State wishing to participate in the establishment of the enhanced cooperation, ten countries are participating in the negotiations on the proposed directive.

The FTT Proposal, including prospective amendments, still remains under discussion and subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

There can be no assurance that a FTT or similar additional bank taxes and national financial transaction taxes will not be adopted, at any moment, by the authorities of the jurisdictions where novobanco operates.

Also, any such additional levies and taxes could have a material adverse effect on novobanco's business, financial condition, results of operations and prospects.

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

novobanco might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. In addition, novobanco 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 novobanco's financial condition, results of operations and prospects.

2 Risks relating to the Covered Bonds issued under the Programme

(A) Legal Risk

New legislation

The CBD and Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 were published in the Official Journal on 18 December 2019 and came into effect on 7 January 2020. The CBD has been transposed into Portuguese national legislation by Decree-Law 31/2022, of 6 May 2022, approving the Covered Bonds Framework (as defined herein), which entered into force on 1 July 2022.

In accordance with the transitional provisions of Decree-Law 31/2022, of 6 May 2022, an issuer of covered bonds under the Covered Bonds Law may apply to the CMVM, as supervisory authority, to convert its existing covered bonds programme, under the Covered Bonds Law, to a covered bonds programme compliant with the Covered Bonds Framework. The Issuer has submitted the application to the CMVM. The CMVM authorised such conversion, and thus this Base Prospectus is compliant with the Covered Bonds Framework.

The Covered Bonds Framework has not yet been fully tested and, unlike the Covered Bonds Law, there is currently scarce secondary legislation and guidelines, thus possible uncertainties of interpretation may arise.

Accordingly, there is a risk that certain changes may need to be reflected in the Programme (including the Terms and Conditions of the Covered Bonds) in order for it to continue to be compliant with the Covered Bonds Framework.

Prospective investors should therefore inform themselves of the above legal changes, including, inter alia, the differences between Covered Bonds Framework and the Covered Bonds Law, in addition to any other regulatory requirements applicable to their investment in the Covered Bonds.

(B) Risks relating to the Nature of the Covered Bonds

Obligations under the Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege created under the Covered Bonds Framework over the Cover Pool (as defined in *Terms and Conditions of the Covered Bonds* below) maintained by the Issuer. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer. The Covered Bonds are not guaranteed by any person. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the

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

Accordingly, the Covered Bonds will not represent an obligation or be the responsibility of the Arranger, the Common Representative or the Dealers or any person other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators.

In the event of insufficiency of the assets comprising the Cover Pool, the holders of Covered Bonds shall be treated as unsecured creditors of the Issuer and shall rely upon the sufficiency of the Issuer's assets available for distribution amongst other creditors, thereby becoming exposed to the credit risk of the Issuer.

Covered Bonds may be subject to Extended Maturity

An Extended Maturity Date may apply to each Series of Covered Bonds issued under the Programme. If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds, the maturity of the relevant Series of Covered Bonds will be automatically extended (subject to any earlier redemption on an Interest Payment Date) to the Extended Maturity Date if either (i) the Issuer fails to redeem the relevant Series of Covered Bonds on the applicable Maturity Date and it is foreseeable (as determined by the Issuer) that such failure will continue for 5 Business Days thereafter or (ii) the authorisation of the Issuer as a credit institution is revoked by the competent banking supervisory authority, and in each case notice thereof has been (or, in the case of (ii), is subsequently) given to the CMVM, all as further described in Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) of the Terms and Conditions. If within 10 calendar days of receiving such notice, the CMVM objects to such extension of maturity, the extension of maturity will then cease to apply and the relevant Series of Covered Bonds will be redeemed at their Final Redemption Amount together with any accrued interest determined in accordance with Condition 4.4(B) of the Terms and Conditions on the applicable Maturity Date or (if the date such objection is received by the Issuer from the CMVM is after the applicable Maturity Date) the Extension Cessation Date.

If an Extended Maturity Date is specified in the applicable Final Terms and in the case of resolution or voluntary liquidation of the Issuer, if some but not all Series of Covered Bonds then outstanding have been subject to extension to their respective Extended Maturity Dates and any such Extended Maturity Date falls later than the relevant maturity date for the Covered Bonds of any other Series then outstanding that has not been extended (and which Maturity Date for such other Series is later than the corresponding Maturity Date of such extended Series of Covered Bonds) the maturity of such other Series of Covered Bonds will be automatically extended to its relevant Extended Maturity Date, as required by article 21(1)(d) of the Covered Bonds Framework.

Neither (i) the extension of maturity of any Series of Covered Bonds from the applicable Maturity Date to the applicable Extended Maturity Date nor (ii) any redemption of such Covered Bonds on the applicable Extension Cessation Date pursuant to Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) of the Terms and Conditions will entitle the holders of such Covered Bonds to accelerate payments on those Covered Bonds or constitute an event of default for any purpose, and no payment will be due to the holders of Covered Bonds in that event other than as set out in the Terms and Conditions (see Terms and Conditions of the Covered Bonds), as amended by the applicable Final Terms. In respect of any Series of Covered Bonds, in case of liquidation or resolution of the Issuer, no extension to an Extended Maturity Date may (i) affect the ranking between any holders of Covered Bonds or (ii) invert the sequencing of the original maturity schedule of Covered Bonds.

Although the CMVM has approved the conversion of the Programme, no assurance can be given by the Issuer that the CMVM will not oppose the extension of any Series of Covered Bonds in the future, or that such extension will not affect the market price of the Covered Bonds, notably because there may be no or reduced market for the Covered Bonds post-extension.

Benefit of special creditor privilege ("*privilégio creditório*")

The holders of Covered Bonds issued by the Issuer under the Programme, whether outstanding at the date hereof or in the future, benefit from a special creditor privilege ("*privilégio creditório*") over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (see *Characteristics of the Cover Pool*). The Covered Bonds Framework establishes that any Hedge Counterparties at the date hereof and in the future are also preferred creditors of the Issuer which benefit from the abovementioned special creditor privilege ("*privilégio creditório*"). None of the assets comprised in the Cover Pool are or will be exclusively available to meet the claims of the holders of certain Covered Bonds ahead of other holders of Covered Bonds or of Other Preferred Creditors of the Issuer at the date hereof or in the future.

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

Interest rates and indices which are deemed to be "benchmarks" (such as EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to or referencing such a benchmark.

Regulation (EU) 2016/1011, as amended (the "**Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks provided by administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Covered Bonds linked to or referencing a "benchmark", in particular if the methodology or other terms of the relevant "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing the rate or level or of otherwise affecting the volatility of the published rate or level of the relevant "benchmark".

More broadly, any of the international or national reforms or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Separately, on 21 January 2019, the euro risk free-rate working group for the Euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without fallback provisions) may increase the risk to the euro area financial system. It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than they have done in the past, and may

have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks (including EURIBOR): (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the relevant "benchmark" and/or (iii) leading to the disappearance of the relevant "benchmark". The potential elimination of "benchmarks", such as EURIBOR, the establishment of alternative reference rates or changes in the manner of administration of a "benchmark" could also require adjustments to the terms of benchmark-linked securities and may result in other consequences, such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form.

Based on the foregoing, prospective investors should in particular be aware that:

(a) any of these reforms or pressures described above or any other changes to a relevant interest rate "benchmark" (including EURIBOR) could affect the level of the published rate, including causing it to be lower and/or more volatile than it would otherwise be;

(b) the elimination of EURIBOR or any other "benchmark", or changes in the manner of administration of any "benchmark", could require or result in an adjustment to the interest calculation provisions of the *Terms and Conditions of the Covered Bonds*, or result in adverse consequences to holders of any Covered Bonds linked to such "benchmark". Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such "benchmark" may adversely affect such "benchmark" during the term of the relevant Covered Bonds, the return on the Covered Bonds and the trading market for securities (including the Covered Bonds) based on the same "benchmark"; and

(c) if EURIBOR or any other relevant interest rate "benchmark" is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the relevant fallback provisions, although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks (in the Eurozone interbank market in the case of EURIBOR), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time).

Moreover, any of the above matters or any other significant change to the setting or existence of EURIBOR or any other interest rate "benchmark", could have a material adverse effect on the value or liquidity of, and the amount payable under, any Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a "benchmark".

No assurance may be provided that relevant changes will not occur with respect to EURIBOR or any other relevant interest rate "benchmark" and/or that such "benchmarks" will continue to exist. Investors should consider these matters, consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to the Covered Bonds.

Investors in Floating Rate Covered Bonds which reference EURIBOR should be mindful of the applicable interest rate fall-back provisions applicable to such Floating Rate Covered Bonds and the adverse effect this may have on the value or liquidity of, and return on, any Floating Rate Covered Bonds which are linked to EURIBOR, as applicable.

The Terms and Conditions provide that the Terms and Conditions may be varied following a Benchmark Event without any requirement for consent or approval of the holders of the Covered Bonds

Any changes to the administration of a "benchmark" or screen rate or the emergence of alternatives to such "benchmark" or screen rate as a result of these potential reforms, may cause the relevant "benchmark" or screen rate to perform differently from in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of a "benchmark" or screen rate or changes to its administration could require changes to the way in which the Rate of Interest is calculated on Covered Bonds referencing such "benchmark" or screen rate (as applicable). Uncertainty as to the nature of alternative reference rates and as to potential changes to the "benchmarks" or screen rates referenced by the Covered Bonds may adversely affect the return on the Covered Bonds and the trading market for securities referencing such "benchmarks" or screen rates. The development of alternatives to "benchmarks" or screen rates may result in Covered Bonds referencing such "benchmarks" or screen rates performing differently than would otherwise have been the case if such alternatives had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Covered Bonds referencing a "benchmark" or screen rate.

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

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

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

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

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

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

Eligibility of the Covered Bonds for Eurosystem Monetary Policy

Covered Bonds may be held with the intention to render them Eurosystem eligible, if so specified in the applicable Final Terms. This does not mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**"), upon issue or at any other time during their life. The recognition of Eurosystem eligibility depends on the satisfaction of the Eurosystem eligibility criteria as specified by the ECB. If the Covered Bonds do not satisfy the criteria specified by the ECB, there is a risk that they will not be recognised as Eurosystem Eligible Collateral. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Covered Bonds that the Covered Bonds will, either upon issue or at any other time during their life, satisfy any or all requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral.

The Covered Bonds are intended to be labelled as "European Covered Bond (Premium)"

Under the terms of Article 42(2) of the Legal Regime of Covered Bonds, Covered Bonds to be issued under this Base Prospectus qualify to be labelled as "European Covered Bond (Premium)", provided that they are in compliance with the Legal Regime of Covered Bonds and the CRR, and the Cover Pool comprises of only assets listed in Article 129(1) of the CRR (and the requirements under paragraphs 1a to 3 of Article 129 of the CRR are met). Given that the labelling of the Covered Bonds as "European Covered Bond (Premium)" depends on the fulfilment of legal requirements under the Legal Regime of Covered Bonds and the CRR, investors should consider, amongst other things, any regulatory impacts when deciding whether or not to purchase any Covered Bonds. No assurance or representation is given by the Arranger or any of the Dealers as to the assets that comprise the Cover Pool (including, without limitation, whether such assets comply with Article 129(1) of the CRR) nor as to any label assigned to any Series of Covered Bonds (including, without limitation, where such Covered Bonds are labelled as "European Covered Bond (Premium)"). See also the risk factor "*No due diligence on the Cover Pool*" below.

(C) Risks relating to the Nature of the Covered Pool

Dynamic Nature of the Cover Pool

The Cover Pool is expected to be comprised only of assets listed in Article 129(1) of the CRR. The Cover Pool shall comprise of Primary Assets, Substitution Assets or Liquidity Assets.

At the date of this Base Prospectus, the Issuer intends to include the Cover Pool Mortgage Credits which are located in Portugal as Primary Assets.

The Covered Bonds Framework permits the composition of the Cover Pool to be dynamic. Accordingly, the composition of mortgage credits (and other permitted assets) in the Cover Pool will change from time to time, in accordance with the Covered Bonds Framework. For further information, please see "*The Covered Bonds Framework*".

Hedging Contracts

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Framework. See *Characteristics of the Cover Pool – Hedging Contracts*.

Risk relating to the effect of depreciation in the value of the relevant property on the Cover Pool

As described above (see the risk factor entitled "*Benefit of special creditor privilege ("privilégio creditório")*" above), the holders of Covered Bonds benefit from a special creditor privilege ("*privilégio creditório*") over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (see *Characteristics of the Cover Pool*). The security for a mortgage credit included in the Cover Pool consists of, among other things, a mortgage over a property granted in favour of the Issuer. The value of this property and accordingly the level of recovery on the enforcement of the mortgage, may be affected by, among other things, a decline in the value of the relevant property and no assurance can be given that the values of the relevant properties will not decline in the future. However, the Covered Bonds Framework establishes that any mortgage credits which are delinquent for over 90 days must be substituted. See *The Covered Bonds Framework*.

Amortisation of Mortgage Credits

Mortgage credits included in the Cover Pool are and will generally be subject to amortisation of principal and payment of interest on a monthly basis, as well as to early repayment of principal at any time in whole or part by the relevant borrowers. Early repayments of principal on mortgage credits may result in the Issuer being required to include further mortgage credits and/or substitution assets in the Cover Pool in order for the Issuer to comply with the financial matching requirements under the Covered Bonds Framework.

No Due Diligence on the Cover Pool

None of the Arranger or the Dealers has or will undertake any investigations, searches or other actions in respect of any assets contained or to be contained in the Cover Pool but will instead rely on representations and warranties provided by the Issuer in the Programme Agreement.

(D) Risks relating to the Market Generally

Liquidity risk under the Covered Bonds

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risks that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned to the Covered Bonds may not reflect all the risks associated with an investment in those Covered Bonds

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. There is no obligation of the Issuer to maintain any rating for the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be lowered, withdrawn or qualified by the rating agency at any time. In case any credit rating initially assigned to the Covered Bonds is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original rating to be restored, nor will the Issuer have any obligation to restore the original rating. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market value of the Covered Bonds.

In general European (including the United Kingdom) regulated institutions are in general restricted from using credit ratings for regulatory purposes under the CRA Regulation, unless such ratings are issued by a credit rating agency established in the EU and registered under the 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-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended) subject to transitional provisions that apply in certain circumstances. If the status of a rating agency rating the Covered Bonds changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Covered Bonds may have a different regulatory treatment. This may result in European regulated investors selling the Covered Bonds which may impact the value of the Covered Bonds and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings referred to in this Base Prospectus and/or the Final Terms will be disclosed in the Final Terms.

Other Risks

The past performance of Covered Bonds or other covered securities issued by the Issuer may not be a reliable guide to future performance of the Covered Bonds.

The Covered Bonds may fall as well as rise in value.

Income or gains from Covered Bonds may fluctuate in accordance with market conditions and taxation arrangements.

Other than as set out in this Base Prospectus, it may be difficult for investors in Covered Bonds to sell or realise the Covered Bonds and/or obtain reliable information about their value or the extent of the risks to which they are exposed.

(E) Risks relating to Tax and other Relevant Laws

Administrative cooperation in the field of taxation

Council Directive 2011/16/EU, as amended from time to time, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organization for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the Tax Authorities of their respective Member State (for the exchange of information with the State of Residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (i) in case of depository accounts, income paid or credited in the account during the calendar year; or, (ii) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Council Directive 2021/514/EU has amended Council Directive 2011/16/EU aiming to combat the fraud, evasion and tax avoidance in the digital economy and the cross-border dimension of the services offered through the use of digital platforms. Under this regime, any digital platform that connects sellers of certain goods and services with the respective buyers should report to the local tax authorities information on the economic activities carried out by the users.

Portugal has implemented Directive 2011/16/EU through Decree-law 61/2013, of 10 May, as amended from time to time. Also, Council Directive 2014/107/EU was implemented through Decree-law 64/2016, of 11 October, as amended from time to time. Council Directive 2021/514/EU was implemented through Law 36/2023, of 26 July, which amended Decree-Law 61/2013, of 10 May.

U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating

non-U.S. financial institution. FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that fails to provide its broker (or other custodian or intermediary form which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisor to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Covered Bonds are discharged once it has made payment via the Euronext Securities Porto system and the Issuer therefore has no responsibility for any amount thereafter transmitted through the ICSDs or Euronext Securities Porto and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) form payments they make.

The United States has reached a Model 1 Intergovernmental Agreement with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016.

Portugal has implemented, through Law 82-B/2014, of 31 December, and Decree-law 64/2016, of 11 of October, both as amended from time to time, the legislation based on the reciprocal exchange of information with the United States of America on financial accounts subject to disclosure (the "**Financial Reporting Regime**") in order to comply with Sections 1471 through 1474 of FATCA. Under such legislation, the Issuer will be required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities which, in turn, would report such information to the Inland Revenue Service of the United States of America.

There can be no assurance, however, that the Issuer will be treated as a deemed-compliant FFI, or that it will in the future not be required to deduct FATCA withholding tax from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold under FATCA if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

FATCA is particularly complex. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds.

Risks related to withholding tax

Under Portuguese law, income derived from the Covered Bonds integrated in and held through a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Euronext Securities Porto), by other European Union or European Economic Area 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 European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-law 193/2005, of 7 November 2005, as amended, ("**Decree-law 193/2005**") and in force as 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 Bank.

It should also be noted that, if interest and other income derived from the Covered Bonds issued by the Bank 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 Bank will not be required to gross up payments in respect of any withheld accounts in accordance with Condition 7 (*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 Bank will not be required to gross up payments in respect of any such non-resident holders, in accordance with Condition 7 (*Taxation*).

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

Change of law

The *Terms and Conditions of the Covered Bonds* are governed by Portuguese law in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any possible judicial decision or change to Portuguese laws, including the Covered Bonds Framework, or administrative practice after the date of issue of the relevant Covered Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the CMVM, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) the Articles of Association (including an English language translation thereof) of the Issuer (which can be viewed online at *https://www.novobanco.pt/SITE/cms.aspx?srv=207&stp=1&id=898461&fext=.pdf*).

(b) an English translation of (i) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2022, which can be found on pages 193 – 335 and 455 – 462 (inclusive) of the Group's 2022 Annual Report; and (ii) the sections entitled "Management Report – Our Performance" and "Management Report – Capital and Liquidity", which can be found on pages 51-72 (inclusive) of the Group's 2022 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga per cent.C3 per cent.A7 per cent.C3 per cent.B5es-financeiras/relat per cent.C3 per cent.B3rio-e-contas/AR_novobanco_2022.pdf.coredownload.inline.pdf*).

(c) an English translation of (i) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2021, which can be found on pages 162 – 315 and 447 – 454 (inclusive) of the Group's 2021 Annual Report; and (ii) the sections entitled "Management Report – Our Performance", and "Management Report – Capital, Liquidity and Risk" of the Annual Report, which can be found on pages 32-63 (inclusive) of the Group's 2021 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/relatorio-e-contas/NovoBanco_AnnualReport2021_Non-ESEF.pdf*).

(d) an English translation of the interim non-audited (but reviewed) and consolidated financial statements of the Issuer for the first semester of 2023, which can be found on pages 70 – 210 (inclusive) of the Group's 2023 Interim Report for the first half of 2023 (which can be viewed online at: *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga%C3%A7%C3%B5es-financeiras/2023/presentation/AR_novobanco_1H23_ENp.pdf.coredownload.inline.pdf*); and

(e) the Group's third quarter press release, including non-audited consolidated financial information of the Group and key indicators for the three months ended on 30 September 2023, contained on pages 2 to 17 (inclusive, but excluding the section on page 17 entitled "Conference Call: 3Q 2023 Financial Results") (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga%C3%A7%C3%B5es-financeiras/2023/press/Novobanco_9M2023_Results_EN.pdf.coredownload.inline.pdf*).

(f) information on APMs contained on pages 102 – 106 of the Group's 2022 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga per cent.C3 per cent.A7 per cent.C3 per cent.B5es-financeiras/relat per cent.C3 per cent.B3rio-e-contas/AR_novobanco_2022.pdf.coredownload.inline.pdf*).

(g) information on APMs contained on pages 87 - 91 of the Group's 2021 Annual Report (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/relatorio-e-contas/NovoBanco_AnnualReport2021_Non-ESEF.pdf*).

(h) information on APMs contained on pages 63 - 67 of the Group's 2023 Interim Report for the first half of 2023 (which can be viewed online at *https://www.novobanco.pt/content/dam/novobancopublicsites/docs/pdfs/divulga%C3%A7%C3%B5es-financeiras/2023/presentation/AR_novobanco_1H23_ENp.pdf.coredownload.inline.pdf*).

The information incorporated by reference in a) to e) above is a direct and accurate translation from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CMVM in accordance with article 23 of the Prospectus Regulation.

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

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of the Issuer and from the specified offices of the Agent and of the Common Representative for the time being.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer confirms that any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The content of websites and hyperlinks to which reference is made in this Base Prospectus other than in this "*Documents Incorporated by Reference*" section does not form part of this Base Prospectus.

FORM OF THE COVERED BONDS AND CLEARING SYSTEMS

The Covered Bonds will be held through a central securities depositary ("**CSD**") which will be the Portuguese domestic CSD, **Interbolsa –** Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários ("**Interbolsa**" or "**Euronext Securities Porto**").

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euronext Securities Porto (together with any other clearing system which may be chosen from time to time, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers or any of the Dealers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such interests.

Euronext Securities Porto holds securities for its participants and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective participants. Euronext Securities Porto provides various services including safekeeping, administration, clearance and settlement of domestically and internationally traded securities and securities lending and borrowing.

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

Any reference herein to Euronext Securities Porto shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

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

Covered Bonds held through Euronext Securities Porto

General

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

The centralised securities system of Euronext Securities Porto provides for all the procedures required for the exercise of ownership rights inherent to the covered bonds held through Euronext Securities Porto.

In relation to each issue of securities, Euronext Securities Porto's centralised system comprises, *inter alia*, (*i*) the *issue account*, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (*ii*) the *control accounts* opened by each of the financial intermediaries which participate

in Euronext Securities Porto's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Covered Bonds held through Euronext Securities Porto will be attributed an International Securities Identification Number ("**ISIN**") code through the codification system of Euronext Securities Porto and will be accepted for clearing through LCH. Clearnet, S.A., the clearing system operated at Euronext Securities Porto, as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Euronext Securities Porto's settlement system.

Form of the Covered Bonds held through Euronext Securities Porto

The Covered Bonds of each Series will be in dematerialised book-entry form ("*forma escritural*") and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Euronext Securities Porto. The Covered Bonds shall be in registered form (*nominativas)* which means that Euronext Securities Porto, at the Issuer's request, can ask the Euronext Securities Porto Participants information regarding the identity of the holders of Covered Bonds and transmit such information to the Issuer.

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

Each person shown in the records of an Euronext Securities Porto Participant as having an interest in Covered Bonds shall be treated as the holder of the principal amount of the Covered Bonds recorded therein.

Covered Bonds that are in book-entry form and registered with Euronext Securities Porto in its capacity as a securities settlement system, may be eligible for Eurosystem monetary policy. Registering the Covered Bonds with Euronext Securities Porto, however, does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life, as such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Payment of principal and interest in respect of Covered Bonds held through Euronext Securities Porto

Whilst the Covered Bonds are held through Euronext Securities Porto, payment of principal and interest in respect of the Covered Bonds will be (*i*) credited, according to the procedures and regulations of Euronext Securities Porto, by the relevant Paying Agent (acting on behalf of the Issuer) to the T2 payment current-accounts held by the Euronext Securities Porto Participants whose control accounts with Euronext Securities Porto are credited with such Covered Bonds and thereafter (*ii*) credited by such Euronext Securities Porto Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Euronext Securities Porto, Euroclear or Clearstream, Luxembourg, as the case may be.

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

(a) the identity of the Paying Agent responsible for the relevant payment; and

(b) a statement of acceptance of such responsibility by the Paying Agent.

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

In the case of a partial payment, the amount held in the T2 current account of the Paying Agent must be apportioned pro-rata between the accounts of the Euronext Securities Porto Participants. After a payment has been processed, whether in full or in part, the Paying Agent must confirm that fact to Euronext Securities Porto.

The holders of Covered Bonds must rely on the procedures of Euronext Securities Porto to receive payment under the Covered Bonds. The records relating to payments made in respect of beneficial interests in the Covered Bonds are maintained by the Affiliate Members of Euronext Securities Porto and the Issuer accepts no responsibility for, and will not be liable in respect of, the maintenance of such records.

Transfer of Covered Bonds held through Euronext Securities Porto

Covered Bonds held through Euronext Securities Porto may, subject to compliance with all applicable rules, restrictions and requirements of Euronext Securities Porto and Portuguese law, be transferred to a person who wishes to hold such Covered Bonds. No owner of a Covered Bond will be able to transfer such Covered Bond, except in accordance with Portuguese law and the applicable procedures of Euronext Securities Porto.

FINAL TERMS FOR COVERED BONDS

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

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK MiFIR"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market.] Any [person subsequently offering, selling or recommending the Covered Bonds (a "distributor")][distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

PRIIPs/IMPORTANT – PROHIBITION OF SALE TO EEA [AND UK] RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") [or in the United Kingdom (the "**UK**")]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2016/97/UE (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA [or in the UK] has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA [or in the UK] may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018 (the "EUWA; ")][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 [Directive (EU) 2016/97 (the

"Insurance Distribution Directive")][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 (the "UK MiFIR")][the UK MiFIR][; or (iii) not a qualified investor as defined in Article 2 of the [Regulation (EU) 2017/1129][the Prospectus Regulation] as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation")]. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Final Terms dated [●]

Novo Banco, S.A.

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

under the €10,000,000,000.00 Covered Bonds Programme

THE COVERED BONDS (AS DESCRIBED HEREIN) ARE COVERED BONDS ISSUED IN ACCORDANCE WITH DECREE-LAW 31/2022 OF 6 MAY 2022 (AS AMENDED, THE "COVERED BONDS FRAMEWORK") AND FURTHER APPLICABLE REGULATIONS. THE ISSUER HAS THE CAPACITY TO ISSUE COVERED BONDS IN ACCORDANCE WITH THE COVERED BONDS FRAMEWORK. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS ARE SECURED ON THE COVER POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS FRAMEWORK.

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

A copy of the Base Prospectus [and any supplements thereto] [is] [are] available for viewing at *www.cmvm.pt* and *www.novobanco.pt*. A copy of these Final Terms is available for viewing at [*www.novobanco.pt*].

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "Terms and Conditions") set forth in the base prospectus [_____] [and the supplement [s] dated [●] [and [•]] (the "**Base Prospectus**") which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended, the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as supplemented] in order to obtain all relevant information.][1] The Base Prospectus [and the supplement] [is] [are] available for viewing during normal business hours at Novo Banco, S.A**.,** Avenida da Liberdade, 195, 1250-142 Lisbon, and physical copies may be obtained from the same address and electronic copies from the website of the Issuer (*www.novobanco.pt*). A copy of these Final Terms is available for viewing at the same addresses.

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

[1] Include for listed Covered Bonds only.

[*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation*].

1	Issuer:	Novo Banco, S.A. (with LEI 5493009W2E2YDCXY6S81)
2	(i) Series Number:	[●]
	(ii) [Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.*)]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Covered Bonds:	
	A. Series:	[●]
	B. [Tranche:	[●]]
	Specify whether Covered Bonds to be admitted to trading	[Yes (*if so, specify each Series/Tranche*)/No]
5	(i) Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii) [Net Proceeds (Required only for listed issues)]	[●]]
6	Specified Denominations:	[€100,000/*equivalent in other currencies*]
7	(i) Issue Date:	[●]
	(ii) [Interest Commencement Date:	[Issue Date] [Not Applicable]]
8	Maturity Date:	(*specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*) (NB: In case (i) no Extended Maturity Date is specified or (ii) an Extended Maturity Date is specified when a Series of Covered Bonds with no Extended Maturity Date feature is outstanding, the Issuer, when deciding the applicable Maturity Date, shall ensure that such change will not affect the ranking of outstanding Covered Bonds nor invert the sequencing of the original maturity schedule of outstanding Covered Bonds in case of resolution or liquidation.)
9	Extended Maturity Date:	[Applicable / Not Applicable] [insert date] (*The date shall be at least one year after the Maturity Date, provided that in any case the Issuer may not specify an Extended Maturity Date that is earlier than the applicable Extended*

		Maturity Date for any other outstanding Series of Covered Bonds with an earlier Maturity Date.)
10	Interest Basis:	
	(i) Period to (and including) Maturity Date (or the Extension Cessation Date, if applicable):	[[●]% Fixed Rate] [Euribor] +/- [●]% Floating Rate] [Zero Coupon]
	(ii) Period from (but excluding) the Maturity Date up to (and including) Extended Maturity Date:	[Not Applicable]/ [[●]% Fixed Rate] [Euribor] +/- [●]% Floating Rate] (further particulars specified below)
11	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date in the following basis: [Redemption at par] [Instalment] [*NB: If the maturity of the Covered Bonds is extended pursuant to Condition 6.7, redemption will be made in accordance with Condition 6.8.*]
12	Change of Interest or Redemption/Payment Basis	*(Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 16 and 17 below and identify there* [Not Applicable]*.)*
13	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable] [(further particulars specified below)]
14	(i) Status of the Covered Bonds:	The Covered Bonds will be direct, unconditional and unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds will qualify as covered bonds for the purposes of the Covered Bonds Framework.
	(ii) [Date of [Board] approval for issuance of Covered Bonds obtained]:	[●] [Not applicable]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Covered Bonds Provisions	
	• To Maturity Date (or the Extension Cessation Date, if applicable):	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

• From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable] (*If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph*) (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date).*
(i) Rate [(s)] of Interest:	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[●]% per annum [payable in arrear on each Interest Payment Date]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[●] per cent per annum. [payable in arrear on each Interest Payment Date] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date).*
(ii) Interest Payment Date(s):	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[[●] in each year up to and including the Maturity Date, as applicable/[●](*specify other*)]
• From Maturity Date up to Extended Maturity Date:	In each month up to the Extended Maturity Date, on the same day of the month of the Maturity Date. For the avoidance of doubt, the first Interest Payment Date after the Maturity Date will fall on the same day of the month of the Maturity Date in the immediately following month. (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*)
(iii) Fixed Coupon Amount [(s)]:	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[[●] per [●] in nominal amount]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [[●] per [●] in nominal amount] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.*)
(iv) Broken Amount:	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[●] *(Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate)*
• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●] (*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate)*

	(*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.)*
(v) Day Count Fraction	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[30/360] [Actual/Actual (ICMA)]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [30/360] [Actual/Actual (ICMA)] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.)*
(vi) Determination Date(s):	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[[●] in each year] (*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative*)
• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [[●] in each year] (*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative*) (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.)*
17 Floating Rate Covered Bonds Provisions	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
• From Maturity Date up to Extended Maturity Date:	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*) (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
(i) Specified Period(s)/Specified Interest Payment Dates:	
• To Maturity Date (or the Extension Cessation Date, if applicable):	
• From Maturity Date up to Extended Maturity Date:	In each month up to the Extended Maturity Date, on the same day of the month of the Maturity Date. For the avoidance of doubt, the first Interest Payment Date after the Maturity Date will fall on the same day of the month of the Maturity Date in the immediately following month.

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

(ii) Business Day Convention:

• To Maturity Date (or the Extension Cessation Date, if applicable):	[Floating Rate Convention]/[Following Business Day Convention]/[Modified Following (Adjusted) Business Day Convention]/[Preceding Business Day Convention]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Floating Rate Convention]/[Following Business Day Convention]/[Modified Following (Adjusted) Business Day Convention]/[Preceding Business Day Convention] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)

(iii) Additional Business Centre(s):

• To Maturity Date (or the Extension Cessation Date, if applicable):	
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[●] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date*)

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

• To Maturity Date (or the Extension Cessation Date, if applicable):	[Screen Rate Determination]/[ISDA Determination]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Screen Rate Determination]/[ISDA Determination] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date*)

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

• To Maturity Date (or the Extension Cessation Date, if applicable):	[●]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[●] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date*)

(vi) Screen Rate Determination:

i. To Maturity Date (or the Extension Cessation Date, if applicable):	[Applicable]/[Not Applicable]
Reference Rate:	[Euribor]
Interest Determination Date:	*(The second day on which the T2 System is open prior to the start of each Interest Period if Euribor*)
Relevant Screen Page:	[●] (*in the case of Euribor, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
ii. From Maturity Date up to Extended Maturity Date:	[Applicable]/[Not Applicable] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
Reference Rate:	[Euribor]
Interest Determination Date:	[●] (*The second day on which the T2 System is open prior to the start of each Interest Period if Euribor*)
Relevant Screen Page:	[●] (*in the case of Euribor, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
(vii) ISDA Determination:	
i. To Maturity Date (or the Extension Cessation Date, if applicable):	[Applicable]/[Not Applicable]
Floating Rate Option:	[●]
Designated Maturity:	[●]
Reset Date:	[●]
ii. From Maturity Date up to Extended Maturity Date:	[Applicable]/[Not Applicable] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
Floating Rate Option:	[●]
Designated Maturity:	[●]
Reset Date:	[●]
(viii) Margin(s):	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[+/-] [●]% per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[+/-] [●]% per annum] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
(ix) Minimum Rate of Interest:	

• To Maturity Date (or the Extension Cessation Date, if applicable):	[●]% per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[●]% per annum] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
(x) Maximum Rate of Interest:	
• To Maturity Date (or the Extension Cessation Date, if applicable):	[●]% per annum
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[●]% per annum] (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
(xi) Day Count Fraction:	
• To Maturity Date (or the Extension Cessation Date, if applicable)	[Actual/365] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] (*see Condition 4 (Interest) for alternatives*)
• From Maturity Date up to Extended Maturity Date:	[Not Applicable] [Actual/365] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] (*see Condition 4 (Interest) for alternatives*) (*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*)
18 Zero Coupon Covered Bonds Provisions	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i) Accrual Yield:	[●]% per annum
(ii) Reference Price	[●]

PROVISIONS RELATING TO REDEMPTION

19 **Call Option**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Covered Bond:	[●] per Covered Bond of [●] Specified Denomination
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period (if other than as set out in the Terms and Conditions):	[●] (*NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20	**Put Option**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Covered Bond:	[●] per Covered Bond of [●] Specified Denomination
	(iii) Notice period:	[●] (*NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
21	Final Redemption Amount of each Covered Bond	[●] per Covered Bond of [●] Specified Denomination [subject to Condition 6.7 (*NB in case of Zero Coupon Covered Bonds*)]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22	Form of Covered Bonds:	Book-entry form Registered (*nominativas*) Held through Euronext Securities Porto
23	Additional Financial Centre(s):	[Not Applicable]/[●] (*give details*) (*Note that this item relates to the place of payment and not Interest Period end dates to which item 17 relates*)
24	Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be	[Not Applicable]/[●] (*give details*)

	made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:	
25	Details relating to Instalment Covered Bonds:	
	(i) Instalment Amount(s):	[Not Applicable/[●] (*give details*)
	(ii) Instalment Date(s):	[Not Applicable/[●] (*give details*)
26	Redenomination applicable:	[Applicable]/[Not Applicable]

DISTRIBUTION

27	(i) If syndicated, names of Dealers:	[Not Applicable]/[●] (*give names and date of relevant agreement*)
	(ii) Stabilisation Manager (if any):	[Not Applicable]/[●] (*give names*)
	(iii) Commission Payable/Selling Concession:	[●]
28	If non-syndicated, name of relevant Dealer:	[Not Applicable]/[●] (*give names and date of relevant agreement*)
29	Whether TEFRA D or TEFRAC rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]]
30	Prohibition of Sales to EEA [and UK] Retail Investors	[Not Applicable]/[Applicable] (*If the Covered Bonds clearly do not constitute "packaged products" or the Covered Bonds do constitute a "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged products" and no key information document will be prepared, "Applicable" should be specified.*)

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of the Covered Bonds described herein pursuant to the €10,000,000,000.00 Covered Bonds Programme of Novo Banco, S.A.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1 Listing and admission to trading

(i) Listing:	[Euronext Lisbon]/[other] (*specify*)/[None]
(ii) Admission to trading:	[Application [has been made/is expected to be made] for the Covered Bonds to be admitted to trading on [the Euronext Lisbon Regulated Market]/[other] (specify with effect from [●].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading*.)
(iii) Estimate of total expenses related to admission to trading	[●]

2 Rating

Rating	[The Covered Bonds to be issued [have been] [are expected to be] rated:] [The Covered Bonds issued under the Programme generally [have been] [are expected to be] rated:] [Moody's: [●]] (*The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.) [*Insert a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*]

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

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

When adding any other description, consideration should be given as to whether such matters described constitute "*significant new factors*" *and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)*]

4 Estimated Net Proceeds and Total Expenses

[(i) Estimated net proceeds	[●]]
[(ii) Estimated total expenses:	[●]]

5 [YIELD – Fixed Rate Covered Bonds only]

Indication of yield:	[●]

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

6 Operational Information

(i) ISIN Code:	[●]
(ii) Common Code:	[●]
(iii) CFI:	[[●]/Not Applicable]
(iv) FISN:	[[●]/Not Applicable]
(v) Any clearing system(s) other than Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários and the relevant identification number(s) and addresses:	[Not Applicable]/[●] (give *name(s), number(s) and adress(es))*)
(vi) Delivery:	Delivery [against/free of] payment
(vii) Names and addresses of additional Paying Agent(s) (if any):	[●]
(viii) [Intended to be held in a manner which would allow Eurosystem eligibility:]	[[Yes] [No]
	[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] (*Include this text if "yes" selected*)
(ix) Stabilisation Operation	[Not Applicable/Applicable] [If applicable, name of the Stabilisation Manager and Period; Other information]
(x) Intended to be labelled as "European Covered Bond (Premium)"	[Yes] [No]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Covered Bond (as defined below). The applicable Final Terms (or the relevant provisions thereof) will be incorporated by reference into each Covered Bond. Reference should be made to "Final Terms for Covered Bonds" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

THE COVERED BONDS (AS DEFINED IN THESE TERMS AND CONDITIONS) ARE COVERED BONDS ("*OBRIGAÇÕES COBERTAS*") ISSUED IN ACCORDANCE WITH THE COVERED BONDS FRAMEWORK (AS DEFINED). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) IS A CREDIT INSTITUTION WITH THE CAPACITY TO ISSUE COVERED BONDS PURSUANT TO THE COVERED BONDS FRAMEWORK. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS FRAMEWORK ARE SECURED ON THE ASSETS THAT COMPRISE THE COVER POOL (AS DEFINED BELOW) MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS FRAMEWORK. THE COVER POOL IS AUTONOMOUS FROM ANY OTHER COVER POOL MAINTAINED BY THE ISSUER IN RELATION TO ANY OTHER PROGRAMMES THAT IT HAS OR MAY ESTABLISH IN THE FUTURE.

IT IS THE INTENTION OF THE ISSUER, BUT NOT ITS CONTRACTUAL UNDERTAKING, THAT ANY COVERED BONDS TO BE ISSUED ARE ABLE TO BEAR THE LABEL "EUROPEAN COVERED BOND (PREMIUM)", AS FORESEEN IN ARTICLE 42(2) OF THE COVERED BONDS FRAMEWORK. THE ACTUAL ABILITY FOR SUCH LABEL TO BE USED WILL DEPEND ON THE COMPLIANCE OVER TIME WITH THE RELEVANT REQUIREMENTS OF THE COVERED BONDS FRAMEWORK AND OF ARTICLE 129 OF THE CRR.

This Covered Bond is one of a Series (as defined below) of covered bonds issued by Novo Banco, S.A. (the "**Issuer**") in accordance with the procedures set out in the Set of Agency Procedures (as defined below).

References herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean, whilst the Covered Bonds are held through Interbolsa, the book-entries corresponding to the Specified Denomination in the Specified Currency (as specified in the applicable Final Terms).

The Covered Bonds have the benefit of a set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time, the "**Set of Agency Procedures**") dated 5 October 2015 and made and agreed by Novo Banco, S.A. (acting in its capacity as Agent and Paying Agent, which expressions shall include any successors, and as Issuer) and by any subsequent agent, paying agent, transfer agent and/or agent bank appointed by the Issuer.

Any reference to "**holders of Covered Bonds**" shall mean, while the Covered Bonds are held through Interbolsa, the person or entity registered as such in the relevant individual securities account held with the relevant Interbolsa Participant.

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

Copies of the Set of Agency Procedures are available for inspection during normal business hours at the specified office of each of the Paying Agents (such Paying Agents being together referred to as the "**Agents**").

Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of each of the Agents, save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable by a holder holding one or more unlisted Covered Bonds and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity and at the website of the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) (the "**CMVM**") – *www.cmvm.pt*. The Covered Bonds holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Set of Agency Procedures and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Set of Agency Procedures.

Words and expressions defined in the Set of Agency Procedures or used in the applicable Final Terms shall have the same meanings when used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Set of Agency Procedures and the applicable Final Terms, the applicable Final Terms will prevail.

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

(a) those Covered Bonds which have been redeemed and cancelled pursuant to these Terms and Conditions;

(b) those Covered Bonds in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Agent in the manner provided in the Set of Agency Procedures (and, where appropriate, notice to that effect has been given to the Covered Bonds holders in accordance with these Terms and Conditions);

(c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions;

(d) those Covered Bonds which have become prescribed under these Terms and Conditions.

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

1 FORM, DENOMINATION AND TITLE

The Covered Bonds are in registered form (*nominativas*) and in the Specified Currency and the Specified Denomination, as specified in the applicable Final Terms. Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

The Covered Bonds held through Interbolsa will be in book-entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of the Covered Bonds. Each person shown in the records of an Interbolsa Participant as having an interest in Covered Bonds shall be treated as the

holder of the principal amount of the Covered Bonds recorded therein. The Covered Bonds shall be registered covered bonds ("*nominativas*") which means that Interbolsa, at the Issuer's request, can ask the Interbolsa Participants for information regarding the identity of the holders of Covered Bonds.

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

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

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

The Covered Bonds may be Instalment Covered Bonds depending upon the Redemption/Payment Basis shown, and as specified, in the applicable Final Terms.

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €100,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) as may be agreed between the Issuer and the relevant dealer(s), as specified in the relevant Final Terms and provided that each series of Covered Bonds will have one denomination only.

2 TRANSFERS OF COVERED BONDS

The transferability of the Covered Bonds is not restricted.

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

Subject as set out below, title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Portuguese Securities Code, the applicable CMVM regulations and the provisions of the Set of Agency Procedures. The Issuer, the Paying Agent and the Common Representative will (except as otherwise required by law) deem and treat the registered holder of any Covered Bond as the absolute owner thereof for all purposes.

Any reference herein to Interbolsa shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. The holders of Covered Bonds will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3 STATUS OF THE COVERED BONDS

The Covered Bonds issued under the Programme and any interest thereon, if applicable, constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are covered bonds issued in accordance with the Covered Bonds Framework, which are secured by a Cover Pool maintained by the Issuer in accordance with the terms of the Covered Bonds Framework and rank *pari passu* with all other obligations of the Issuer under covered bonds

issued or to be issued by the Issuer pursuant to the Covered Bonds Framework (or which have been originally issued pursuant to the Covered Bonds Law and to which the Covered Bonds Framework became applicable following the approval of the Programme by the CMVM under the Covered Bonds Framework).

4 INTEREST

4.1 Interest on Fixed Rate Covered Bonds

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

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

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

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1 (*Interest on Fixed Rate Covered Bonds*):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(a) in the case of Covered Bonds where the number of days in the relevant period from (and including) the previous Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the previous Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

In these Terms and Conditions:

(i) "**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

(ii) "**Principal Amount Outstanding**" means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bond in respect thereof.

(iii) "**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Covered Bonds

(A) Interest Payment Dates

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

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms;or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

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

(ii) the Following Business Day Convention (as specified in the applicable Final Terms), such Interest

Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following (Adjusted) Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Lisbon and any Additional Business Centre(s)) or (2) in relation to any sum payable in euro, a day on which the T2 System is open.

(B) Rate of Interest

The rate of interest payable from time to time in respect of Floating Rate Covered Bonds ("**Rate of Interest**") will be determined in the manner specified in the applicable Final Terms.

(i) *ISDA Determination for Floating Rate Covered Bonds:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph, "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating (i) if "2006 ISDA Definitions" is specified in the applicable Final Terms, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds; or (ii) if "2021 ISDA Definitions" is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Covered Bonds (together, the "**ISDA Definitions**") and under which:

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

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

(ii) *Screen Rate Determination for Floating Rate Covered Bonds*: Where Screen Rate Determination is

specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

1. the offered quotation (if there is only one quotation on the Relevant Screen Page); or

2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

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

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

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(B) (*Interest on Floating Rate Covered Bonds – Rate of Interest*) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If no Minimum Rate of Interest is specified or if the Minimum Rate of Interest is specified as Not Applicable in the applicable Final Terms, then the minimum interest rate shall be zero.

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

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

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

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

Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

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

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(E) Benchmark discontinuation

(i) Independent Adviser

Notwithstanding the provisions in Condition 4.2 (*Interest on Floating Rate Covered Bonds*) above, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, but no later than 10 days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or the relevant component part thereof) is otherwise to be determined by reference to the Original Reference Rate (the "**IA Determination Cut-Off Date**", at its own costs to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) (ii) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4.2(E)(v) and (vi), respectively). In making such determination, Independent Adviser appointed pursuant to this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) shall act in good faith as an expert. In the absence of bad faith or fraud, the

Independent Adviser shall have no liability whatsoever to the Issuer, the Agents or the Noteholders for any determination made by it pursuant to this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*).

(ii) Issuer Determination

If (a) the Issuer is unable to appoint an Independent Adviser; or (b) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) prior to the relevant IA Determination Cut-Off Date /Interest Determination Date, the Issuer acting in good faith and in a commercially reasonable manner may itself determine (but shall not be obliged to determine) (1) a Successor Rate or Alternative Rate and (2) in either case an Adjustment Spread and/or any Benchmark Amendments in accordance with this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) (with the relevant provisions in this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) applying mutatis mutandis to allow such determinations to be made by the Issuer without consultation with the Independent Adviser). In the event that the Issuer decides to make a determination in accordance with this condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*), without prejudice to the definitions hereof, for the purpose of determining any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Amendments (as the case may be), the Issuer shall take into account published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets.

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

If the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate, or otherwise decides not to determine a Successor Rate or Alternative Rate in accordance with the Condition 4.2(E)(ii) prior to the relevant IA Determination Cut-Off Date, the Rate of Interest applicable to the next succeeding Accrual Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in respect of the immediately preceding Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Accrual Period from that which applied to the last preceding Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Accrual Period only and any subsequent Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*).

(iv) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate

to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*)).

(v) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(vi) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) and the Independent Adviser or Issuer, as the case may be, acting in good faith and in a commercially reasonable manner, determines (1) that amendments to these Conditions 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 (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.2(E)(vii), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.2(E)(vi), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(vii) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) will be notified promptly by the Issuer to the Common Representative, the Agent, the Calculation Agent and, in accordance with Condition 11 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Common Representative of the same, the Issuer shall deliver to the Common Representative a certificate signed by Authorised Signatories 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 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*); 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.

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

to rely on such certificate as aforesaid) be binding on the Issuer, the Common Representative, the Calculation Agent, the Agent and the Noteholders.

(viii) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*), the Original Reference Rate and the fall back provisions provided for in Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) will continue to apply unless and until a Benchmark Event has occurred.

(ix) Definitions:

As used in this Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, which the Independent Adviser or, as the case may be, the Issuer, in each case acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

i. in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

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

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

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, failing which, the Issuer determines has replaced the Original Reference Rate in accordance with Condition 4.2(E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds and with an interest period of a comparable duration to the relevant Interest Period.

"**Benchmark Amendments**" has the meaning given to it in Condition 4.2 (E) (i).

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or be administered; or

(b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will on or prior to a specified date cease to publish the Original Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, on or before a specified date, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will be prohibited from being used either generally, or in respect of the Covered Bonds, or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date ; or

(e) it has, or will on or prior to a specified date, become unlawful for the Agent, the Calculation Agent, the Issuer or other party, as the case may be, to calculate any payments due to be made to the holders of the Covered Bonds using the Original Reference Rate; or

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

provided that in the case of sub-paragraphs (b), (c) and (d), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets transactions appointed by the Issuer under Condition 4.2 (E) (*Interest on Floating Rate Covered Bonds – Benchmark discontinuation*).

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

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

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

ii. any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the relevant benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the relevant 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.

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

(F) Notification of Rate of Interest and Interest Amounts

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 11 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Common Representative and each Stock Exchange or other relevant authority on which the relevant

Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the holders of Covered Bonds in accordance with Condition 11 (*Notices*). For the purposes of this Condition 4.2(F), the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(G) Certificates to be final

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

4.3 Accrual of interest

Subject as provided in Condition 4.4 (*Interest rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*), interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof (which, in case an extension of maturity ceases to apply after the Maturity Date pursuant to Condition 6.8(F), shall be the Extension Cessation Date) unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until the earlier of (i) the date on which all amounts due in respect of such Covered Bond have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Agent, as the case may be, and notice to that effect has been given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

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

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

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of the Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the Principal Amount Outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Agent or, where the applicable Final Terms specifies

a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms (or, in connection with any redemption of the Covered Bonds (other than Zero Coupon Covered Bonds) where an extension of maturity ceases to apply after the Maturity Date pursuant to Condition 6.8(F), interest will continue to accrue from (and including) the Maturity Date to (but excluding) the Extension Cessation Date at the same Rate of Interest that was applicable in respect of the interest period ending on (but excluding) the Maturity Date).

(C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 4.4 (*Interest rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Dat*e) the Principal Amount Outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(D) This Condition 4.4 (*Interest rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*) shall only apply if the maturity of the Covered Bonds is extended up to the Extended Maturity Date in accordance with Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*).

5 PAYMENTS

5.1 Method of payment

Payments of principal and interest in respect of Covered Bonds held through Interbolsa may be made in Euro, United States Dollar, Pound Sterling, Japanese Yen, Swiss Franc, Australian Dollar and Canadian Dollar or in any other currency as may be accepted from time to time by Interbolsa and payments in a currency other than euro, will be settled through the Non-euro Currency Settlement System (SLME) of Interbolsa.

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the Covered Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the relevant T2 payment current- accounts of the Interbolsa Participant whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa.

Payments will be subject in all cases to the provisions of Condition 7 (*Taxation*), to (i) any tax or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding ordeduction.

5.2 Payment Day

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

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation; or

(B) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the T2 System is open,

provided that such a day is a business day for the purposes of the central securities depository and associated clearing and settlement system operated by Interbolsa.

5.3 Interpretation of principal

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

(i) the Final Redemption Amount of the Covered Bonds;

(ii) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(iii) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and

(iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

6 REDEMPTION AND PURCHASE

6.1 Final redemption

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

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

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 30 nor more than 60 days' notice to the Common Representative, the Agent and, in accordance with Condition 11 (*Notices*), the holders of Covered Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, whilst the Covered Bonds are held through Interbolsa, the nominal amount of all outstanding Covered Bonds will be redeemed proportionally.

6.3 Redemption at the option of the holders of Covered Bonds (Put Option)

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 11 (*Notices*) not less than 30 nor more than 60 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date, subject to an extension of maturity not having occurred on or prior to the Optional Redemption Date in the terms provided for in Condition 6.8. To exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must deliver, at the specified office of any Paying Agent while the Covered Bonds are held through Interbolsa at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. Any Put Notice given by a holder of any Covered Bond pursuant to this Condition shall be irrevocable. If the Covered Bonds are held through Interbolsa, the right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

6.4 Instalments

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates.

6.5 Purchases

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

6.6 Cancellation

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

6.7 Zero Coupon Covered Bonds

If the amount payable in respect of any Zero Coupon Covered Bonds to which Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) does not apply (or, where an extension of maturity ceases to apply pursuant to Condition 6.8(F) below, upon redemption of such Zero Coupon Covered Bond pursuant to Condition 6.1 (*Final redemption*), 6.2 (*Redemption at the option of the Issuer (Call Option)*) or 6.3 (*Redemption at the option of the holders of Covered Bonds (Put Option)*) above or upon its becoming due and repayable as provided for in Condition 9 (*Insolvency Event and Enforcement*), is improperly withheld or refused or where an extension of maturity ceases to apply after the Maturity Date pursuant to Condition 6.8(F), the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated according to the following formula:

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

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

y is a fraction, the denominator of which is 360 and the numerator of which is equal to the number of days

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

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

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

6.8 Extension of Maturity Date up to Extended Maturity Date

(A) Each Series of Covered Bonds issued under the Programme may be issued with an Extended Maturity Date which shall be at least one year after the applicable Maturity Date, provided that in any case the Issuer may not specify an Extended Maturity Date that is earlier than the Extended Maturity Date for any other Series of Covered Bonds with an earlier Maturity Date.

The Issuer may decide not to apply an Extended Maturity Date to a Series of Covered Bonds provided that the rating assigned to the outstanding Covered Bonds by the Rating Agency at the time of issue of such Series is not adversely affected.

(B) In the case of liquidation or resolution of the Issuer, no extension of maturity for a Series of Covered Bonds to the applicable Extended Maturity Date will (i) affect the ranking of the covered bonds issued by the Issuer and subject to the Covered Bonds Framework or (ii) invert the sequencing of the original maturity schedule for the covered bonds issued by the Issuer and subject to the Covered Bonds Framework.

(C) If an Extended Maturity Date is specified in the applicable Final Terms and (i) the Issuer fails to redeem any Series of Covered Bonds in full on the Maturity Date and it is foreseeable (as determined by the Issuer) that such failure will continue for 5 Business Days thereafter and (ii) the Issuer has given notice to the CMVM in the manner described in paragraph (F) below, the maturity of such Covered Bonds issued under the Programme and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to but no later than the relevant Extended Maturity Date, subject as described in paragraph (F) below.

(D) If an Extended Maturity Date is specified in the applicable Final Terms and in the case of resolution or voluntary liquidation of the Issuer, if one or some but not all Series of Covered Bonds then outstanding have been subject to extension to their respective Extended Maturity Dates and any such Extended Maturity Date falls later than the relevant Maturity Date for the Covered Bonds of any other Series then outstanding that has not been extended (and which Maturity Date for such other Series is later than the corresponding Maturity Date of such extended Series of Covered Bonds) the maturity of such other Series of Covered Bonds will be automatically extended to its relevant Extended Maturity Date, as required by article 21(1)(d) of the Covered Bonds Framework.

(E) If an Extended Maturity Date is specified in the applicable Final Terms and if the authorisation of the Issuer as a credit institution is revoked by the competent banking supervisory authority (being the European Central Bank and the Bank of Portugal, acting individually or jointly, and including any successor) and leading to mandatory liquidation of the Issuer, the maturity of all Series of Covered Bonds will, subject to the right of the CMVM to oppose such extension in the manner described in paragraph (F) below), be automatically extended up to but no later than the Extended Maturity Date.

(F) If an Extended Maturity Date is specified in the applicable Final Terms, the Issuer shall, at least 10 calendar days in advance of a possible extension of maturity (or, if that is not possible, in light of the occurrence or knowledge of the event, as soon as possible), give notice to the CMVM of such

extension and the respective grounds for such extension, in particular that it is foreseeable (as determined by the Issuer) that (i) (in the case of any extension of maturity in the circumstances described in paragraph (C) above) the Covered Bonds will not be redeemed on the Maturity Date and such failure will continue for 5 Business Days thereafter or (ii) (in the case of any extension of maturity in the circumstances described in paragraph (E) above) the Issuer's authorisation as credit institution will be (or has been) revoked. The CMVM may oppose to any such extension within 10 calendar days of the Issuer giving notice to the CMVM if it considers that the Extension Legal Requirements are not met.

If the CMVM decides on the basis of the Extension Legal Requirements to oppose such extension of maturity, the extension to the relevant Extended Maturity Date will not apply. In the absence of any decision by the CMVM to oppose such extension within 10 calendar days from the date the Issuer gives the relevant notice to the CMVM, such extension to the relevant Extended Maturity Date will continue to apply

For the avoidance of doubt, if the CMVM has received less than 10 calendar days' notice from the Issuer of any possible extension and at the date on which the maturity for the Covered Bonds is scheduled to be automatically extended to the Extended Maturity Date the CMVM has not yet decided whether or not it opposes such extension, the maturity for the Covered Bonds will extend to the Extended Maturity Date. If subsequently (but within 10 calendar days from the date the Issuer gives the relevant notice to the CMVM) the CMVM then decides on the basis of the Extension Legal Requirements to oppose such extension, the extension to the Extended Maturity Date will cease to apply and each Covered Bond shall, as at the date of such cessation (the "**Extension Cessation Date**") then become immediately due and payable at its Final Redemption Amount together with any accrued interest determined pursuant to Condition 4.4(B) (or, in the case of Zero Coupon Covered Bonds, an amount determined in accordance with Condition 6.7 (*Zero Coupon Covered Bonds*)).

(G) If an Extended Maturity Date is specified in the applicable Final Terms, the Issuer shall give to the holders of the Covered Bonds (in accordance with Condition 11 (*Notices*)), the Rating Agency, the Agent and the other Paying Agents, notice that it has notified the CMVM of any potential extension to the maturity of the Covered Bonds and of any decision the CMVM notifies to the Issuer in respect of such potential extension. Any failure by the Issuer to notify any such persons shall not affect the validity or effectiveness of any extension or give rise to rights in any such person, under this Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*).

(H) In the event of an extension of the maturity for the Covered Bonds to the Extended Maturity Date, the Issuer may redeem all or any part of the Principal Amount Outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the holders of Covered Bonds (in accordance with Condition 11 (*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem the Principal Amount Outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

(I) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) the Principal Amount Outstanding shall be the amount calculated in accordance with Condition 6.7 (*Zero Coupon Covered Bonds*).

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

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

(L) If the Issuer redeems part and not all of the Principal Amount Outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the Principal Amount Outstanding of the Covered Bonds shall be reduced by the level of that redemption.

(M) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.8 (Extension of Maturity Date up to Extended Maturity Date), subject to otherwise provided for in the applicable Final Terms, for so long as those Covered Bonds remain in issue, the Issuer shall not issue any further covered bonds, unless the proceeds of issue of such further covered bonds are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

7 TAXATION

7.1 Payments free of taxes

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

7.2 No payment of additional amounts

Neither the Issuer nor the Paying Agent will be obliged to pay any additional amounts to the holders of Covered Bonds in respect of any Tax Deduction made in accordance with Condition 7.1 (*Payment free of taxes*) above.

7.3 Taxing Jurisdiction

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

7.4 Tax Deduction not event of default

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

8 PRESCRIPTION

The Covered Bonds will become void unless presented for payment within 20 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date therefor, subject in each case to the provisions of Condition 5 (*Payments*). As used in these Terms and Conditions, "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

9 INSOLVENCY EVENT AND ENFORCEMENT

9.1 Insolvency Event

Pursuant to the Covered Bonds Framework, if an Insolvency Event in respect of the Issuer occurs, the provisions of Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) apply. Notwithstanding the foregoing, the holders of Covered Bonds may approve a Resolution, by a majority of two thirds of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding, for which purpose the Covered Bonds held by the Issuer or on its behalf shall not be counted nor entitle voting rights (unless such Series is fully held by the Issuer), to determine the serving of an Acceleration Notice, in which case all outstanding Covered Bonds shall immediately become due and payable each at their Early Redemption Amount together with accrued interest. For the sake of clarity, the serving of such an Acceleration Notice will supersede the provisions of Conditions 6.8 (*Extension of Maturity Date up to Extended Maturity Date*), the Covered Bonds becoming immediately due and payable as aforementioned.

For the purposes of these Terms and Conditions: "**Insolvency Event**" means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-law 199/2006, of 25 October 2006, as amended, the RGICSF, and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-law 53/2004, of 18 March 2004, as amended). Investors should see the *Insolvency of the Issuer* section.

9.2 Enforcement

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

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

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

10 AGENT AND PAYING AGENTS

(A) The names of the Agent and the Paying Agent and their initial specified offices are set out in Condition 17 (Definitions) below. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint such other bank to act as

such in its place.

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

(i) there will at all times be an Agent;

(ii) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Agent) having a specified office in a city approved by the Common Representative in continental Europe;

(iii) so long as any of the Covered Bonds are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or as the case may be, other relevant authority.

11 NOTICES

All notices regarding the Covered Bonds shall be published in a manner which complies with the applicable listing rules of the Euronext Lisbon and also with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication.

Notices to the holders of Covered Bonds shall, in respect of the Covered Bonds listed on Euronext Lisbon, be published on the CMVM's information system (*www.cmvm.pt*). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of Covered Bonds throughout the EU and shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements, notably pursuant to the Portuguese Companies Code and the CMVM Regulation 1/2023, as amended.

12 MEETINGS OF HOLDERS OF COVERED BONDS

(A) The Portuguese Companies Code, which applies to Covered Bonds in accordance with Article 28 of the Covered Bonds Framework, contains provisions for convening meetings of the holders of Covered Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.

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

(C) The majorities required to approve a Resolution at any meeting convened in accordance with the

applicable rules shall be: (i) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; (ii) if in respect to a Resolution regarding a Reserved Matter except for the one set out in (iii) below, at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting or (iii) if in respect to a Resolution regarding an increase in the obligations of the holders of Covered Bonds, all holders of the relevant Series of Covered Bonds.

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

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

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

(E) Any such meeting to consider a Programme Resolution may be convened by the Common Representative or, if it refuses to convene such a meeting, by the Chairman of the General Meeting of Shareholders of the Issuer; if both the Common Representative and the Chairman of the General Meeting of Shareholders of the Issuer refuses to convene the meeting, then 5 per cent. of the holders of Covered Bonds of any Series may petition the court to order a meeting to be convened.

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

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

13 INDEMNIFICATION OF THE COMMON REPRESENTATIVE CONTRACTING WITH THE ISSUER

(A) If, in connection with the exercise of its powers and discretions, the Common Representative is of the

opinion that the interests of the holders of Covered Bonds of any one or more Series would be materially prejudiced thereby, the Common Representative shall not exercise such powers and discretions without the approval of such holders of Covered Bonds by a Resolution or by a written resolution of such holders of Covered Bonds of at least the majority of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

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

14 OVERCOLLATERALISATION, LIQUIDITY BUFFER AND ISSUER COVENANTS

14.1 Maintenance of overcollateralisation

For so long as the Covered Bonds are outstanding, the value (determined in accordance with the Covered Bonds Framework and the CMVM Regulation) of the Cover Pool maintained by the Issuer shall at all times be a minimum of 105 per cent. of the aggregate value of all outstanding Covered Bonds issued under the Programme or such other percentage under such other conditions as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor (the "**Overcollateralisation Percentage**"), provided that:

(i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105 per cent.;

(ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of this Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*) if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch; and

(iii) assets contributing to the Overcollateralisation Percentage in excess of 100 per cent. of the aggregate value of all outstanding Covered Bonds issued the Programme shall not be subject to the limits on exposure size set out in accordance with Condition 14.3 (*Issuer Covenants*), paragraph (A), subparagraph (b) and shall not count towards those limits.

14.2 Liquidity Buffer

For so long as the Covered Bonds are outstanding, the Cover Pool shall include a Liquidity Buffer comprised by Liquidity Assets to cover the Net Liquidity Outflows accumulated over the next 180 days, provided that (i) uncollateralised claims from exposures considered in default pursuant to article 178 of the CRR cannot contribute to the Liquidity Buffer, and (ii) if an Extended Maturity Date is specified in the applicable Final Terms, principal repayments under the Covered Bonds shall be considered due for this purpose on the relevant Extended Maturity Date.

14.3 Issuer Covenants

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

(A) *Eligible Assets*: only assets listed in article 129(1) of the CRR (and provided that the requirements under paragraphs 1a to 3 of article 129 of the CRR are met) may be part of the Cover Pool (whether as Primary Assets, Substitution Assets or Liquidity Assets), provided that:

(a) the value of a Mortgage Credit may not exceed the lesser of (i) the principal amount of the respective Mortgage (combined with any prior mortgages, if they exist) and (ii) either 80 per cent. of the Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. (or 70 per cent., in the circumstances foreseen in article 129(1)(f) of the CRR) of the Current Property Value, in case of a Property intended primarily for commercial purposes; and

(b) (i) exposures to credit institutions that qualify for credit quality step 1 (as defined in the CRR) shall not exceed 15 per cent. of the aggregate nominal amount outstanding of the Covered Bonds; (ii) exposures to credit institutions that qualify for credit quality step 2 (as defined in the CRR) shall not exceed 10 per cent. of the aggregate nominal amount outstanding of the Covered Bonds; (iii) exposures to credit institutions that qualify for credit quality step 3 (as defined in the CRR) shall comply with the requirements set out under sub-paragraphs 1(c) and 1-A(c) of Article 129 of the CRR; (iv) the total exposure to credit institutions that qualify for credit quality step 1, 2 or 3 shall not exceed 15 per cent. of the aggregate nominal amount outstanding of the Covered Bonds; and (v) the total exposure to credit institutions that qualify for credit quality step 2 or 3 shall not exceed 10 per cent. of the aggregate nominal amount outstanding of the Covered Bonds;

(B) *Primary Assets*: the Primary Assets shall be Mortgage Credits;

(C) Valuations: all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Properties or other Cover Pool assets will be made in compliance with the requirements of the Covered Bonds Framework and the CRR;

(D) Cover Pool Monitor: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*) in accordance with the Covered Bonds Framework and under the terms set forth in the Cover Pool Monitor Agreement;

(E) Mortgage Credits: the Mortgage Credits included in the Cover Pool are not Non-Performing Mortgage Credits; and

(F) *Insurance*: the Properties are adequately insured against the risk of damage.

15 FURTHER ISSUES

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

16 GOVERNING LAW AND JURISDICTION

The Common Representative Appointment Agreement, the Set of Agency Procedures, the Covered Bonds, and

the other Programme Documents (including any non-contractual obligations arising out of, or in connection with said documents), are governed by, and shall be construed in accordance with, Portuguese law unless specifically stated to the contrary.

The courts of Lisbon shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Covered Bonds and accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Covered Bonds (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Covered Bonds) may be brought in such courts, subject to mandatory applicable laws.

17 DEFINITIONS

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

"**Acceleration Notice**" means a notice served on the Issuer pursuant to Condition 9 (*Insolvency Event and Enforcement*).

"**Agent**" means Novo Banco, S.A., in its capacity as Agent with head office at Avenida da Liberdade, 195, 1250-142 Lisbon, Portugal, or any successor Agent(s), in each case together with any additional Agent(s), appointed from time to time by the Issuer in connection with the Covered Bonds and under the Set of Agency Procedures.

"**Clearstream, Luxembourg**" means Clearstream Banking société anonyme, Luxembourg.

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

"**CMVM Regulation**" means the CMVM Regulation no. 2/2023, of 28 of July, regarding covered bonds."**Common Representative**" means Bondholders, S.L., in its capacity as representative of the holders of the Covered Bonds pursuant to Article 28 of the Covered Bonds Framework in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Avenida de Francia 17, A, 1 46023 Valencia (Spain).

"**Common Representative Appointment Agreement**" means the agreement dated 23 October 2020 entered into between the Issuer and the Common Representative which sets out the terms and conditions for the appointment of, and provision of services by the Common Representative.

"**Cover Pool**" means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the holders of Covered Bonds and the Other Preferred Creditors, which comprises the Primary Assets, the Substitution Assets and the Liquidity Assets, as specified in the Register. The Cover Pool is autonomous from any other cover pool maintained by the Issuer in relation to any other programmes that it has or may establish in the future.

"**Cover Pool Monitor**" means Pricewaterhousecoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda, registered with the CMVM under number 20161485 and with the Portuguese Institute of Statutory Auditors ("**OROC**") under number 183 and with registered office at Palácio SottoMayor, Rua Sousa Martins, nº 1, 3º, 1050-217 Lisboa.

"**Covered Bond**" means any soft-bullet covered bond issued by the Issuer pursuant to the Covered Bonds Framework in the form specified in the applicable Final Terms and "**Covered Bonds**" shall be construed accordingly.

"**Covered Bonds Framework**" means the current Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-Law number 31/2022, of 6 May, as amended from time to time;

"**Covered Bonds Law**" means the previous Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-law 59/2006, of 20 March 2006, as amended from time to time and revoked by the Covered Bonds Framework.

"**CRR**" means Regulation (EU) no. 575/2013, of the European Parliament and of the Council, of 26 June 2013, as amended from time to time.

"**Current Property Value**" means, in relation to a Property securing a Mortgage Credit, the updated Property Valuation of such Property;

"**Dealers"** means Barclays Bank Ireland PLC, Novo Banco, S.A. and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.

"**EU**" means the European Union.

"**Euro**", "**€**" or "**euro**" means the lawful currency of Member States of the European Union that adopt the single currency introduced in accordance with the Treaty.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Euronext**" means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

"**Euronext Lisbon**" means the regulated market managed by Euronext.

"**Extended Maturity Date**" means the date so specified in the applicable Final Terms, extending the maturity of the relevant Series of Covered Bonds if the conditions foreseen in Condition 6.8 (*Extension of Maturity Date up to Extended Maturity Date*) are met.

"**Extension Cessation Date**" has the meaning given in Condition 6.8(F).

"**Extension Legal Requirements**" means the legal requirements applicable to an extension of maturity of covered bonds, as foreseen in article 21(1) and (2) of the Covered Bonds Framework.

"**Final Terms**" means, in relation to each Tranche, the final terms applicable to such Covered Bonds.

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

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

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

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

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

"**Issue Date**" means the date so specified in the applicable Final Terms being, in respect of any Covered Bond, the date of issue and purchase of such Covered Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

"**Liquidity Assets**" means the assets which may compose the Liquidity Buffer in accordance with the Covered Bonds Framework, as described below:

(b) Assets qualifying as level 1, level 2A or level 2B assets pursuant to the applicable delegated regulation adopted pursuant to article 460 of the CRR, that are valued in accordance with such regulation, and are not issued by the issuing credit institution itself, its parent undertaking, unless it is a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links; and

(c) Short-term exposures to credit institutions that qualify for credit quality step 1 or 2 (as defined in the CRR), or claims, including deposits, that are short-term to credit institutions that qualify for credit quality step 1, 2 or 3 (as defined in the CRR), in accordance with article 129(1)(c) of the CRR, provided that any such assets comply with any applicable requirements under paragraph (A) (Eligible Assets) of Condition 14.3 (*Issuer Covenants*), subject to Condition 14.1(iii).

For the avoidance of doubt, and provided that the requirements under b) above are met, the assets under b) above can include short term deposits held with the Bank of Portugal or the Issuer, segregated and allocated to the Cover Pool as part of the Liquidity Assets.

"**Liquidity Buffer**" means the liquidity buffer included in the Cover Pool in accordance with article 19 of the Covered Bonds Framework, as detailed in Condition 14.2 (*Liquidity Buffer*).

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

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**Moody's**" means Moody's Investors Service España, S.A., and any of its successors and affiliates;

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

"**Mortgage Credit**" means the pecuniary credit receivables secured by a Mortgage which is registered as being comprised in the Cover Pool for the amount and with the characteristics required to be met pursuant to the Covered Bonds Framework, and which complies with the eligibility criteria established in the Covered Bonds Framework and Condition 14.3(A).

"**Net Liquidity Outflows**" means all payment outflows falling due on one day, including principal (if applicable, as it will only be considered due for this purposes on the relevant Extended Maturity Date) and interest payments under the Covered Bonds and payments under the Hedging Contracts, net of all payment inflows falling due on the same day for assets in the Cover Pool.

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

(a) is in the course of being foreclosed or otherwise enforced;or

(b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days ormore.

"**Other Preferred Creditors**" means the counterparties under the Hedging Contracts.

"**Overcollateralisation Percentage**" has the meaning given in Condition 14.1 (*Maintenance of overcollateralization*).

"**Paying Agents"** means the paying agents named in the Set of Agency Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Set of Agency Procedures.

"**Portuguese Companies Code**" means Decree-Law number 262/86, of 2 September, as amended from time to time.

"**Portuguese Securities Code**" means Decree-Law number 486/99, of 13 November, as amended from timer to time.

"**Primary Assets**" means the dominant cover assets that determine the nature of a cover pool of covered bonds, under the Covered Bonds Framework. In particular in respect of the Cover Pool, the Primary Assets are Mortgage Credits, corresponding to the type of assets foreseen in article 129(1), paragraphs (d) and (f) of the CRR.

"**Programme**" means the €10,000,000,000 covered bonds programme established for the issuance of Covered Bonds by the Issuer in accordance with the Covered Bonds Law for the issuance of Covered Bonds by the Issuer and as converted on 30 November 2023 for the issuance of "European Covered Bond (Premium)" in compliance with the Covered Bonds Framework, and as updated from time to time.

"**Programme Agreement**" means the agreement, dated 30 November 2023, entered into between the Issuer, the Arranger and the Dealers named therein, as amended, supplemented and/or restated from time to time.

"**Programme Resolution**" means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Insolvency Event and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

"**Property**" means, in relation to any Mortgage Credit, the property upon which the repayment of such Mortgage Credit is secured by the corresponding Mortgage and "**Properties**" means all of them.

"**Property Valuation**" means, in relation to any Property the amount determined as such Property's market value (which means, in accordance with point (76) of article 4(1) of the CRR, the estimated amount for which the Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion), in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with the Covered Bonds Framework and article 208 of the CRR, provided that, in accordance with the foregoing, the Issuer may use statistical methods to monitor the value of the Property and identify if it needs revaluation.

"**Rating Agency**" means Moody's.

"**Register**" means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Framework and the CMVM Regulation;

"**Relevant Date**" means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

"**Relevant Screen Page**" has the meaning ascribed to it in the Final Terms.

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; (vi) to amend this definition; and (vii) any other matter required by law to be approved by the majorities set out in Conditions 12(C)(ii) and12(C)(iii).

“**Resolution”** means a resolution adopted at a duly convened meeting of holders of Covered Bonds and approved in accordance with the applicable provisions.

“**RGICSF**” means the General Regime for Credit Institutions and Financial Companies, as enacted by the Decree-Law 298/92, of 31 December 1992, as amended.

“Securities Act” means the United States Securities Act of 1933, as amended.

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

“**Set of Agency Procedures**” means the set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time) dated 5 October 2015 and made and agreed by Novo Banco, S.A., in its capacity as Agent, Paying Agent and the Issuer and agreed to by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

“**Stock Exchange**” means Euronext Lisbon or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms.

“**Substitution Assets**” means the cover assets that contribute to the coverage requirements in relation to covered bonds other than Primary Assets, under the Covered Bonds Framework, provided that they comply with the relevant requirements foreseen in article 129 of the CRR.

“**T2 System**” means the real time gross settlement system operated by the Eurosystem, or any successor system.

“**Tax**” shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly.

“**Tax Authority**” means any government, state, municipal, local, federal or other tax, revenue, customs or excise authority, body or official anywhere in the world exercising a tax, revenue, customs or excise function.

“**Tax Deduction**” means any deduction or withholding on account of Tax.

“**Terms and Conditions**” means in relation to the Covered Bonds, the terms and conditions applicable to the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

“**Treaty**” means the treaty establishing the European Communities, as amended by the Treaty on European Union.

CHARACTERISTICS OF THE COVER POOL

Introduction – Capacity to Issue Covered Bonds

In general, only duly licensed credit institutions may issue covered bonds. The Issuer complies with this requirement and is thus allowed to issue covered bonds under the Covered Bonds Framework.

Issuer Required to Maintain Cover Pool

The Issuer may issue Covered Bonds only if it maintains a related Cover Pool in compliance with the Covered Bonds Framework. Pursuant to the Covered Bonds Framework, the Cover Pool may contain mortgage credit assets, substitution assets and other eligible assets (including hedging contracts), subject to the limitations provided for therein. The Covered Bonds Framework allows for the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the mortgage credit assets (and other permitted assets) to be comprised in the Cover Pool may change from time to time after the date hereof in order to ensure compliance with the requirements of the Covered Bonds Framework and with the CMVM Regulation (as defined in *Definitions*).

To enable it to issue Covered Bonds, the Issuer has established and will maintain a permanently identifiable and segregated register (the "**Register**") in relation to the Cover Pool for the purposes of the Covered Bonds Framework.

The Issuer plans to issue from time to time Covered Bonds under the Programme and will include in the Cover Pool additional mortgage credit assets or substitution assets (and other permitted assets) as security for those Covered Bonds, in accordance with relevant provisions of the Covered Bonds Framework, as further detailed below.

The Issuer is required, as soon as practicable after becoming aware that it has contravened the provisions of the Covered Bonds Framework, to take all possible steps to prevent the contravention from continuing or being repeated.

Eligibility Criteria for Assets Comprised in the Cover Pool

Only mortgage credits or receivables, including, but not limited to, interest revenue and repayments, which comply with the legal eligibility criteria described below may be included in the Cover Pool:

Mortgage Credits Eligibility Criteria

The Covered Bonds to be issued under this Base Prospectus will be labelled as "*European Covered Bond (Premium)*", as set out in Article 42(2) of the Covered Bonds Framework provided that the Covered Bonds are in compliance with the Covered Bonds Framework and the CRR.

As such, the Cover Pool will comprise only assets listed in Article 129(1) of the CRR (and provided that the requirements under paragraphs 1a to 3 of Article 129 of the CRR are met). Each Cover Pool shall comprise of Primary Assets, Substitution Assets or Liquidity Assets, provided that:

- the value of a Mortgage Credit may not exceed either 80 per cent. of the Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. (or 70 per cent., in the circumstances foreseen in Article 129(1)(f) of the CRR) of the Current Property Value, in case of a Property intended primarily for commercial purposes; and
- (i) exposures to credit institutions that qualify for credit quality step 1 (as defined in the CRR) shall not exceed 15 per cent. of the aggregate nominal amount outstanding of the Covered Bonds; (ii) exposures to

credit institutions that qualify for credit quality step 2 (as defined in the CRR) shall not exceed 10 per cent. of the aggregate nominal amount outstanding of the Covered Bonds; (iii) exposures to credit institutions that qualify for credit quality step 3 (as defined in the CRR) shall comply with the requirements set out under sub-paragraphs 1(c) and 1-A(c) of Article 129 of the CRR; (iv) the total exposure to credit institutions that qualify for credit quality steps 1, 2 or 3 shall not exceed 15 per cent of the aggregate nominal amount outstanding of the Covered Bonds; and (v) the total exposure to credit institutions that qualify for credit quality steps 2 or 3 shall not exceed 10 per cent. of the aggregate nominal amount outstanding of the Covered Bonds.

Other assets Eligibility Criteria:

The following assets may also be included in the Cover Pool:

(a) the assets described above under section "Mortgage Credits Eligibility Criteria" if they are not deemed to be Primary Assets;

(b) deposits with the Bank of Portugal in cash or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);

(c) current or term account deposits with credit institutions located in the European Economic Area which are not in a control or group relationship with the Issuer; and

(d) other assets, located in the European Economic Area, complying simultaneously with the requisites of low risk and high liquidity.

At the date of this Base Prospectus, the Issuer intends to include in the Cover Pool Mortgage Credits which are located in Portugal and secured primarily on residential property for the purposes of the Covered Bonds Framework.

The Issuer does not intend at the date of this Base Prospectus to include either (*i*) Mortgage Credits which have their primary security over commercial property or (*ii*) Mortgage Credits in respect of which the associated Property is located for the purposes of the Covered Bonds Framework outside Portugal, without first obtaining (in each case for so long as the Covered Bonds are rated by such rating agency) from Moody's a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Covered Bonds.

Hedging Contracts

The Covered Bonds Framework allows the Cover Pool to include hedging contracts aimed exclusively at hedging risks, namely interest rate, exchange rate or liquidity risks. These hedging contracts will form part of the Cover Pool and may be taken into account in the assessment of the financial ratios and requirements of the Covered Bonds Framework and described in this section.

Pursuant to the requirements of the Covered Bonds Framework and article 129 of the CRR, any such hedging contracts can only be included in the Cover Pool provided: (i) their purpose is exclusively to cover risk; (ii) its volume is adjusted in the event of a reduction in the covered risk; (iii) they are terminated if the covered risk ceases to exist; (iv) are sufficiently documented; (v) are subject to segregation under the terms of Covered Bonds Framework; (vi) cannot be resolved in the event of liquidation or resolution of the Issuer; (vii) are traded on a regulated market or multilateral trading system of a Member State of the European Union, on a recognised market of a full member of the Organization for Economic Cooperation and Development, or have credit institutions as counterparties, located in the European Economic Area, whose exposures are eligible: (A) for credit quality step 1 or credit quality step 2 (both as defined in CRR); or (B) for credit quality step 3 (as defined

in the CRR),, if authorised by the competent authority under the terms of the aforementioned legislation on credit risk relating to covered bonds; (viii) are considered at their market value or, in the absence of this, at the value calculated based on appropriate valuation methods.

Also pursuant to the Covered Bonds Framework, the Register shall, in relation to each Hedging Contract, identify (*i*) the Covered Bonds to which the relevant Hedging Contract relates; (*ii*) the underlying asset or assets; (*iii*) the nominal value of the Hedging Contract; (*iv*) the Hedge Counterparty; and (*v*) the commencement date and the maturity date of such Hedging Contract.

Interest rate exposure of the Issuer relating to Mortgage Credits, as and when comprised in the Cover Pool, may be managed through Hedging Contracts. Interest rate swaps may be entered into with a Hedge Counterparty relating to both the Cover Pool and the Covered Bonds issued by the Issuer. The Hedging Contracts will qualify as derivative financial instruments for the purposes of the Covered Bonds Framework.

Loan-to-Value Restrictions

Pursuant to the Covered Bonds Framework and Articles 129(1)(d) and (f) of the CRR, the amount of any Mortgage Credit granted by the Issuer and registered as being comprised in the Cover Pool may not exceed the lesser of (i) the principal amount of the respective Mortgage (combined with any prior mortgages, if they exist), and (ii) 80 per cent. of the value of the Property, if it is residential property, or 60 per cent. of the value of the Property, if it is commercial property (which, in the case of commercial property, may be increased to 70 per cent., subject to certain conditions). The loan-to-value limit shall (i) apply on a loan-by-loan basis; (ii) determine the portion of the loan contribution to the coverage of liabilities attached to the Covered Bonds; and (iii) apply throughout the entire maturity of the loan. See *Valuation of Cover Pool* below.

Overcollateralisation

Pursuant to the Covered Bonds Framework and the CRR, all liabilities of the Covered Bonds shall be fully secured by the cover assets.

In compliance with the above legal requirements, in particular with Article 129(3)(a) of the CRR, Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*) requires the Issuer to over-collateralise the Cover Pool at all times at a minimum of 105 per cent. of the aggregate value of all outstanding Covered Bonds issued under the Programme or such other percentage under such other conditions as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor (the "**Overcollateralisation Percentage**"), provided that:

(a) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105 per cent.;

(b) without prejudice to (a) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*) if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch; and

(c) assets contributing to the Overcollateralisation Percentage in excess of 100 per cent. of the aggregate value of all outstanding Covered Bonds issued the Programme shall not be subject to the limits on exposure size set out in accordance with Condition 14.3 (*Issuer Covenants*), paragraph (A), subparagraph (b) and shall not count towards those limits.

For the purposes of the calculation by the Issuer and the Cover Pool Monitor of the level of overcollateralisation referred to above:

(a) Mortgage Credits shall be accounted for according to the nominal value of the outstanding principal;

(b) deposits shall be accounted for according to their amount;

(c) securities eligible for Eurosystem credit transactions shall be accounted for by the value resulting from the application of the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to their nominal value;

(d) securities representing debt shall be accounted for according to the nominal value of the outstanding principal;

(e) hedging agreements which form part of the Cover Pool shall be accounted for their amount as set out in the Covered Bond Framework;

Also for the purpose of these calculations the Issuer and the Cover Pool Monitor shall use the exchange rates published by the ECB as a reference.

Compliance with Financial Requirements

The Cover Pool Monitor, pursuant to the Covered Bonds Framework and in accordance with the terms set forth in the Cover Pool Monitor Agreement, must monitor the Issuer's compliance with the financial requirements established in the Covered Bonds Framework described in this section. Should a breach of the homogeneity, coverage or liquidity of the Cover Pool occur, the Issuer is required, immediately after becoming aware thereof, to take all possible steps to remedy such breach, by:

(a) allocating new Primary Assets or Substitution Assets, with or without substitution of those already allocated to the Covered Bonds; and/or

(b) amortising Covered Bonds in a sufficient amount to remedy the breach; and/or

(c) allocating new liquid assets to the Liquidity Buffer.

Notwithstanding the above, Mortgage Credits that become delinquent after being allocated to the Cover Pool may still remain in such Cover Pool provided that the delinquency period is not equal to or higher than 90 days and such Mortgage Credits not removed from the Cover Pool following 90 days shall not count towards the statutory tests or the Overcollateralisation Percentage.

Valuation of Cover Pool

The Covered Bonds Framework sets out certain requirements and criteria which are required to be met by the Issuer in respect of the valuation of Mortgage Credits comprised in the Cover Pool.

The Covered Bonds Framework empowers the CMVM to establish, by regulation, requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it may consider relevant for determining the value of eligible assets for the purposes of the Covered Bonds Framework. In this regard, the CMVM Regulation does not specifically include any provisions regarding the methodologies and frequency of valuation of the cover assets, their risk management, and the registration and archiving of all this information, establishing a material reference, under the terms of Article 11 of the CMVM Regulation, to national and EU banking prudential legislation and regulations (namely Article 208 of the CRR).

Valuation of Properties

General Overview

The value of each Property associated with a Mortgage Credit comprised in the Cover Pool shall be equal to or less than the amount determined as such Property's market value, in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, under the Covered Bonds Framework and Article 208 of the CRR.

The market value, in accordance with point (76) of Article 4(1) of the CRR, means the estimated amount for which the Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The property valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralised in a unit that is independent of the commercial units.

Valuation by expert

In accordance with the Covered Bonds Framework, prior to the inclusion in the Cover Pool of the related Mortgage Credit, each Property must be valued by a real estate valuation expert, with necessary qualifications, competence and experience. The real estate valuation expert shall (i) be independent from the decision-making process concerning the granting of the credit; (ii) not take into account speculative elements in the assessment of the value of the physical cover asset and the cover documents; and (iii) document the value of the physical cover asset in a transparent and clear manner.

The real estate valuation experts appointed from time to time by the Issuer comply with the criteria set forth in Article 208(3)(b) of the CRR.

The Issuer may not appoint a real estate valuation expert who is in a situation which may affect their impartiality of analysis, in particular as a result of a specific interest in the property under assessment, or of any relationship, whether commercial or personal, with the entities involved.

Valuation experts are required to comply with further terms and conditions set forth in Law 153/2015, of 14 September.

At the moment of inclusion of a Property in the Cover Pool, it shall have a valuation equal to or lower than the market value or the valuation amount for the purpose of the granting of the Mortgage Credit.

Valuation report

Each real estate valuation expert appointed by the Issuer shall prepare a written report in relation to the valuation of each Property, setting out, in a clear and detailed manner, all the elements relevant for the full understanding of the analysis and conclusions of such valuation, in particular:

(a) the identification of the relevant Property, with a detailed description of its characteristics;

(b) a description and basis for the selection of the method(s) of valuation, any parameters used and/or assumptions adopted, identifying the manner in which the volatility effects of the short term market or the market temporary conditions were taken into account;

(c) a description of possible qualifications to the analysis;

(d) the valuation of the Property, in terms of both the value of the mortgaged Property and of the market value of the Property;

(e) a statement of the valuation expert that he has carried out the valuation according to the applicable requirements set out in the Covered Bonds Framework;

(f) the date of the valuation and the identification and the signature of the valuation expert.

Subsequent valuations of Properties and subsequent update of the value of Properties

Valuation, the Issuer shall monitor the value of the Property on a frequent basis and at a minimum once every year for commercial immovable property and once every three years for residential property. Institutions carry out more frequent monitoring where the market is subject to significant changes in conditions.

Notwithstanding the above, the Issuer shall proceed with a more frequent monitoring where the market conditions are subject to significant changes, notably when information available to institutions indicates that the value of the property may have declined materially relative to general market prices and that review is carried out by a valuer who possesses the necessary qualifications, ability and experience to execute a valuation and who is independent from the credit decision process. For loans exceeding EUR 3 million or 5 % of the own funds of an institution, the property valuation shall be reviewed by such valuer at least every three years.

For the purpose of conducting an update of the valuation of the Properties, the Issuer may use statistical methods to monitor the value of the immovable property and to identify immovable property that needs revaluation.

All subsequent updates of the value of the Properties shall be documented by the Issuer, setting out the description of the relevant criteria and the frequency of the review.

The Issuer shall provide the Cover Pool Monitor with all information necessary for the Cover Pool Monitor to supervise, pursuant to the Covered Bonds Framework and in accordance with the terms set forth in the Cover Pool Monitor Agreement, compliance by the Issuer with the requirements set forth in the Covered Bonds Framework relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

Valuation of other assets

Pursuant to the CMVM Regulation, the other assets in the Cover Pool shall be valued as follows:

(a) deposits shall be accounted for according to their amount;

(b) securities eligible for Eurosystem credit transactions shall be accounted for according to the value resulting from the application of the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to the nominal value of such securities;

(c) securities representing debt shall be accounted for according to the nominal value of the outstanding principal; and

(d) hedging agreements which form part of the Cover Pool shall be accounted for their amount as set out in the Covered Bond Framework.

For the purposes of these calculations, the Issuer and the Cover Pool Monitor shall use the exchange rates published by the ECB as a reference.

Insurance

Pursuant to the Covered Bonds Framework, the Issuer shall adopt and implement procedures to verify if any property mortgaged as security for payment of interest and principal in relation to a mortgage credit asset comprised in the Cover Pool is duly insured against the risk of loss or damage.

Any credits arising from the relevant insurance policies shall be segregated in accordance with the Covered Bonds Framework.

Cover Pool Segregated Register and Special Creditor Privilege

Autonomous pool of assets and segregated register

Pursuant to the Covered Bonds Framework, the Cover Pool constitutes an autonomous pool of assets ("*património autónomo*"), not liable for any general indebtedness incurred by the Issuer until all amounts due to the holders of Covered Bonds and the Other Preferred Creditors are fully paid and discharged.

The Covered Bonds Framework provides that the appropriate particulars of each asset comprised in the Cover Pool must be recorded in a segregated register within, and maintained by, the Issuer. Such register must record the following:

(a) borrower identification;

(b) the outstanding amount;

(c) the interest rate;

(d) the amortisation date(s);

(e) for collateralised claims, the identification of the entity or individual before whom the relevant deed was drawn up or who authenticated the private deed whereby the collateral was created; and

(f) proof of final registration of the collateral in the corresponding real estate registry.

In case of resolution or winding-up of the Issuer or revocation of its banking licence or the credits' manager, of default in payment of interest or principal on the Covered Bonds, and in case the holders of such Covered Bonds decide to accelerate the relevant Covered Bonds, the Common Representative of the holders of Covered Bonds may request from the CMVM access to information on the assets making up the Cover Pool allocated to the relevant Covered Bonds, in accordance with Article 8 of the CMVM Regulation. The foreseeable or effective default in the payment of interest or capital which results in an extension of the Covered Bonds maturity shall not be deemed a default in payment for this purpose.

Special creditor privilege

Under the Covered Bonds Framework, the holders of Covered Bonds enjoy a special creditor privilege over the Cover Pool with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Framework, this special creditor privilege is not subject to registration.

The mortgages created as security for the mortgage credit assets comprised in the Cover Pool shall prevail over all other real estate preferential claims.

Documents Available Regarding the Cover Pool

In compliance with Article 30 of the Covered Bonds Framework, the Issuer publishes quarterly investor reports on the outstanding Covered Bonds (*Covered Bonds (HTT) – Investor Report*), including information on the Cover Pool and the applicable Overcollateralisation Percentage. Such reports are available at the Issuer's corporate website (*https://www.novobanco.pt/english/investor-relations/debt-issuance/covered-bonds-programme-cpt*).

INSOLVENCY OF THE ISSUER

Where a resolution action is taken against the Issuer, which shall be immediately notified to the CMVM, the CMVM shall cooperate with the Bank of Portugal, as the resolution authority, to protect the rights and interests of the holders of Covered Bonds, in particular by verifying the continuity and sound management of the covered bonds' programme following the resolution action.

The Covered Bonds Framework governs, to a certain extent, the impact on the Covered Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Covered Bonds.

In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Covered Bonds Framework establishes that any assets comprised in the Cover Pool, as well as interest revenue, repayments, and any collateral in connection with derivate contracts, shall be segregated from the insolvency estate of the Issuer will be managed autonomously by a third party, and will not form part thereof until full payment of any amounts due to the holders of Covered Bonds and counterparties of derivative contracts. In any case, and even if the Issuer is declared insolvent, the Covered Bonds Framework requires that timely payments of interest and reimbursements under the Covered Bonds shall continue to be carried out. However, if the assets comprised in the Cover Pool are insufficient to meet interest and principal payments, the holders of Covered Bonds will rank *pari passu* with unsecured creditors of the Issuer in relation to the remaining assets of the Issuer.

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds and the Other Preferred Creditors. In this situation, pursuant to the Covered Bonds Framework, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds.

If an Insolvency Event occurs in relation to the Issuer, the Banco de Portugal, as the competent resolution authority, shall notify the CMVM, as soon as possible, when it applies a resolution measure to the Issuer, informing it, specifically, of the treatment of the Covered Bonds in the resolution action applied. In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Banco de Portugal will immediately inform the CMVM of the decision to revoke the authorisation of the Issuer.

As stated in the Terms and Conditions, in the case of liquidation or resolution of the Issuer, no extension of maturity for a Series of Covered Bonds to the applicable Extended Maturity Date will (i) affect the ranking of the covered bonds issued by the Issuer and subject to the Covered Bonds Framework or (ii) invert the sequencing of the original maturity schedule for the covered bonds issued by the Issuer and subject to the Covered Bonds Framework.

In case of revocation of the authorisation to act as a credit institution in Portugal and consequent liquidation of the Issuer, the CMVM may appoint the Special Administrator within 10 business days after the revocation of such authorisation, to ensure that the rights and interest of the holders of the Covered Bonds are preserved. The roles and responsibilities of the Special Administrator include:

(a) extinction of liabilities associated with the Covered Bonds;

(b) the management and settlement of cover assets, including their transfer to another credit institution that issues covered bonds, together with the liabilities associated with such covered bonds;

(c) performing all acts and operations necessary for:

- the adequate administration of the Cover Pool;

- the continuous monitoring of the coverage of the liabilities associated with the Covered Bonds; and
- the initiation of the necessary legal actions to reintegrate the assets into the Cover Pool and the transfer of the remaining assets to the insolvent estate (*massa insolvente*) of the Issuer, after all Covered Bond liabilities have been discharged;

(d) performing all acts and operations necessary for the sound management of the claims and respective collateral, to ensure the timely payment of all amounts due to the holders of the Covered Bonds, including, but not limited to:

- selling the Mortgage Credits comprised in the Cover Pool;
- ensuring collection services in respect of the Mortgage Credits comprised in the Cover Pool;
- ensuring administrative services in connection with such Mortgage Credits and respective borrowers; and
- amending and extinguishing conservative acts relating to the guarantees; and

(e) maintaining and keeping updated a segregated register of the Cover Pool in accordance with the Covered Bonds Framework.

The CMVM may dismiss the Special Administrator, in particular in cases where such Special Administrator fails to fulfil and comply with the duties and responsibilities assigned under the Covered Bonds Framework. The remuneration of the Special Administrator is set by the CMVM and constitutes a charge on the Cover Pool.

Finally, the CMVM, the Bank of Portugal, as the competent resolution authority, and (if appointed) the Special Administrator shall coordinate their actions and exchange the necessary information for the performance of their respective functions.

The Special Administrator will prepare, immediately upon being appointed, an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes, as well as an annual report, regarding the Cover Pool. The annual report shall be subject to an audit report, prepared by an independent auditor appointed by the Special Administrator. By the end of the quarter following the end of the relevant financial year, the Special Administrator will share with the CMVM the annual report, jointly with the audit report.

COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED BONDS

The Issuer has appointed a common representative to represent the holders of Covered Bonds in accordance with Article 28 of the Covered Bonds Framework.

According to the Covered Bonds Framework and to the relevant provisions of the Portuguese Commercial Companies Code, the common representative may be entitled to perform all the necessary acts and actions in order to ensure protection of the holders of Covered Bonds, notably: (a) to represent the holders of Covered Bonds in respect of all matters arising from the issuance of the Covered Bonds and to enforce on their behalf their legal or contractual rights; (b) to enforce any decision taken by the general meetings of the holders of Covered Bonds, in particular those where the acceleration of the Covered Bonds may be decided; (c) to represent the holders of Covered Bonds in any judicial proceedings, including judicial proceedings against the Issuer and, in particular, in the context of any winding-up, dissolution or insolvency commenced by or against the Issuer; (d) to collect and examine all the relevant documentation in respect of the Issuer which is provided to its shareholders; and (e) to provide the holders of Covered Bonds with all relevant information regarding the issuance of the Covered Bonds it may become aware of by virtue of its role as common representative under the relevant appointment agreement .

The holders of the Covered Bonds may at any time, by means of resolutions passed in accordance with the Terms and Conditions of the Covered Bonds and the Common Representative Appointment Agreement, remove the Common Representative and appoint a new common representative. The removal of any Common Representative shall not become effective unless a common representative is appointed.

Bondholders, S.L., with registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain, is the current Common Representative of the holders of the Covered Bonds pursuant to Article 28 of the Covered Bonds Framework and in accordance with the Terms and Conditions of the Covered Bonds and the terms of the Common Representative Appointment Agreement.

COVER POOL MONITOR

Appointment of a Cover Pool Monitor

The Covered Bonds Framework requires that the Board of Directors of the Issuer appoints a qualified person or entity to be the monitor of the Cover Pool (the "**Cover Pool Monitor**") who shall be responsible, for the benefit of the holders of Covered Bonds, for monitoring the compliance by the Issuer of the requirements contained in the Covered Bonds Framework and the CMVM Regulation.

Pursuant to the Covered Bonds Framework, the Cover Pool Monitor must be an independent auditor registered with the CMVM. For these purposes, an independent auditor must be an auditor who is not the statutory auditor responsible for the statutory audit of the Issuer, in the two years prior to the date of designation and who is not related to the latter, nor its network or any natural person in a position to influence the result of the audit, through financial, personal, commercial, work or other relationships nor it is not associated with any group of specific interests in the Issuer nor is it in any circumstances likely to affect its exemption from analysis or decision, namely by virtue of being a holder or acting in the name or on behalf of holders with a qualified holding equal to or greater than 5 per cent. of the share capital of the Issuer or who has not exercised the functions provided for in above, in relation to the issue or program of covered bonds, for 10 consecutive years.

The Issuer is responsible for paying any remuneration or other monies payable to the Cover Pool Monitor in connection with the Cover Pool Monitor's responsibilities in respect of the Issuer and the holders of Covered Bonds.

Role of the Cover Pool Monitor

Pursuant to the Cover Pool Monitor Agreement, dated 30 November 2023, the Issuer appointed PRICEWATERHOUSECOOPERS & ASSOCIADOS, Sociedade de Revisores Oficiais de Contas, Lda., as Cover Pool Monitor. PRICEWATERHOUSECOOPERS & ASSOCIADOS, Sociedade de Revisores Oficiais de Contas, Lda. is registered with the CMVM under number 20161485 and with the OROC under number 183.

The Cover Pool Monitor Agreement reflects the requirements of the Covered Bonds Framework in relation to the appointment of a monitor in respect of the requirements (notably, financial requirements and the requirements set forth in Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*)) concerning the Cover Pool and the Covered Bonds. The Cover Pool Monitor Agreement provides for certain matters such as overcollateralisation (see *Characteristics of the Cover Pool*), valuation of assets comprised in the Cover Pool, the payment of fees and expenses by the Issuer to the Cover Pool, the resignation of the Cover Pool Monitor and the replacement by the Issuer of the Cover Pool Monitor.

Duties and Powers of the Cover Pool Monitor

In accordance with the Covered Bonds Framework, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer of the financial and prudential requirements established in the Covered Bonds Framework and in the CMVM Regulation in respect of the Cover Pool. In particular, the Cover Pool Monitor shall be engaged to assess compliance by the Issuer with the requirements set forth in Condition 14 (*Overcollateralisation, Liquidity Buffer and Issuer Covenants*).

Pursuant to the Covered Bonds Framework and the CMVM Regulation, the Cover Pool Monitor is entitled to be provided with all information required to monitor compliance by the Issuer with the requirements relating to outstanding Covered Bonds and the Cover Pool.

In accordance with Article 17 of the Covered Bonds Framework, in the performance of its duties, the Cover Pool Monitor shall verify on an ongoing basis, including in the event of liquidation or resolution of the Issuer, the quality of the assets comprising the Cover Pool and compliance with the applicable requirements on eligibility of assets, including risk coverage and derivatives, composition and homogeneity of the Cover Pool, segregation, intra-group structures and joint funding, coverage and liquidity requirements, as well as the information provided to the holders of Covered Bonds. In addition, if the Cover Pool Monitor, while performing its duties, detects any irregularity it shall communicate it immediately and simultaneously to the Issuer and the CMVM.

Finally, in accordance with Article 17 of the Covered Bonds Framework, the Cover Pool Monitor must produce an annual report, in respect of the year ending 31 December, with an assessment of the Issuer's compliance with the requirements established in the Covered Bonds Framework and in the CMVM Regulation, in particular the quality of the assets comprising the Cover Pool and compliance with the applicable requirements on eligibility of assets, including risk coverage and derivatives, composition and homogeneity of the Cover Pool, segregation, intra-group structures and joint funding, coverage and liquidity requirements, as well as information provided to investors.

If, during the performance of its duties, the Cover Pool Monitor becomes aware that the Issuer has not complied with any of the provisions of the Covered Bonds Framework and/or of any of the requirements of the Cover Pool, it must immediately notify the Issuer and the CMVM of such event. If the situation remains unremedied within 10 business days after such notification, the Cover Pool Monitor will notify the Arranger, the Common Representative and the relevant Dealers of the non-compliance.

Remuneration and Termination of the Appointment of the Cover Pool Monitor

In accordance with the Cover Pool Monitor Agreement, the Cover Pool Monitor shall be remunerated by the Issuer for its services as Cover Pool Monitor at a rate as may from time to time be agreed between the Issuer and the Cover Pool Monitor.

The Cover Pool Monitor can only be dismissed by the Issuer with cause, and their dismissal and relevant cause must be communicated to the CMVM within 10 days from its occurrence. Additionally, the Cover Pool Monitor may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer. Such retirement shall not become effective until the appointment of a new cover pool monitor.

DESCRIPTION OF THE ISSUER AND OF THE GROUP

(A) Legal and Commercial name of the Issuer

The legal name of the Issuer is Novo Banco, S.A. and its most frequent commercial name is "novobanco".

(B) Corporate Information of the Issuer

Novo Banco, S.A. is a limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with a registered and fully paid up share capital of €6,567,843,862.91, represented by 11,130,841,957 nominative and dematerialised registered shares with no nominal value, and registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 513204016. The Issuer's registered address is at Avenida da Liberdade, nº 195, 1250 – 142 Lisbon, Portugal, and the telephone number of its registered office is 213501000. The Issuer is a credit institution whose activities are regulated by the Credit Institutions General Regime (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*) and is subject to the Portuguese Companies Code (*Código das Sociedades Comerciais*), approved by Decree-Law no. 262/86, of 2 September 1986, as amended.

The Legal Entity Identifier (LEI) code of the Issuer is 5493009W2E2YDCXY6S81.

The Issuer's website is *www.novobanco.pt*. The information on the website does not form part of this Base Prospectus unless that information is expressly incorporated by reference into this Base Prospectus.

(C) Origin and Overview

Novo Banco, S.A. ("**novobanco**" or "**Bank**" or "**Issuer**") is the main entity of the novobanco financial group ("**Group**"), which focus its activity on the banking business. The Issuer was incorporated by resolution of the Board of Directors of Bank of Portugal dated 3 August 2014 (8 p.m.) (the "**Resolution of 3 August 2014**") under no. 5 of article 145-G of the RGICSF), approved by Decree-Law no. 298/92, of 31 December (in the version in force at the time), following the resolution measure applied by Bank of Portugal to Banco Espírito Santo, S.A. ("**BES**"), under the terms of paragraphs 1 and 3-c) of article 145-C of the RGICSF (in the version in force at the time) (together with the decisions adopted by the Bank of Portugal in connection with the Resolution of 3 August 2014 the "**Resolution Measure**"). Pursuant to the Resolution Measure, the assets, liabilities, off-balance sheet items and assets under management of BES defined in Annex 2 to the Resolution of 3 August 2014 (and clarified by the extraordinary meeting held by the Board of Directors of the Bank of Portugal on 11 August 2014 (5 p.m.)) were transferred to novobanco.

As a result of the Resolution of 3 August 2014 applied, Fundo de Resolução ("**Resolution Fund**") became the sole owner of the share capital of novobanco, in the amount of € 4,900 million, which was incorporated as a bridge bank.

On 29 December 2015 the Board of Directors of Bank of Portugal approved a resolution (the "**Resolution of 29 December 2015**"), which resulted in a revised and consolidated version of Annex 2 to the Resolution of 3 August 2014, and consolidated the perimeter of assets, liabilities, off-balance sheet items and assets under management of the Issuer.

On 31 March 2017, the Resolution Fund signed the sale agreement of the Issuer.

On 18 October 2017 the sale process of the Issuer to Nani Holdings, S.G.P.S., S.A., a company indirectly held by investment funds managed by the Lone Star group, was concluded ("**Lone Star Sale**"). Once the sale was concluded and after carrying out two capital increases, the first in the amount of €750 million (on the date of the sale), and the second in the amount of €250 million (on 21 December 2017),

the share capital of novobanco increased to €5,900,000,000.00, represented by 9,799,999,997 dematerialized registered shares with no nominal value, of which 75 per cent. were fully subscribed, paid up and held by Nani Holdings S.G.P.S., S.A. and 25 per cent. by the Resolution Fund.

With the conclusion of the Lone Star Sale, novobanco ceased to be considered a bridge bank and began to operate normally, although still being subject to certain measures restricting its activity, imposed by the European Competition Authority, the department for competition ("**DGCOMP**") in the context of the state aid process.

Certain commitments were agreed with the Portuguese Government in October 2017 (the "**Commitments**"), in connection with the Lone Star Sale. The Commitments were approved by the EC on 11 October 2017 to be in place until 31 December 2021 (the "**Restructuring Period**"). In February 2023, the Issuer was informed of the successful completion of the Restructuring Period and the Closing Trustee Report was issued by the Monitoring Trustee (as defined below) on 18 April 2023.

The Issuer develops its banking activity directly and through its subsidiaries Banco Eletrónico de Serviço Total S.A. ("**Banco Best**", fully owned) and Novo Banco dos Açores, S.A. ("**NBA**", of which it holds a 57.53 per cent. stake). Additionally, it also operates in asset management through its fully owned subsidiary GNB – Gestão de Ativos, S.G.P.S., S.A. ("**GNB GA**") that operates in mutual fund management, real estate fund management, pension fund management and wealth management. Finally, novobanco has equity holdings in companies operating in venture capital, real estate, renting and corporate services. Through its 292 branches and its digital platforms, novobanco serves around 1.5 million clients.

(D) European Commission Commitments

In the context of the Lone Star Sale, the Commitments adopted by the Portuguese authorities supersede those contained in the previous state aid decisions of 2014 and 2015 by the EC. An independent monitoring trustee (the "**Monitoring Trustee**") was appointed in order to monitor full compliance of the Commitments which have been undertaken by the Portuguese authorities and which are binding on the Issuer. In February 2023, the Issuer was informed of the successful completion of the Restructuring Period, and the Closing Trustee Report was issued by the Monitoring Trustee on 18 April 2023. For further information see the decision of the EC State Aid no. SA.49275 (2017/N) and the summary of the Commitments undertaken during the Restructuring Period below.

Structural Commitments

The Issuer segregated its existing activities into a core unit and a non-core unit. Those units are not separate legal entities therefore funding, liquidity and solvency were shared across both units.

The Commitments imposed certain targets for the deleveraging of the non-core assets throughout the Restructuring Period, which by the end of such period should not be greater than an established target. In addition, certain subsidiaries and business activities, including most international operations classified as non-core assets, had to be divested, liquidated or wound down before the end of the Restructuring Period, by specific pre-defined deadlines.

Behavioural Commitments

In addition to structural commitments, certain behavioural commitments were also established. These included among others, remuneration limits to employees and the establishment of a return on equity based pricing tool.

Viability Commitments

The Issuer was also committed to progressively reduce the number of its employees and branches over the Restructuring Period and to reach the prescribed cost-to-income ratios and pre-provision income targets by specific dates within the Restructuring Period. Failure to comply with these targets, if not corrected, would require the Issuer to comply with additional targets for reduction of the number of employees and branches.

In 2022, the Issuer remained strongly focused on fully complying with the commitments established by the DGCOMP. Despite real market conditions being much worse than projected in the Issuer's business plan (for example, relating to negative EURIBOR rates and the negative economic consequences of the Covid-19 pandemic and the Russia-Ukraine conflict), the Issuer managed to demonstrate its viability by posting positive results in all quarters of 2021 and 2022. Altogether, the Issuer has proved its sustainability and resilience in difficult market conditions.

In February 2023 the Issuer was informed of the successful completion of the Restructuring Period, and the Closing Trustee Report was issued by the Monitoring Trustee on 18 April 2023.

(E) Contingent Capital Agreement

The CCA was entered into on 18 October 2017 by the Resolution Fund and the Issuer as part of the conditions of the Lone Star Sale. Under the CCA, in case (i) the Group's capital ratios decrease below the Minimum Capital Condition (as defined below) and (ii) losses are recorded in relation to the CCA Assets (as defined below) or other CCA covered losses (the "**CCA Losses**"), the Resolution Fund has undertaken, up to an aggregate maximum amount of €3,890 million, to make payments to the Issuer corresponding to the lower of the CCA Losses and the amount needed to restore the capital ratios to the Minimum Capital Condition, until 31 December 2025 (the "**CCA Maturity Date**"), which date can be extended until 31 December 2026 under certain conditions as mentioned further below in this section.

The "CCA Assets" comprise of a pre-defined portfolio of assets which had an initial book value net of impairment, as of 30 June 2016, of approximately €7.9 billion, which included €5.9 billion of loans to customers, €1.1 billion of restructuring funds, €0.1 billion of securities and €0.8 billion of other assets. As at 31 December 2022, the CCA Assets had a net book value of €1.1 billion (31 December 2021: €1.7 billion), which included €0.6 billion of loans (31 December 2021: €0.8 billion), of which 45 per cent. were NPLs (31 December 2021: 41 per cent.), €0.2 billion of restructuring funds (31 December 2021: €0.5 billion) and €0.4 billion of other assets (31 December 2021: €0.4 billion). In addition, CCA Assets also include undrawn exposures relating to guarantees, committed credit lines and other commitments, which amounted to €1.3 billion and €0.2 billion as at 30 June 2016 and 31 December 2022 respectively (31 December 2021: €0.3 billion), and provisions recorded as liabilities which amounted to €0.1 billion as at 30 June 2016 and 31 December 2022 (31 December 2021: €0.1 billion), in relation to such exposures. As at 30 June 2016 and 31 December 2022, the impairment related to the CCA Assets amounted to €4.8 billion and €0.5 billion respectively (31 December 2021: €0.7 billion).

The ability of the Issuer to claim payments under the CCA is subject to a capital ratio threshold (the "**Minimum Capital Condition**") and accumulated CCA Losses having been registered. The Minimum Capital Condition means that no payments shall be made unless (i) the Issuer's CET1 or Tier 1 ratio have fallen below the minimum required regulatory (SREP) CET1 or Tier 1 ratio plus a buffer, during the first three calendar years, 2017-2019; or (ii) the Issuer's CET1 ratio has fallen below 12 per cent. from 2020 onward. Payments pursuant to the CCA are limited to the amount needed to restore the CET1 and Tier 1 ratios back to the relevant trigger level, provided that there are accumulated CCA Losses.

On 7 December 2021, the Issuer disclosed to the market that it had received a letter from the Joint Supervisory Team (the "**JST**") noting that the claims under the CCA should only be recognised as CET1, for the purpose of the own funds' calculation, once such payment occurs. The determination described above applied from the fourth quarter of the 2021 financial year onwards, thus changing the prudential treatment of the CCA.

As a result of the CCA Losses recorded by the Issuer as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, and the resulting decrease of the capital ratios below the Minimum Capital Condition, the contingent capital mechanism of the CCA was triggered and payments by the Resolution Fund were made in the amount of €429.0 million, €1,035.0 million, €1,149.3 million and €791.7 million in relation to 2020, 2019, 2018 and 2017 accounts, respectively. Regarding the 2020 financial year, the Issuer requested €598.3 million under the CCA. The difference regarding the final amount received by the Issuer results from divergences between the parties regarding: (i) €147.4 million of capital impact from the provisions made for the discontinuation of the Spanish operations; and (ii) €18.0 million related to restructuring funds fair value. With regards to the CCA call related to the 2020 financial year, the Resolution Fund retained an amount of €112.0 million, which was paid later in the year, on 23 December 2021, after additional validation procedures considered necessary by the Resolution Fund have been made on the Issuer's hedging accounting policy on certain public debt exposures. Additionally, it was also deducted from the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (€3.9 million).

Lastly, regarding the 2021 financial year, the request of the Issuer pursuant to the CCA was €209.2 million. The Resolution Fund has refused the payment and the dispute resolution mechanisms foreseen in the CCA are being followed.

Additionally, there is a pending arbitration related to the amounts due by reference to the 2020 financial year CCA call, regarding (i) the provision for discontinued operations in Spain (in the amount of €147 million) and (ii) the valuation of participation units (in the amount of €18 million). Also, following the Issuer's authorisation request to the ECB to apply the transitional arrangements (IFRS 9 dynamic approach), the Issuer and the Resolution Fund have recognised another divergence regarding the application of such regime, such matter being discussed in the same arbitration proceeding.

For the avoidance of doubt, none of the CCA amounts currently in arbitration, or which were claimed and remained unpaid, are included in the Issuer's capital ratios.

The Articles of Association of the Issuer foresee a committee to function as a consulting body in the context of the CCA (the "**Monitoring Committee**"). The Monitoring Committee consists of three people, elected by the general meeting of shareholders of the Issuer, two of whom are appointed by the Resolution Fund, one of whom shall be a registered chartered accountant, and the third member shall be an independent member jointly appointed by the parties to the CCA. The Monitoring Committee provides opinions in respect of certain actions recommended by the Issuer pertaining to the CCA Assets. The Resolution Fund has the right to take all decisions in respect of the CCA Assets, unless a pre-defined ratio of the then remaining aggregate net book value of the CCA Assets to the aggregate starting reference values is not verified (in which case the CCA Maturity Date may be extended to 31 December 2026), at which point the Issuer would need to inform the Resolution Fund in respect of most material management decisions with respect to these assets.

The powers of the Resolution Fund and delegation of powers to the Issuer (and the limits to such delegation) in respect of the CCA Assets are defined in a Servicing Agreement entered into on 14 May 2018 between the Resolution Fund and the Issuer, under which the Issuer acts as servicer in respect of the management of the CCA Assets.

(F) Strategy

On 29 October 2021 novobanco announced its new medium-term strategy – Shaping the Future.

Novobanco is geared towards commercial transformation following completion of its restructuring process. The main goal is to shape the Issuer into an attractive and sustainable bank, following consumer digital migration, focused on serving the Portuguese economy and aiming to deliver profitable growth.

At that time, the Issuer also announced its medium-term guidance:

- Net interest margin of 1.3 per cent. to 1.5 per cent.;
- Cost-to-income ratio below 45 per cent.;
- Cost of risk to be below 50bps;
- NPL ratio below 5 per cent.; and
- CET1 ratio above 12 per cent.

On 2 November 2023, within the context of the announcement of its 3rd quarter results, the Issuer has revised its guidance as follows:[2]

- Net interest margin higher than 2.5 per cent.;
- Cost-to-income ratio approximately 35 per cent.;
- Cost of risk of approximately 50bps;
- NPL ratio below 4.5 per cent.;
- Profit Before Tax (deducted by Special Tax on Banks) above €700 million; and
- Capital generation equivalent to more than 4 per cent. of RWA's.

Novobanco's vision leverages its distinctive traits from commercial to individuals, guiding the way to do business:

- Portuguese, a leading bank in Portugal, focused on national economic priorities, supporting families and businesses to thrive.
- Professional, a relentless focus on products, services and capabilities devised to serve all-sized businesses, including professional retail customers and households.
- Partner, leveraging partnership ecosystems to support customers holistic needs to successfully face opportunities and challenges.
- Proximate, prioritising omnichannel operating models to deliver convenience and easy-to-bank experience as the pillar of our customer relationships.

Novobanco's domestic franchise has circa 1.5 million clients, which represent 70 per cent. of large corporates and 55 per cent. of SMEs in Portugal (*Source: novobanco*). At the same time, novobanco has

[2] These targets are not statements of historical fact nor are they forecasts or guarantees of future performance. Rather, they are targets based on current management views and assumptions that involve known and unknown risks, uncertainties and other factors that are subject to change and which may cause the actual results, performance, achievements or developments of the Issuer or the industry in which it operates to differ materially from any targeted future results, performance, achievements or developments expressed or implied from the forward looking targets. These targets have not been subject to an audit by the Issuer's accountants or any other professional advisers.

a specialised, diversified and distinct product offering, with 292 branches and an omnichannel approach through helpdesk services, internet, phone and mobile banking.

The new strategic plan is focused to maximise value for customers, maintaining profitable operations and capital efficiency and is based in 4 pillars, developed below:

1. A customer-centric bank
2. Simple & efficient operations
3. Developing people and culture
4. Delivering sustainable performance

1. A customer-centric bank

The Issuer's focus is on customer needs offering a distinctive value proposition, including an omnichannel distribution of simple and innovative products and service and a new distribution model. Expected growth is based on simple and innovative offers leveraging on know-how and partnerships and boosted by a unique customer experience allowing a rapid rise of digital services.

In the Corporate segment, the Issuer's in-depth knowledge of the Portuguese business sector allows it to develop specialised approaches, which offer each sector of the economy, and in particular those that are key for national economic growth, a set of products and services suited to its challenges and needs, both for the domestic activity of companies and to support the internationalisation of the national economy.

This in-depth knowledge of the market, of its opportunities, but also of its expectations and challenges, positions the Issuer as the financial partner of reference for large, medium and small national companies.

In the Retail segment, which serves families and small businesses, the Issuer develops value propositions and solutions centred on these customers' needs at the most decisive moments of their professional or personal journeys, whether in consumer credit, housing, management of savings or means of payment, with a view to accelerating the growth of the customer base that has the Issuer as its main financial partner.

To effectively achieve these objectives, the Issuer has been investing in a global transformation. The most visible faces of this reinvention are, on the one hand, the branch network, where the Issuer has developed an innovative concept in the market that combines technology, proximity to the customer and openness to the community, and, on the other, digital, which has been a determining factor for the accelerated transformation of the Issuer.

2. Simple & efficient

Novobanco has ended the restructuring process reaching an accretive commercial operation leveraged by highly efficient operations.

Novobanco's strategy is to accelerate its transformation into an organisation that provides customers with a lean and straightforward experience, for which it is necessary to attain increasing levels of operating efficiency.

In this area, novobanco has focused on reengineering the most critical processes for customers, with a view to simplifying them and thus provide an experience that stands out in the sector, both

through its simplicity and through the consistent improvement of service levels, in particular in loan granting processes, which are the most important processes for companies and families.

3. People and Culture

The Issuer seeks to ensure a clear distinction in (i) the value proposition for its employees, (ii) the development of internal talent and (iii) the promotion of the organisational culture and values. Therefore, the Issuer's strategic ambition is to be considered an institution with:

- strong capacity to attract, develop and retain the best talent in the sector;
- concern with the principle of gender equity and with the importance of being able to count on diversified profiles and backgrounds;
- a daily routine supported on working methods aligned to the best international trends, both in terms of openness, participation and collaboration practices and in terms of the working environment;
- the promotion of innovation and the generation of ideas by the organisation itself, for the benefit of customers and the national economy; and
- the experiencing of values and an organisational culture that translates and permanently reinforces these characteristics.

4. Sustainable Performance

The fourth pillar of the Issuer's strategy is based on its financial performance, which should be defined by its sustainability, by the robustness and quality of its balance sheet structure and by adequate solvency levels.

This provides the framework into which ESG policies should be integrated by the Issuer, including but not limited to (i) implementing the ESG operating model and training the organisation, (ii) adapting the offer of products and services and (iii) transforming investment and risk management policies.

The optimised management of the Issuer's capital and its various funding sources and the improvement of the risk management processes associated with its activity are also materially relevant for the sustainability of the Issuer's performance. To achieve sustainability goals, the Issuer's strategic plan is deployed through different programmes aimed at strengthening the quality of credit decisions, namely by driving their automation, improving pricing models and the measurement of profitability adjusted to risk and capital (economic and regulatory) consumption, increasing the sophistication of the warning systems that monitor the life of credit operations and continuously improving its internal-ratings based ("IRB") plan.

(G) Business Overview

Business Model

The Issuer is a Portuguese universal bank that provides the full spectrum of financial products to individual, corporate and institutional clients, serving the entire national territory, with a strong focus on servicing and supporting the Portuguese business community.

The Issuer's business model is focused on two main segments in commercial banking: (i) corporate; and (ii) retail. In both segments, the Issuer seeks to anticipate and respond to the needs of its clients through

its offer of innovative, effective and transparent banking products and services, based on high ethical and integrity standards and customer satisfaction assessment tools.

As at 31 December 2022, the Issuer had total assets of circa €46.0 billion (€44.6 billion at 31 December 2021):

- €28.4 billion (€27.3 billion in December 2021) in customer deposits, of which 73 per cent. were from retail clients (72 per cent. in December 2021); and
- €25.6 billion (€24.9 billion in December 2021) in customer loans, of which 56 per cent. to corporate clients (55 per cent. in December 2021).

Corporate Segment

The Issuer has a long-standing close involvement with the Portuguese business sector, providing financial support and helping companies to adjust their strategies to the current business environment. To serve its corporate clients, as at 31 December 2022, the Issuer had two hubs for large companies (in Lisbon and Oporto) and 20 business centres throughout the country, with teams dedicated to the SME segment.

This strong presence in the Portuguese business community has resulted in the Bank holding 14.5 per cent. of the market share in loans to non-financial companies and 12.2 per cent. of the market share in deposits in Corporates and SMEs[3]. The Issuer has a market share in trade finance of around 18.6 per cent.[4], and was awarded best Trade Finance Bank in Portugal by the international magazine, Global Finance in December 2022, for the fifth consecutive year.

The Issuer's main products and services offering in the corporate segment are:

- **Loans and cash management**: with the ambition to provide financial products in line with clients' needs and a convenient banking experience, the solutions available from the Issuer include: special current accounts and cards, overdrafts, factoring, collection solutions and payment management, loans and guarantees, and leasing and renting services;
- **Insurance**: to help its clients to minimise risk in their business, the Issuer provides a large range of insurance products, including property and casualty insurance, credit insurance and small business insurance;
- **Human capital solutions**: to help its corporate clients to optimise the benefits available for their employees, the Issuer has available a range of products with defined fiscal benefits and advantages, including tickets and payment cards, auto lending and renting and individual insurance;
- **Helping clients to go global**: the Issuer provides a wide range of products and specialised advice in support of international trade including international trade, trade finance and support to export; and
- **Advisory services**: the Issuer has a range of value-added services available to support its corporate clients finding the most suitable solutions to pursue and implement opportunities driven, for example, by investment support programmes, enabling a more digitalised, innovative, sustainable and export-oriented economy, including the Recovery and Resilience Plan (the

[3] *Source: novobanco analysis based on Banco de Portugal, APS and APFIPP data; Data from December 2022.*

[4] *Source: novobanco analysis as measured by the number of Swift messages; Data from December 2022.*

"RRP")[5] and being a Portugal 2030[6] finance partner, sector specific solutions and special initiatives.

In 2022, the Issuer continued to develop and reinforce its position as a financial partner for Portuguese companies, with programmes designed to accelerate economic growth and stimulate innovation, digital transformation and energy transition, such as Portugal 2020,[7] the RRP and Portugal 2030. In this context, the Issuer provided solutions to streamline investment projects, including support in the application stage, advances on approved incentives, preliminary financial analysis, financing of liabilities, issuance of bank guarantees for the prepayment of incentives, Factoring and Confirming solutions, as well as a specialised team and a network of partners to support companies when applying projects backed by European funds.

In this context, the Issuer made available support lines with a financial guarantee provided by *Banco Português de Fomento* and €1.325 billion in financing lines guaranteed by the European Investment Fund/European Investment Bank for companies' liquidity and investment, of which more than €1.1 billion was disbursed in only ten months. In addition, €250 million and preferential conditions were allocated to support the treasury functions of companies operating in sustainable sectors as well as climate and energy transition-related investments.

On the digital transformation front, at the end of 2021 the Issuer launched a new version of its online corporate banking service. Throughout 2022, new functionalities were introduced in the Issuer's online corporate banking service, aimed at simplifying and providing a straightforward and distinctive customer experience, including: i) a new Factoring and Confirming area in the corporate online banking service, ii) new Trade Finance functionalities, and iii) a financial aggregator of all bank accounts. The Issuer's online corporate banking service has a 78 per cent. penetration rate.

Retail Segment

Novobanco's ambition is to provide clients with a convenient banking experience, coupled with a strong relationship-led culture in a digital world, by expanding its client base and deepening relationships with existing clients, while adopting a leaner and more efficient distribution footprint at the national level. To do so, novobanco leverages its strong retail network and complements this with an omnichannel model that combines digital and remote platforms for speed and convenience with physical channels for in-person banking. This allows the Issuer to serve each client according to their needs while optimising service costs. Finally, novobanco is focused on delivering an integrated value-proposition to underserved segments, such as small businesses.

Within the Retail sector the Issuer provides a wide range of products and focuses on margin and value-add services, together with a new strategic approach to accelerate growth:

- **Accounts, Cards & Payments**: products and services to satisfy day-to-day financial needs, such as accounts bundled for different needs and fully online set-up and access, authentication systems,

[5] *Portugal's Recovery and Resilience plan consists of a set of investments in the Portuguese economy comprising €13.9 billion in grants and €2.7 billion in loans from the EC between 2021-2026. This financing will support the implementation of investments and reform measures to build and reinforce the country's economic and social resilience.*

[6] *The Portugal 2030 strategy is a government action programme that includes the plans for recovery and development of the economy, society and the national territory for the next decade, in convergence with the EU to be in force between 2021-2027. It comprises the disbursement of € 24.2 billion from the Fundo Europeu de Desenvolvimento Regional (FEDER), Fundo Social Europeu + (FSE+), Fundo de Coesão, Fundo de Transição Justa (FTJ) and from the Fundo Europeu dos Assuntos Marítimos, das Pescas e da Aquicultura (FEAMPA*

[7] Portugal 2020 was an agreement that envisages a partnership between Portugal and the European Commission that through five Investment Funds – Fundo Europeu de Desenvolvimento Regional, Fundo de Coesão, Fundo Social Europeu, Fundo Europeu Agrícola de Desenvolvimento Rural e Fundo Europeu des Assuntos Marítimos e Pescas – will apply economic, social and national territory in order to develop the country between 2014 and 2020. During the programme period, Portugal received €25 billion.

and functionalities such as contactless, virtual cards, and connection integration with digital wallet provider MB Way;

- **Mortgage-related loans**: provision of a wide range of products, including acquisition, construction, and maintenance support, embedded in an omnichannel experience;
- **Savings and investments**: considering the risk profile of each client, the Bank provides deposits and retirement accounts, investment funds, unit linked, structured deposits, together with tailored management and advice considering the client's ESG goals (where applicable);
- **Insurance**: to help its retail clients to minimise risk, the products available include life insurance, health, property and accident insurance, and unique solutions for self-employed workers;
- **Small Business**: with its ambition to provide products to meet the financial needs of small businesses, the Bank has available designated small business accounts, cash and payments management solutions and multi-risk business insurance; and
- **Consumer finance**: to support clients' consumer needs, the Bank provides an integrated online simulation tool (for the purposes of checking credit options) and online submission process, credit insurance option with unemployment and life coverage and point-of-sale (POS) lending partnerships.

The Bank aims to blend physical, remote and self-service contact points to provide easy banking for its customers. In 2022, the omnichannel approach maintained support of the Issuer's branch network. Novobanco has continued to revamp the branch network, redesigning the face-to-face service experience, with greater focus on customised service and space for relaxed and meaningful engagement with clients. This experience has required a total redesign of the branches' layout and architecture. As at 31 December 2022, there were 240 branches with the new layout (107 of which were redesigned in 2021).

The digital channel is central to the customer experience, and novobanco invests significantly in its digital tools, particularly in client management tools (physical and digital) which make a client's journey more effective and efficient, following the widespread trend of online searching and telephone or in-branch execution.

Reflecting the strategy implemented by novobanco, customer acquisition in the Retail segment showed strong growth in 2022 (more than 80 per cent. year on year), allowing the Issuer to significantly raise its share as a first-choice bank. In this context, the Issuer's Cross-Segment Programme, which gives employees of companies with which the Issuer has relationships access to more favourable conditions, accounted for 22 per cent. of all individual clients onboarded in the year.

In terms of customer loans, the main highlight was the origination of mortgage loans that reached €1.3 billion in 2022, maintaining the growth trend initiated in the second quarter of 2021 and continuing to pursue the goal of increasing the market share (December 2022 stock: 9.1 per cent.). In 2021, the mortgage loan origination stood at €905 million in mortgage loans, with growth more pronounced in the last four months of the year.

Consumer lending (including gross stock, consumer lending and other) decreased by 0.8 per cent. year on year in 2022. In December 2021, consumer lending increased by 5.5 per cent. compared with 2020.

Despite macroeconomic uncertainty, the Small Businesses segment remained close to its clients, allowing for a 14 per cent. increase in the customer base. The Small Businesses segment (loan portfolio) grew by 8.0 per cent. and 7.8 per cent. year on year in December 2022 and December 2021 respectively,

with production of investment loans reaching around €550 million, supporting the segment's significant contribution to net interest income and fee income.

The Issuer's strategy drove an increase in the number of active digital clients to 61.9 per cent. of total clients in December 2022 (57.6 per cent. in December 2021). The number of digital clients increased by 11 per cent. and 7 per cent. year on year in December 2022 and December 2021 respectively. Additionally, as at December 2022, 48 per cent. of clients were active mobile clients, a 16 per cent. year on year increase (40 per cent. mobile clients in December 2021; 12 per cent. year on year increase). As a result of this strategy, in 2022 the number of product units sold through the digital channels showed the following performance (excluding deposits, which are already traditionally high): (i) sales of Personal Loans increased by 207 per cent. year on year, representing 14 per cent. of segment sales, (ii) Life and Non-Life Insurance sales increased by 101 per cent. year on year representing 5 per cent. of segment sales and (iii) Credit Cards sales increased 84 per cent. year on year, representing 2 per cent. of sales.

In addition to novobanco's branches and corporate and business centres, the novobanco business model is also supported by:

- Novobanco dos Açores is the result of a strategic alliance between novobanco (57.5 per cent.) and Santa Casa da Misericórdia de Ponta Delgada (30 per cent.), together with the Bensaude Group (10 per cent.) and 13 other Santa Casa da Misericórdia units from all the Azores islands (2.5 per cent.).

  The strategy of novobanco dos Açores is particularly focused on supporting Azorean regional business, namely SMEs and companies that incorporate innovation in their products, services or production systems. In 2022, novobanco dos Açores continued its wide-ranging outreach activity to its clients, supporting the pressing and growing needs of the Azorean society. As a result of the activity developed and the proximity maintained with the market, novobanco dos Açores gained more than 1,300 new clients in 2022.

  Novobanco dos Açores reported a net profit of €4.6 million in 2022, a year on year decrease of 3 per cent. This performance is mainly explained by the booking, in 2021, of an extraordinary movement related to a readjustment in Revaluation Reserves (an increase of €1.7 million in net income). In addition, in 2022, novobanco dos Açores made free distributions (*liberalidades*) to its shareholders Santas Casas in the amount of €776 thousand. Excluding these extraordinary factors, the result obtained through current activity increased by approximately €2 million.

  In 2022, novobanco dos Açores' assets increased by €7.9 million (1.3 per cent.) year on year to €635 million (€627 million in December 2021) with net customer loans increasing by 0.8 per cent. year on year to €353.1 million (in December 2021 net customer loans decreased by 1.7 per cent. (€6.1 million) to €350.4 million). In December 2022, overdue loans totalled €6.0 million (€7.3 million in December 2021), which corresponds to an overdue loans ratio of 1.6 per cent. (2.0 per cent. in December 2021).

  As to customer funds, in December 2022 the total amount of customer deposits was €453.2 million (€427.2 million in December 2021), which represents an increase of 6.1 per cent. year on year (10.0 per cent. increase in 2021).

- Banco Best – *Banco Eletrónico de Serviço Total, S.A* is a digital platform that provides a range of products and services, with a technological nature and open architecture business model, based on national and international partnerships in the areas of savings, asset management and trading.

Banco Best operates in all segments of retail banking, providing a wide array of services ranging from banking solutions, savings, investments, credit, and day-to-day financial management.

In 2022 the number of new clients increased by 5 per cent. year on year (41 per cent. in 2021), continuing to favour digital media, with 40 per cent. (40 per cent. in 2021) of accounts opened by videoconference or digital mobile key.

Banco Best posted a net profit of €1.7 million for the full year of 2022 (versus a net profit of €3.3 million in 2021). The performance in 2022 benefited from the increase in net interest income to €6.9 million (versus €3.6 million in December 2021) while being impacted by the costs of outsourcing to the Issuer, which rose by more than €4.5 million (versus an increase of €3.2 million in 2021).

- *GNB Gestão de Ativos* offers financial products and services, including several types of funds – mutual funds, real estate funds and pension funds – besides providing discretionary and portfolio management services. As at December 2022, GNB Gestão de Ativos had €7.8 billion (€9.9 billion at December 2021) in assets under management in Portugal and in Luxembourg.

  In December 2022, profit before taxes from asset management activities decreased by 61 per cent. year on year to €5.6 million. Operational revenues also had a reduction of 16 per cent. compared to December 2021, forced by a decrease in assets under management that consequently caused a decrease in revenues, which combined with an increase of 8 per cent. in costs led to a deterioration in the cost-to-income ratio, which increased to 58.9 per cent. (an increase of 13.1 percentage points year on year). Despite this, there was an improvement in equity of 5.7 per cent. compared to December 2021. In 2021 income from asset management activities increased by 26 per cent., to €10.3 million, driven by positive impacts from both the side of revenues – with net fees and commissions growing by more than 4 per cent., and from the side of costs, which fell by around 8 per cent.

  GNB Real Estate's management remained faithful to its mission of creating financial value, pursuing its main objective of reducing exposure to non-strategic real estate and reorganising the portfolio of real estate funds under its management. As at 31 December 2022, the volume under management of the real estate investment funds totalled approximately €678.9 million (€1,083 million in December 2021) a decrease of 37.3 per cent. year on year (1.54 per cent. increase in December 2021 year on year.)

  In the pension funds segment, assets under management at the end of 2022 decreased by 14.0 per cent. year on year to €2.2 billion, mostly due to the strong devaluation of the financial markets since the beginning of the year.

(H) Liquidity and Funding

2022 Highlights

- Liquidity was maintained above regulatory requirements.
- Stable funding structure, relying mainly on customer deposits which increased by €1.1 billion year on year.
- Given the significant market disruption, the Issuer did not access the public markets in 2022 but managed to secure compliance with regulatory requirements through alternative transactions.

Liquidity Management

The Issuer manages liquidity in accordance with all the regulatory rules and its own management principles, guaranteeing that all responsibilities are met, whether in normal market conditions or under stress conditions. These include, among others, the ECB's legal reserves, liquidity ratios (LCR and NSFR), maintenance of adequate levels of liquid assets, definition of funding transfer pricing (FTP) framework and establishment of an offer of financial products that results in a diversified panel of funding sources.

Short-term liquidity is monitored through daily mismatch reports, prepared in accordance with pre-established guidelines and internally defined metrics, which allows the Issuer to make an early detection of any signals of crisis with potential impacts on the Issuer, namely through idiosyncratic risk, contagion risk (due to market tensions) or the risk of repercussions of an economic crisis on the Issuer. The report monitors the evolution of the liquidity position, including eligible assets and liquidity buffers, main cash inflows and outflows, deposits' evolution, medium- and long-term funding, central banks funding, the evolution of the treasury gap (net interbank deposits), as well as several early warning indicators established for the purpose.

This process ensures an ongoing and active role in liquidity risk management and risk assessment from the Executive Board of Directors (the "**EBD**") and also allows the Issuer to take immediate action if needed.

In addition, the liquidity position is also reported on a daily basis to the JST.

In terms of the structural liquidity, the Issuer manages its activity and funding sources in order to achieve funding stability and cost optimisation, avoiding, to the extent possible undesirable liquidity risks. The structural liquidity of the Issuer is analysed in detail on the Capital and Asset Liability Committee ("**CALCO**"), which meets on a monthly basis. Among others, CALCO analyses and discusses the Issuer's liquidity position, and performs a comprehensive analysis of the liquidity risk and its evolution, with special focus on current liquidity buffers and generation/maintenance of eligible assets for rediscount with the ECB and respective impacts on the liquidity ratios.

The Group's funding policy is one of the major components of the Issuer's liquidity risk management, which stresses the diversification of funding sources by instruments, investors and maturities. Given the commercial nature of the balance sheet, the Issuer's strategy has, since its inception, largely relied on boosting customer deposits as its major source of funding, as deposits were severely hit by the resolution and market access has not been normalised.

Additionally, the Issuer prepares a monthly liquidity report (for further detail see section *Description of Issuer – Risk Management*), considering not only the effective maturity but also behavioural maturity of the various products, which allows for evaluation of the structural mismatches by time bucket. Based on this information and the Issuer's medium-term plan, the annual activity funding plan is prepared considering the established budget targets. This plan, which is regularly reviewed, favours, as much as possible, stable funding instruments.

The Issuer also has in place a contingency liquidity plan, which comprises a set of measures that, if triggered, would allow the Issuer to manage and/or minimise the effects of a severe liquidity crisis. These measures aim to address additional liquidity needs and boost the resilience of the Issuer in a potential stress situation.

Finally, the Issuer also performs, on an annual basis, an internal liquidity adequacy assessment process (ILAAP), which evaluates the liquidity position of the Issuer in normal and stress scenarios. The results of this process, which is approved by the EBD, must be sent to the regulatory authorities and concluded

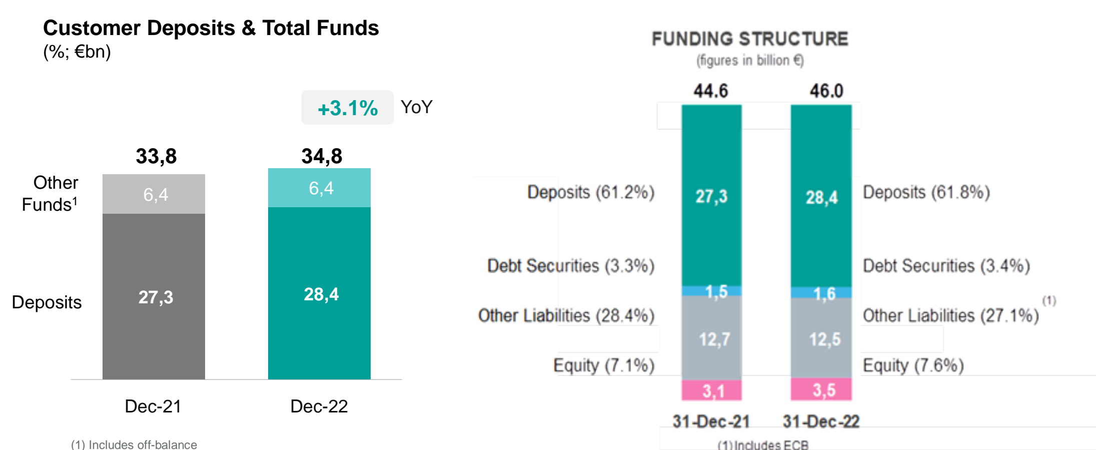
that the Issuer's funding and liquidity structure and internal processes are solid, and that the Issuer could withstand a stress scenario.

Funding structure and liquidity

As the financial markets experienced major disruption in 2022, which translated into significant credit spread widening, the Issuer adjusted its market funding plans and managed to comply with all regulatory requirements, without having to access the financial markets. As such, the Issuer did not exercise the call option on its €275 million senior preferred bond, as the replacement would not have been at attractive terms.

Throughout 2022, novobanco managed to improve its liquidity position. As of 31 December 2022, deposits at the ECB totalled €5.9 billion (December 2021: €5.3 billion; an increase of €0.7 billion year on year), while net funding from the ECB (funding taken from the ECB minus deposits with the Europeans Central Banks) reduced to €0.4 billion, from €2.7 billion in 31 December 2021.

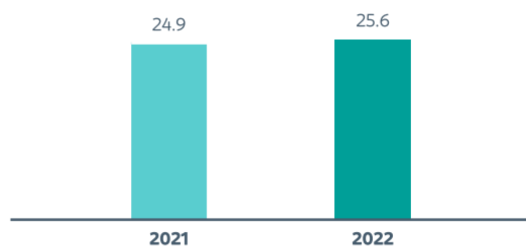
At the end of 2022, novobanco's customer deposits totalled €28.4. billion (€27.3 billion in December 2021), having increased by €1.1 billion year on year, with a strong contribution from the retail segment.

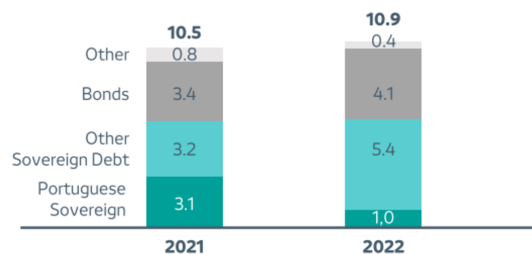


At the end of 2022, customer deposits remained the Bank's main funding source, accounting for 62 per cent of its funding structure (61 per cent at the end of 2021), of which 73 per cent were deposits from the retail segment.

As of 30 September 2023, total customer deposits stood at €28.1bn, a €0.3bn decrease since 31 December 2022, recovering around 70% of the decrease in Institutional and retail customer deposits during 1Q23, which resulted mainly from the competition of higher-yielding government savings product.

In terms of asset evolution, the loan portfolio (gross) increased by €0.7 billion to €25.6 billion as of December 2022 (December 2021: €24.9 billion).





On the other hand, in 2022, the securities portfolio increased by €0.4 billion, to €10.9 billion, mostly reflecting a reduction of non-core securities (including restructuring funds and real estate funds) and an increase in the Sovereign debt portfolio. The Issuer's security portfolio remained substantially (more than 70 per cent) composed of high-quality liquid assets ("HQLAs"), and among these more than 84 per cent are sovereign or supranational debt securities.

In addition to the sale of the non-core securities mentioned above, the Bank also concluded the sale of other non-core assets throughout 2022 which had a positive impact on liquidity and capital/MREL ratios.

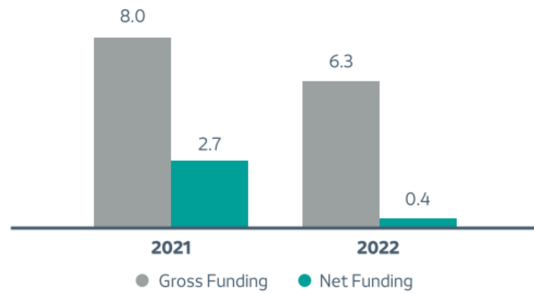
As at 30 September 2023, in terms of asset evolution, the loan book (gross) stood at €25.7bn (+€0.2 billion since 31 December 2022) while the securities portfolio increased by €0.2 billion since 31 December 2022.

In 2022 deposits at ECB remained consistently above €5.0 billion staying at €5.9 billion at the end of the year (December 2021: €5.3 billion). As a result, net funding from the ECB was €0.4 billion in December 2022, decreasing €2.3 billion year on year (December 2021: €2.7 billion).

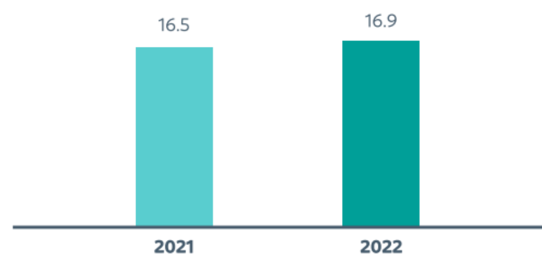
As at 30 September 2023, deposits at ECB reduced from €5.9 billion in December 2022 to € 2.9 billion in September 2023, mainly due to the TLTRO III exit strategy, and as a result, net funding from the ECB amounted to -€1.8bn in September 2023 (€0.4bn in 31 December 2022), representing a €2.2bn decrease, changing from an ECB net borrowing position to an ECB net lending position.

On 31 December 2022, gross funding from the ECB amounted to €6.3 billion fully composed of the TLTRO III representing a decrease of €1.6 billion, as a result of a prepayment executed in December 2022. Throughout 2023, an additional amount of €5.4 billion of the TLTRO III have matured, and the remaining €0.95 billion will mature in December 2024. Given the maturity of these lines novobanco adopted as an exit strategy from TLTRO III, including among others, the reduction of the size of the balance sheet and the increase of other stable financing instruments, mainly collateralised interbank funding and customer deposits. In 2022, collateralised funding through medium-term repo agreements increased by €2.5 billion. During the first 9 months of 2023, in terms of market funding, the Bank continued its exit strategy from the TLTRO III, further increasing its repo interbank funding by €1.5 billion.

EVOLUTION OF FUNDING FROM THE ECB
(€bn)



EVOLUTION OF ELIGIBLE ASSETS AT THE ECB
(€bn)



On 31 December 2022, the eligible assets portfolio available for use as collateral with the European Central Bank increased by €0.4 billion versus 31 December 2021, totalling €16.9 billion. In this context, in 2022, novobanco improved its liquidity buffer. The available amount of eligible assets for rediscount with the ECB totalled €7.0 billion (net of haircuts), an increase of €0.8 billion year on year. In addition to the abovementioned, novobanco has HQLA assets non-eligible with the ECB and deposits at ECB, which makes up to a total liquidity buffer of €13.7 billion, composed of high-quality liquid assets (increasing €1.3 billion year on year).

As of 30 September 2023, the eligible assets portfolio (net of haircut) available for use as collateral with the ECB reduced by €1.1 billion versus 31 December 2022, totalling €15.8 billion. This change already includes the impact on the cash collateral of the haircuts annual review by the ECB, which entered into force on 29 June 2023 and HQLA's redemptions occurred in 3Q23. As of 30 September 2023, the Bank's liquidity buffer, made up mostly of high-quality liquid assets, amounted to €13.3 billion, a €0.4 billion increase compared to 31 December 2022.

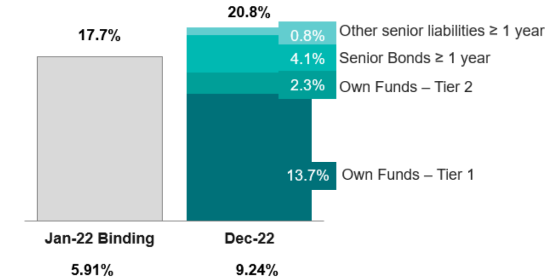
As a result, in December 2022, novobanco maintained: (i) the liquidity ratios above the regulatory levels, with LCR standing at 210 per cent. (December 2021: 182 per cent), and the NSFR at 113 per cent. (December 2021: 117 per cent). As of 30 September 2023, the LCR and the NSFR ratios stood at 136 per cent. and 117 per cent., respectively. The NSFR reduction is mostly explained by TLTRO III maturity profile and other medium long-term funding maturity shortening; and a diversified and stable funding structure, with deposits representing the majority of the funding structure.

From 1 January 2022 the regulatory requirement, in force is the following:

MREL requirements:
(BdP notification of June 2023; %)

	Jan-22	Jan-26
TREA[1]	14.64%	23.47%
Combined Buffer	2.52%	n.a.[2]
O-SII (LSF Nani)	0.50%	n.a.[2]
Total	**17.66%**	**23.47% + Buffers**
LRE[3]	**5.91%**	**5.91%**

MREL ratio
(% RWA; Preliminary)



(1) TREA - Total Risk Exposure Amount; Jan-26 requirement as announced on June 2023; (2) As of Jan-26 applicable requirement; (3) LRE - Total Leverage Exposure

As at 30 September 2023, the MREL ratio as a percentage of Total Risk Exposure Amount (TREA) stood at 22.8%, higher than the linear progression of MREL requirements.

(I) Risk Management

The definition of a risk management framework with standards, patterns, objectives and responsibilities established for all areas of the Issuer, permits to implement the strategy in compliance with the established risk appetite.

Supporting the Board in effective risk management and in the development of a strong risk culture, this framework defines the following:

- the main risks faced by the Group, as well as those to which it may be exposed;
- the risk appetite requirements and their monitoring;
- the responsibility functions in risk management;
- the governance structures and risk management and control committees.

The Issuer's Risk Management model follows the three lines of defence model, viewing the adequate detection, measurement, monitoring and control of all material risks to which the Group is exposed. This model implies that all employees, in their sphere of activity, are responsible for the management and control of risk.

3 Lines of Defence Principle	**1st Line of Defence**	**2nd Line of Defence**	**3nd Line of Defence**
Novo Banco Group	Business Areas	• Global Risk Department • Compliance Department;	Internal Audit Department
Function	Maximise return	Control	• Independent review
Limitation	Takes risk according to Risk Appetite	Does not take risk	• Ensures adequacy of policies and processes
Mission	• Accurate and timely identification of risks • Make sure that risk remains within defined limits • Measure, monitor, report		• Ensures correct implementation of polices and processes

A strong risk culture in the organisation is an essential factor for effective control of the various exposures to risk. This culture is reflected in the involvement and performance of all employees in the organisation, through their diligent, proactive and consistent compliance with regulations, the code of conduct, values and risk appetite defined for all activities and risk exposures. To this end, the timely identification of risk sources and risk-based mitigation and control actions are fundamental. A continuous effort in training, awareness raising, and communication is equally important to allow seamless adjustment to any arising situations.

Risks	Concept	Management	Risk Appetite	Focus in 2023
Credit	The risk of financial loss arising from the failure of a borrower or counterparty to honour the contractual obligations established with novobanco within the scope of its lending activity.	Management and control of risks of this nature are based on an internal risk identification, assessment and quantification system, as well as on internal processes for assigning ratings and scorings by type of portfolio, the definition of Risk Appetite by portfolio, the delegation of credit powers that require the escalation of higher-risk operations and continuous monitoring in specialised forum.	Risk appetite with stable origination criteria.	Contribution to strengthen the Bank's operational capacity to manage credit exposures in a context of rising interest rates, high inflation, rising energy and commodity prices, as well as disruptions in the distribution chains. Focus on the identification of early signs of financial deterioration and the definition of strategies for timely action with viable debtors that need support measures to continue to meet their debt service. Reinforcement of remote service models and creation and development of automated credit assessment and decision tools. Reinforcement of the continuous monitoring processes of the various loan portfolios.
Liquidity	The current or future risk deriving from an institution's inability to satisfy its commitments as they mature, without incurring excessive losses.	Based on the measurement of liquidity outflows from contractual and contingent positions in normal or stress situations, the management and control of this risk consists, on the one hand, in determining the size of the liquidity pool available at any given time and, on the other hand, in planning for stable sources of funding in the	Solid liquidity position. Funding of medium- and long-term assets through stable liabilities. Withstanding liquidity stresses for a minimum period of 12 months. Compliance at all times with the limits imposed by the	Maintenance and evolution of risk monitoring and management processes, ensuring the timely detection of changes in the risk profile, and the Bank's aligned compliance with the established risk appetite. Development and maintenance of internal models and stress testing exercises (Stress testing Framework) that allow liquidity risk to be

Risks	Concept	Management	Risk Appetite	Focus in 2023
		medium and long term.	legislation in force.	measured and controlled. To be continuously updated on the regulatory framework.
Market and IRRBB	The risk of a potential loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates, equity prices, commodity prices, real estate prices, volatility and credit spreads.	A GRD expert team centralises the management and control of the group's market risk and interest rate risk on the banking book ("**IRRBB**"), in line with the regulations and risk good practices.	Monitoring of net interest income, market investments as well as balance sheet interest rate risk through predefined risk appetite rules.	Processes for continuous monitoring of market risks and IRRBB within the boundaries of the established risk appetite, allowing to assess the impact of changes in market factors, such as volatility and interest rates. Development and maintenance of internal models and stress testing exercises (stress testing framework) to measure and control market and IRRBB risks, as well as calculation of economic capital within the Internal Capital Adequacy Self-Assessment ("**ICAAP**") exercise, calculation of market shock impacts within the EBA Stress testing exercise and regulatory capital reporting (alternative standardised approach), within the Fundamental Review of the Trading Book (FRTB). Keeping updated at all times with regard to the regulatory framework, and in particular the new EBA guidelines on IRRBB/CSRBB.
Operational	The risk of occurrence of	A GRD expert team defines the	The operational risk appetite	Reinforcement of compliance with the

Risks	Concept	Management	Risk Appetite	Focus in 2023
	events with negative impacts on results or equity, resulting from inadequacies or weaknesses in procedures or information systems, staff behaviour, or external events, including legal risk. Operational risk is, therefore, understood to be the sum of the following risks: Operations, Information Systems, Compliance and Reputational.	Operational Risk Policies, with other units, namely the Compliance Department and the Information Security Office issuing specific risk Policies. The effectiveness of operational risk identification and control methodologies is ensured by the actions taken by the operational risk management Representatives appointed for each organisational Unit, who promote the risk culture in the first line of defence in continuous collaboration with the GRD.	defined for the Group covers the various categories under this risk. It reflects the infeasibility of eliminating operational risk from a cost-benefit perspective as well as the Group's high ethical and conduct standards, which impose zero tolerance for breaches of conduct.	established risk appetite across the Group. Strengthening of the risk culture, particularly in the first line of defence, to ensure the alignment of actions and decisions with the risk strategy and appetite across the various levels of the organisation, promoting a more robust control of risk. Continuous strengthening of the Fraud Risk framework in light of the increased sophistication of fraud typologies, in particular cyber risk, by enhancing the prevention and control mechanisms. Updating of the identification and assessment methodologies for non-financial risks, to include ESG risk.
ESG Risk	Risks of occurrence of financial losses arising from current or future impacts of ESG factors on the Group's clients, counterparties or assets. ESG factors are climate and environmental, social or governance issues that may have a positive or negative impact on the	Undertaken through the joint approach of specialised teams from the GRD, RTD and GESC, which define the guidelines to be followed for any new business and for the monitoring existing positions, in order to minimise novobanco's exposure, in particular to transition risks and physical risks.	Application of exclusion and policies and conditioning factors, namely for activities with higher ESG risk (in the environmental, social and governance dimensions). Definition of global goals and guidelines to steer new credit production according to ESG	Climate Policy Relevant Sectors (CPRS), and Sectors emitting greenhouse gases, allowing the first characterisation of the Bank's portfolios. Mapping of the physical risk of properties owned by novobanco or given as a loan collateral. Reinforcement of the integration between ESG risk methodologies and business planning and execution, namely regarding the

Risks	Concept	Management	Risk Appetite	Focus in 2023
	financial performance or solvency of an entity, institution or person.	In addition, it is supported by methodologies to assess and monitor the risk factors, which, consistently with the applicable regulations, allow the Group to monitor the evolution of the risk profile of its balance sheet positions.	assessment criteria. Implementation of global risk assessment methodologies, at the level of the credit portfolio, to identify and monitor the main ESG risks on the balance sheet.	implementation of risk classification methodologies (Scorings/Ratings & Taxonomy) and respective guidance on credit decision and monitoring. Development of ESC scorings and ratings.

Capital Management

The main objective of Group's capital management is to ensure compliance with the Group's strategic targets in terms of capital adequacy, respecting and enforcing the rules regarding the calculation of risk weighted assets, the measure of exposure (leverage), and own funds, and ensuring compliance with the solvency and leverage levels set by the supervision authorities and with the risk appetite internally established for capital metrics.

Overall capital planning, monitoring and control planning implementation is ensured by the Planning and Capital Management area of the Issuer, which is also responsible for the calculation of the Bank´s own funds. Additionally, this area also ensures capital and MREL ratios projections in financial and regulatory exercises maximize profitability while complying with internal objectives and regulatory requirements to optimize shareholder´s value and an efficient use of capital.

The Group's capital ratios are calculated by the Risk Weighted Assets Calculation and Control area of the Global Risk Department, which has the following main responsibilities: (i) to ensure the calculation of prudential capital ratios in accordance with the relevant regulations, with a view to complying with the minimum regulatory requirements and with the level of risk appetite defined by the Executive Board of Directors; and (ii) to project the evolution of risk weighted assets, participating in capital ratios projection exercises for budgetary purposes, medium-term plans, and any required internal or regulatory exercise that involves the determination of capital requirements, namely the ICAAP and Stress Tests.

novobanco's Common Equity Tier 1 ("**CET1**") ratio is protected up to a predetermined threshold for the amounts of losses verified in a perimeter of assets as outlined by the CCA. The amount of compensation requested under the CCA with reference to 2021 is €209.2 million (with this amount not included in the calculation of regulatory capital with reference to 31 December 2022 and 31 December 2021), taking into account the losses incurred in the assets covered by the CCA, as well as the minimum capital condition applicable at the end of the same year under the CCA. Fundo de Resolução has refused such payment and the dispute resolution mechanisms foreseen in the CCA are being followed.

Regarding the amount requested from the Resolution Fund for the year 2020, novobanco only received €429 million, as there are two divergences between the Issuer and the Resolution Fund, i.e. (i) the provision for discontinued operations in Spain (€147.4 million of capital impact) and (ii) €18 million from valuation of participation units, which are subject to a pending arbitration proceeding. The Issuer

considers these amounts due (in aggregate equal to €165.4 million as due from the Resolution Fund under the CCA) and has triggered the legal and contractual mechanisms at its disposal. Additionally, the current arbitration proceedings also include the interest related to late payment by the Resolution Fund of an amount of €112.0 million regarding the 2020 financial year, and also the divergence, concerning the application by novobanco, at the end of 2020 and subject to arbitration, of the dynamic option of the transitional regime of IFRS 9.

In relation to the divergences mentioned above, further arbitration and other proceedings may be submitted regarding the amounts that the Issuer believes are due and should have been paid under the CCA.

As at 31 December 2021, the Issuer's CET1 and total capital ratios reached 11.1 per cent. and 13.1 per cent., respectively.

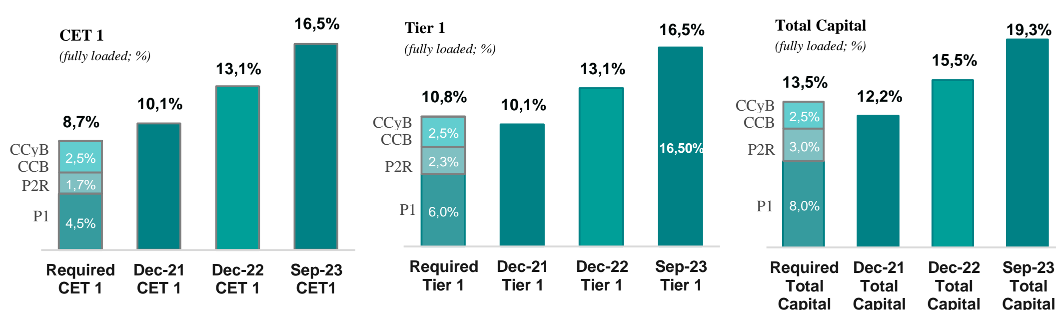
As at 31 December 2022, the CET1 ratio was 13.7 per cent. and total capital ratio was 16.0 per cent.

		31-Dec-22		**31-Dec-21**		**SREP Requirement** [(1)]
		(Phased-in)	*(Fully loaded)*	*(Phased-in)*	*(Fully loaded)*	
CAPITAL RATIOS (CRD IV/CRR)						
Risk Weighted Assets (€mn)	(A)	21,355	21,233	24,929	24,689	
Own Funds (€mn)						
Common Equity Tier 1	(B)	2,927	2,787	2,768	2,507	
Tier 1	(C)	2,928	2,789	2,769	2,509	
Total Own Funds	(D)	3,418	3,279	3,276	3,016	
Common Equity Tier 1 Ratio	(B/A)	13.7%	13.1%	11.1%	10.1%	8.7%
Tier 1 Ratio	(C/A)	13.7%	13.1%	11.1%	10.1%	11%
Total Capital Ratio	(D/A)	16.0%	15.5%	13.1%	12.2%	13.5%

Note:

(1) excludes P2G

As of 30 September 2023, the fully loaded CET1 ratio increased by c.340bps to 16.5% while the Total Capital ratio increased by c.390 bps to 19.3% (vs Dec/22: 13.1% and 15.5% respectively).



On 15 November 2023, the Bank of Portugal, as the macroprudential authority, introduced a 4 per cent. sectoral systemic risk buffer, applicable to institutions using the IRB approach, on the risk exposure amount of all retail exposures to natural persons secured by residential real estate located in Portugal, starting from 1 October 2024. On 17 November 2023, the Issuer informed that the implementation of

this measure would result, in a pro-forma basis, of an estimated increase of c.30 basis points in capital requirements.

(J) Ownership Structure (including government relationship)

As at the date of this Base Prospectus, the Issuer's share capital is €6,567,843,862.91, represented by 11,130,841,957 nominative and dematerialised shares with no nominal value, fully subscribed and paid up.

The holdings in the Issuer's share capital as at the date of this Base Prospectus are as follows:

Shareholder	Number of shares	per cent. of share capital
Nani Holdings S.G.P.S., S.A.	8 348 131 468	75.00
Fundo de Resolução (Resolution Fund)	1 451 868 529	13.04
Direcção-Geral do Tesouro e Finanças	1,330,841,960	11.96

In view of the commitments assumed by the Portuguese State before the EC in the context of the approval of the sale of a participation in the share capital of the Issuer under EU rules on state aid, the Resolution Fund, as shareholder of the Issuer, should refrain from exercising its non-equity rights, namely its voting rights.

It should also be noted that the Issuer adhered to the special regime applicable to Deferred Tax Assets ("DTAs") approved by Law No. 61/2014, of 26 August. The regime 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. The regime foresees that those assets can be converted into tax credits when the taxable entity reports an annual net loss.

The conversion of the eligible DTAs into tax credits was made according to the proportion of the amount of net loss to total equity at the individual company level. A special reserve was established with an amount identical to the tax credit approved, increased by 10 per cent. This special reserve was established using the originating reserve and is to be incorporated in the share capital.

The conversion rights are securities that grant the Portuguese State the right to demand of the Issuer the respective share capital increase, through the incorporation of the amount of the special reserve and the consequent issue and delivery of ordinary shares at no cost. The shareholders of the Issuer have the unilateral right to acquire the conversion rights from the Portuguese State.

In accordance with the DTA legal regime, conversion rights have been issued in respect of the financial years from 2015 to 2019 and will be issued in respect of financial year 2020 by the Issuer in favour of the Portuguese State. Such conversion rights allow the Portuguese State to convert them into ordinary shares of the Issuer and will confer a stake of approximately 15.85 per cent. of the share capital of the Issuer, subject to the confirmation of the tax authorities.

(K) Governance Model

There are no specific mechanisms in place to ensure that exercise of control over the Issuer is not abused. Risk of abusive control is, in any case, mitigated by the existence of a governance model that is unique within the Portuguese financial sector. In line with international best practices in management, and under the new shareholder structure, since 18 October 2017 the Issuer has in place the following corporate

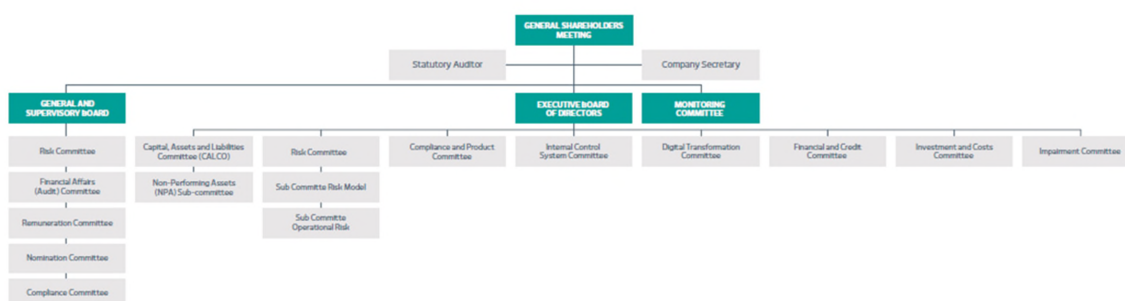
bodies: novobanco has a General and Supervisory Board ("**GSB**") and an Executive Board of Directors ("**EBD**") - each of its members being bound by duties of care and loyalty in order to optimise the interests of all relevant stakeholders (in accordance with Article 64 of the Portuguese Commercial Companies Code and, in relation to directors, Article 75 of the RGICSF) – as well as a consultative Monitoring Committee for certain CCA matters and an Auditor

Furthermore, risk of abusive control is also mitigated by the legal and regulatory provisions and supervision of the Issuer by the Bank of Portugal and ECB, which, among other regulatory areas, supervises the acquisition and disposal of qualified holdings in the Issuer.

The General and Supervisory Board is responsible for regular monitoring, advising and supervising the management of the Issuer and the Group companies, as well as for supervising the EBD relating to the compliance with the relevant regulatory requirements of the banking activity. The GSB meets on a monthly basis, and its chairperson maintains regular communication and dialogue with the Chief Executive Officer ("**CEO**"). The GSB is supported by committees to which it delegates some of its powers: the Financial Affairs (Audit) Committee, the Risk Committee, the Compliance Committee, the Nomination Committee and the Remuneration Committee. These committees are composed of and chaired by independent members of the GSB and their meetings may be attended by the members of the EBD responsible for the matters that are dealt with by the relevant committees.

The GSB has the responsibilities and powers that are granted to it by law and by the Articles of Association and in its internal regulations, including the supervision of all matters related to risk management, compliance and internal audit, and prior approval on relevant matters detailed in the Articles of Association.

The EBD is responsible for the management of the Issue, for the definition of the general policies and strategic objectives, as well as ensuring the management of the business in accordance with the rules and good banking practices.



For further details see "Management and Supervisory Corporate Bodies" below.

(L) Management and Supervisory Corporate Bodies

Composition and functioning of the management and supervisory corporate bodies and changes in the Company's Articles of Association

Under the terms of novobanco's Articles of Association, the corporate and statutory bodies of novobanco are the General Meeting, the GSB, the EBD, the Monitoring Committee, the Statutory Auditor and the Company Secretary.

The members of the corporate bodies are elected for four-year terms of office and they may be re-elected once or more than once.

Also, in accordance with novobanco's Articles of Association, the members of the Board of the General Meeting, the GSB, and the Monitoring Committee are elected by the General Meeting. The General Meeting also has the powers to appoint and replace novobanco's Statutory Auditor, upon a proposal of the GSB. The members of the EBD are appointed by the GSB. The Company Secretary and Alternate Secretary are appointed by the EBD, after consulting with the GSB.

Changes to novobanco's Articles of Association are the responsibility of the General Meeting.

Board of the General Meeting

The composition of the Board of the General Meeting of novobanco for the 2022-2025 term of office, at the date of this Base Prospectus, is as follows:

Chairman: Fernando Augusto de Sousa Ferreira Pinto

Vice-Chairwoman: Magdalena Ivanova Ilieva

Secretary: Mário Nuno de Almeida Martins Adegas

General and Supervisory Board

The GSB is the supervisory body of novobanco and its members are elected by the General Meeting.

In October 2020, the General Meeting of the Issuer appointed the members of the GSB for the 2021-2024 mandate, which authorisation was already issued by the competent regulatory authorities.

As at the date of this Base Prospectus, seven of the ten members of the GSB, including its Chairperson, are independent.

At the General Meeting of Shareholders of the Issuer that took place on 22 December 2022, Monika Wildner was appointed as an independent member of the General and Supervisory Board for the current mandate (2021-2024) of the GSB. Monika Wildner was approved by the competent authorities under the Fit & Proper process in 21 June 2023.

On 1 February 2023, the General and Supervisory Board approved, subject to Fit & Proper, Benjamin Dickgiesser as a new member of the Executive Board of Directors for the current mandate term until 2025, as the next Chief Financial Officer. On 24 February 2023, the Issuer announced the resignation of Benjamin Dickgiesser as a member of the General and Supervisory Board to become the next CFO, subject to Fit & Proper. The approval by the competent authorities under the Fit & Proper process to exercise the functions of the CFO was obtained and subsequently disclosed to the market on 1 October 2023.

Following the announcement of resignation of Benjamin Dickgiesser as a member of the General and Supervisory Board, the Bank initiated the Fit & Proper process of Evgeniy Kazarez as candidate to the General and Supervisory Board for the current mandate (2021-2024). As at the date of this Base Prospectus, following the approval by the competent authorities under the Fit & Proper process, Evgeniy Kazarez has effectively become a member of the General and Supervisory Board on 7 November 2023 .

The GSB has the powers vested upon it by law and by the Articles of Association, having as main functions to regularly monitor, advise and supervise the management of novobanco and of the Group entities, as well as to supervise the EBD with regard to compliance with the relevant regulatory requirements of banking activity. Additionally, the GSB has specific powers to elect the members of the EBD and responsibilities in granting previous consents for approval by the EBD of certain matters established in the Articles of Association, namely in what concerns the approval of (i) credit, risk and

accounting policies, (ii) business plan, budget and activity plan, (iii) change of registered address, and closure of change of representation structure abroad; (iv) capital expenditure, debt or refinancing, sales or acquisitions, creation of liens or granting of loans above certain limits and within certain conditions, (v) practice or omission of any material act related with the CCA; and (vi) hiring of employees with annual remunerations above certain limits.

The GSB holds meetings on a monthly basis. The Chairperson of the GSB and the Chief Executive Officer maintain regular dialogue and communication between them.

The following table sets out the members of the GSB for the 2021-2024 term of office, as at the date of this Base Prospectus, with an indication of name, position and principal activities of the members outside of the Group:

Name	**GSB Position**	**GSB Committees Position**	**Principal activities outside of the Group**
Byron James Macbean Haynes	Chairman	Chair of the GSB and Remuneration Committee Member of the Audit Committee and of the Risk Committee	Chairman of the audit committee at Nani Holdings SGPS, S.A. Non-executive director at Saffron Brand Consultant
Karl-Gerhard Eick	Vice-Chairman	Chair of the Audit Committee Member of the Risk Committee and the Remuneration Committee	Chairman of the Supervisory Board of IKB Deutsche Industriebank AG Member of Audit Committee of Nani Holdings
Monica Wildner	Member	Member of the Audit Committee and of the Risk Committee and of the Remuneration Committee	Non-Executive Director at Addiko Bank Non-Executive Director at Austrian Volksbank Wien AG Independent attorney at law
Kambiz Nourbakhsh	Member	Member of the Audit Committee and of the Risk Committee, Compliance Committee and of the Remuneration Committee	Senior Managing Director at Lone Star Switzerland Acquisitions GmB (self-stated name Nani) Member of the Audit Committee at Nani Holdings

Name	GSB Position	GSB Committees Position	Principal activities outside of the Group
			Non-Executive Director in Mastiff MidCo
Mark Andrew Coker	Member	Member of the Compliance Committee and of the Nomination Committee	Managing Director at Lone Star Europe Acquisitions Non-Executive Director at Lone Star International Finance DAC Non-Executive Director at Lone Star Capital Investments S.a.r.l
John Ryan Herbert	Member	Chair of the Nomination Committee Member of the Compliance Committee	Director of DFC Corp Non-Executive Director Digital Core REIT Management PTE
Robert Alan Sherman	Member	Chair of the Compliance Committee	Non-Executive Director at Opportunity Network Senior Counsel of Greenberg Traurig Member of the Advisory Board of Rasky Partners
Carla Antunes da Silva	Member	Member of the Nomination Committee	Director at Lloyds Banking Group CEO at Lloyds Bank Corporate Markets
William Henry Newton	Member	Chair of the Risk Committee	Director at AVIN Consulting Ltd
Donald Quintin	Member	Member of Nomination Committee	President of Lone Star Europe Acquisitions Limited
Evgeniy Kazarez	Member	Member of the Risk Committee and of the	Member of the Supervisory Board of IKB Deutsche Industriebank GmbH

Name	GSB Position	GSB Committees Position	Principal activities outside of the Group
		Remuneration Committee Audit Committee Observer	
Donald Quintin	Member	Member of the Nomination Committee	Director at Lone Star Europe Acquisitions Limited

To the best of novobanco's knowledge, none of the abovementioned members of the GSB of novobanco 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 GSB, their professional domicile is at Avenida da Liberdade, nº 195, 1250 – 142 Lisbon, Portugal.

Committees of the General and Supervisory Board

In its activity, the General and Supervisory Board is directly supported by 5 (five) Committees, namely the Financial Affairs (Audit) Committee, the Risk Committee, the Compliance Committee, the Nomination Committee and the Remuneration Committee, these holding the legal required powers and other powers delegated to the GSB.

Executive Board of Directors

The Executive Board of Directors is the corporate body in charge of the management of the Issuer. Under the law and the Articles of Association, and respecting the powers of the other corporate bodies, it is responsible for defining the general policies and strategic objectives of the Issuer and of the Group and for ensuring the activity not comprised within the functions of other bodies of the Issuer, in compliance with the rules and standards of good banking practice.

The EBD has no powers to resolve on capital increases, or on the issuance of securities convertible into shares or securities granting subscription rights, such decisions being the exclusive responsibility of the General Meeting. In the case of traded securities issues, the GSB issues a previous opinion.

The members of the EBD are appointed by the General and Supervisory Board, which also appoints the Chief Executive Officer ("**CEO**").

In 2021, there were no changes to the composition of the EBD.

In the course of 2022, the composition and mandate of the Issuer's Executive Board of Directors experienced the following alterations:

- Following the communication of the resignation of António Manuel Palma Ramalho from the position of CEO, the GSB decided to appoint a new Executive Board of Directors, which took office on 26 August 2022 after the authorisations from the competent entities under the Fit & Proper process had been obtained.
- Aware that the EBD's structure and duties and responsibilities would be increased with the creation of a new executive position, that of Chief Credit Officer ("**CCO**"), the GSB decided to increase the number of members from 6 (six) to 7 (seven). The GSB also concluded that because there were two new EBD members – Leigh James Bartlett and Carlos Jorge Ferreira Brandão –

and because the roles and responsibilities of two of the current members – Mark George Bourke and Rui Miguel Dias Ribeiro Fontes – had changed substantially, there should be a new four-year mandate (2022-2025). The remaining EBD members were reappointed.

- On 15 December 2022, Leigh James Bartlett ("**CFO**") informed the GSB of the termination of his functions with effect from 30 December 2022. Following this communication, the relevant body, i.e., the Nomination Committee of the GSB, initiated the procedures for his succession, that ended with the appointment of Benjamin Dickgiesser to that position.

As at the date of this Base Prospectus, the following table sets out the composition of the EBD for the 2022-2025 term of office, with an indication of name, position and principal activities of the directors outside of the Group:

Name	**EBD Position**	**EBD Committees Position**	**Principal activities outside of the Group**
Mark George Bourke	Chief Executive Officer (CEO) and interim CFO	Chairman (whilst interim CFO) of Capital, Assets and Liabilities Committee Chairman (whilst interim CFO) of the Costs and Investments Committee Chairman of the Digital Transformation Committee	Member of the Board of APB – Associação Portuguesa de Bancos;
Benjamin Friedrich Dickgiesser	Chief Financial Officer (CFO)	N/A	
Luís Miguel Alves Ribeiro	Chief Commercial Officer (CCO – Retail)		Non-Executive Board Member at SIBS SGPS, SA Non-Executive Board Member at SIBS Forward Payment Solutions, SA Board Member at Unicre
Andrés Baltar	Chief Commercial Officer (Corporate)		
Luísa Marta Santos Soares da Silva Amaro de Matos	Chief Legal and Compliance Officer (CLCO)	Chairwoman of the Compliance and Product Committee	Member representing CEO at APB Associação Portuguesa de Bancos
Carlos Brandão	Chief Risk Officer (CRO)	Chairman of the Risk Committee	–

Name	EBD Position	EBD Committees Position	Principal activities outside of the Group
		Chairman of the Internal Control System Committee Chairman of the Impairment Committee	
Rui Miguel Dias Ribeiro Fontes	Chief Credit Officer (CCO)	Chairman of the Financial and Credit Committee	–

To the best of novobanco's knowledge, none of the abovementioned members of the EBD of novobanco 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 EBD, their professional domicile is at Avenida da Liberdade, nº 195, 1250 – 142 Lisbon, Portugal.

Committees of the Executive Board of Directors

In accordance with its rules of procedure, the Executive Board of Directors may establish committees to complement its own management activity, ensuring the monitoring of novobanco's activity in areas that are considered relevant. As at the date of this Base Prospectus, the following committees exist: i) Risk Committee; ii) Credit Committee; (iii) Capital, Assets and Liabilities Committee; (iv) Internal Control System Committee; (v) Compliance and Product Committee; (vi) Digital Transformation Committee; (vii) Costs and Investments Committee; and (viii) Impairment Committee.

In addition, the EBD has set up three subcommittees, (i) Non-Performing Assets (NPA) Subcommittee; (ii) Extended Models Risk Subcommittee; and (iii) Operational Risk Subcommittee and 7 (seven) steering groups for the areas of (i) Retail, (ii) Corporate Clients, (iii) Human Capital, (iv) Management Information System (MIS), (v) Investment, (vi) Business Monitoring and (vii) ESG. The steering groups have no rules of their own, their composition and rules of procedure being decided on a case-by-case basis by the members of the EBD.

Monitoring Committee

The Monitoring Committee is a statutory advisory body ruled by the Articles of Association and deriving from the Contingent Capital Agreement composed of three members elected by the Shareholder's General Meeting, one of whom to act as Chairperson. The composition of the Monitoring Committee shall respect the following criteria: one of its members shall be independent from the parties to the Contingent Capital Agreement, and another shall be a registered charter accountant, as the Resolution Fund is responsible for appointing two of its members.

The Monitoring Committee has as main responsibilities to discuss and issue (non-binding) opinions on relevant issues concerning the Contingent Capital Agreement upon which it is requested to issue an opinion. The members of the Monitoring Committee are entitled to attend as observers and speak (but not vote) at all meetings of the General and Supervisory Board.

The following table sets out the members of the Monitoring Committee for the 2021-2024 term of office, as at the date of this Base Prospectus, with an indication of name, position and principal activities of its members outside of the Group:

Name	Position	Principal activities outside of the Group
José Bracinha Vieira	Chairman	President of the Liquidation Committee of Banif – Banco Internacional do Funchal, S.A.
Carlos Miguel de Paula Martins Roballo	Member	–
Pedro Miguel Marques e Pereira	Member	–

Company Secretary

The Issuer's Company Secretary for the 2022-2025 term of office, as at the date of this Base Prospectus are as follows:

Mário Nuno de Almeida Martins Adegas

Ana Rita Amaral Tabuada Fidalgo (Alternate Secretary)

Conflicts of Interest

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 novobanco or towards any other Group company and his/her personal interests and duties, that have not been identified and adequately disclosed and settled.

Statutory Auditor

Supervision is in part the responsibility of the General and Supervisory Board and the Statutory Auditor.

The current Statutory Auditor of novobanco is Ernst & Young, Audit & Associados – SROC, S.A., registered with the CMVM under number 20161480 and with the Portuguese Institute of Statutory Auditors (OROC) under number 178, represented by António Filipe Dias da Fonseca Brás, registered with the CMVM under number 20161271 and with the OROC under number 1661, and by João Carlos Miguel Alves, as alternate statutory auditor, registered with the CMVM under number 20160515 and with the OROC under number 896.

The Statutory Auditor and Alternate Statutory Auditor are elected and removed by the General Meeting, under a proposal of the General and Supervisory Board, and they have the powers and responsibilities provided for in the law.

There are no potential conflicts of interest between the duties to novobanco of the persons listed above and their private interest or duties.

(M) Legal, Administrative and Arbitration Proceedings

Save as disclosed below, neither the Issuer nor any other member of the Group, is, or during the 12 months preceding the date of this Base Prospectus has been, involved in any governmental, legal or

arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have significant effects on the Group's financial position or profitability.

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.

Furthermore, the Group is the subject of actual and threatened litigation and other proceedings related to its incorporation.

A significant decision was ruled by the Lisbon Administrative Court (*Tribunal Administrativo de Círculo (TAC) de Lisboa*) among the legal proceedings in the Portuguese courts relating to the Resolution Measure. There are several legal proceedings, some of which were aggregated and designated as pilot-proceedings (*processos-piloto*). In one of these, notably the one which was initiated by a shareholder of BES before the Lisbon Administrative Court, the plaintiffs challenged the validity of the Resolution Measure applied to BES on the basis of alleged illegalities and unconstitutionalities. The Issuer is counter-interested party in both proceedings. On 12 March 2019, the Lisbon Administrative Court fully dismissed the claims of the plaintiffs. All existing proceedings are still suspended. Following the CJEU decision for both pilot-proceedings of 5 May 2022 in relation to the preliminary questions raised by the Portuguese Supreme Administrative Court, on 9 March 2023 the Portuguese Supreme Administrative Court issued a decision dismissing the plaintiff's appeal in each of the pilot cases, thereby confirming the favourable decision that had been issued by the Lisbon Administrative Court on 12 March 2019.

There was also a proceeding challenging a specific decision related to the retransfer of the subordinated bonds by the decision of Bank of Portugal dated 29 December 2015, the Court dismissed the claims of the plaintiffs, and the decision is final as no appeal was filed.

Where the Group is subject to threatened or ongoing proceedings, management determines on the basis of applicable accounting principles and in accordance with the perimeter of assets and liabilities arising from the Resolution Measure and subsequent decisions of the Bank of Portugal the level of provisions to be recorded in its accounts regarding such proceedings. As at 31 December 2022, no provisions have been made at the level of the Issuer with respect to proceedings related to the Resolution Measure.

In addition, 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 Base 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 "*Risk Factors—Regulatory Risks—Risks relating to regulatory requirements*"

Proceedings Relating to the Resolution Measure

- Novobanco was incorporated by resolution of the Board of Directors of Bank of Portugal dated 3 August 2014 (8 p.m.) ("**Resolution of 3 August 2014**") under no. 5 of article 145-G of the RGICSF (the version in force at the time), following the resolution measure applied by Bank of Portugal to Banco Espírito Santo, S.A. ("**BES**"), under the terms of paragraphs 1 and 3-c) of article 145-C of the RGICSF.

  Pursuant to the Resolution of 3 August 2014, the assets, liabilities, off-balance sheet items and assets under management of BES defined in Annex 2 to the Resolution of 3 August 2014 (and clarified by the extraordinary meeting held by the Board of Directors of the Bank of Portugal on 11 August 2014 (5 p.m.)) were transferred to novobanco.

The Resolution of 3 August 2014 and the decisions of the Bank of Portugal related or in connection with the Resolution of 3 August 2014, including the application and impacts of the Resolution Measure and the incorporation of novobanco are being and may continue to be publicly and judicially challenged by several parties and creditors. These proceedings include also the challenges to the transfer of certain assets and liabilities to novobanco as a result of the Resolution Measure and the decisions of the Bank of Portugal, as well as proceedings requesting the set-off of liabilities that were not transferred to novobanco against credits transferred and held by novobanco. Several judicial proceedings have been initiated against the Bank of Portugal, the Resolution Fund and/or novobanco and it is likely that other similar proceedings will be submitted within the applicable legal time limits.

Despite the fact that the Resolution Measure expressly determines that "Any liabilities or contingencies related to the trading, financial intermediation and distribution of debt instruments issued by entities integrating Grupo Espírito Santo" have not been transferred to novobanco and determines as well that a number of other liabilities and contingencies have not been transferred to it, there are several legal proceedings related with the placing, by BES, of debt instruments of Espírito Santo group entities (including, commercial paper) and preference shares issued by special purpose vehicles, which have been submitted by clients who are arguing that any such liability has been transferred to novobanco.

- There are also cases outside of Portugal that are somehow connected with the non-recognition of the Resolution Measure and its effects and/or related decisions of the Bank of Portugal, such as legal proceedings brought against novobanco related with the placement of debt instruments of Espírito Santo Group in Venezuela (where, notably, two proceedings with the nominal amount of U.S.$37 million and U.S.$335 million have been filed).Two proceedings were filled in the Superior Court of Venezuela in early 2016, by Banco de Desarrollo Económico y Social ("**BANDES**") and by Fondo de Desarrollo Nacional ("**FONDEN**"), against the Issuer and BES regarding the subscription in 2014 by BANDES and FONDEN of debt instruments issued by Espírito Santo International ("**ESI**") in the nominal amount of U.S.$37 million and U.S.$335 million, and total amounts claimed in March 2016 of U.S.$871 million and U.S.$96 million, respectively. These entities are claiming: (i) the nullity of the sale of the debt instruments and the payment by BES and the Issuer (jointly) of the amount of principal, together with costs, interests and inflation rate; or (ii) the payment by BES and the Issuer (on a joint basis) of such amounts as a result of the obligations assumed in the comfort letters allegedly issued by BES for the benefit of FONDEN and BANDES in June 2014. In both proceedings, and despite the opposition of the Issuer, the Superior Court of Venezuela has considered that the Venezuelan courts have jurisdiction to decide on these proceedings. In addition, the claimants have requested the Superior Court of Venezuela to apply a preliminary injunction over certain assets of BES and the Issuer. The Issuer has submitted its opposition in both proceedings on the basis that any liability that could have existed regarding the sale of debt instruments issued by GES entities was not transferred to the Issuer in accordance with the Resolution Measure and the separation of assets and liabilities contained in such decision.
- There are still relevant litigation risks, notably regarding the various disputes relating to the U.S.$835 million loan made by Oak Finance to BES, the placement of BES and GES debt instruments directly and indirectly in BES retail clients and regarding the senior bond issues retransmitted to BES, as well as the risk of the non-recognition and/or non-implementation of the various decisions of Bank of Portugal by Portuguese or foreign courts (as it is the case of the courts in Spain where there are several unfavourable decisions) in disputes related to the

perimeter of the assets, liabilities, off-balance sheet items and assets under management transferred to novobanco.

Similar proceedings relating to the retransfer of senior bonds have also been filed against the Bank of Portugal. All of these proceedings are still pending or awaiting final decision (*caso julgado*).

Indemnification Mechanism Relating to the Resolution Measure

Pursuant to the indemnification mechanism established in connection with the Lone Star Sale (the "**Indemnification Mechanism**"), which was preceded by a similar mechanism established by decision of the national resolution authority in the Decisions of 29 December 2015, in accordance with the resolution framework, the Resolution Fund is responsible, upon the fulfilment of certain conditions (including, defending the legal proceedings with the diligence of a prudent defendant), for compensating the Issuer, at any time and with no limitation of amount, for losses arising from non-appealable judicial decisions in the Portuguese courts or any other courts on the validity, implementation, effectiveness or enforcement of the Resolution Measure in any jurisdiction, including, but not limited to, the perimeter of the assets, liabilities, off-balance-sheet items, and assets under management of the Issuer or holding the Issuer responsible for any liability of BES, thereby not respecting the Resolution Measure. While the Indemnification Mechanism may help mitigate economic risks arising from certain litigation relating to the Resolution Measure, there can be no assurance that it will be applied or, if applied, upheld. In addition, even if the Indemnification Mechanism is successfully applied, this may result in an adverse reputational impact on the Issuer and/or the Group or be highly disruptive to the Issuer and a significant distraction for management.

Proceedings related with the sale of novobanco

Following the conclusion of the Lone Star Sale, certain legal suits have been lodged, related to the conditions of the sale, notably the administrative action brought by Banco Comercial Português, S.A. ("**BCP**") against the Resolution Fund, of which novobanco is not a party, and according to the public disclosure made by BCP on the website of the CMVM on 1 September 2017, it requested the legal assessment of the contingent capitalisation obligation assumed by the Resolution Fund within the CCA.

Other Proceedings

There is one pending proceeding regarding the sale of the shares of Tranquilidade by the Issuer in enforcement of a pledge agreement, a lawsuit brought by Partran, SGPS, S.A. and Massa Insolvente da Espírito Santo Financial Group, S.A. (currently only Massa Insolvente da Espírito Santo Financial (Portugal), S.A. is a claimant) against the Issuer and Calm Eagle Holdings, S.A.R.L. through which it is intended that the pledge of the shares of Companhia de Seguros Tranquilidade, S.A. is declared invalid and, secondarily, that said pledge is annulled or declared ineffective.

(N) Material Contracts

As part of the conditions of the Lone Star Sale, the Resolution Fund and novobanco have entered into the CCA on 18 October 2017. In light of the circumstances in which the CCA was concluded, it may be considered that the CCA has not been entered into in the ordinary course of novobanco's business. For further details on the CCA see "*Description of the Issuer and the Group – Contingent Capital Agreement"* above.

(O) Supervision and Regulation

The Issuer is subject to EU regulation, to the Portuguese Companies Code which comprises commercial laws applicable to joint-stock companies (*sociedades anónimas*) and, in particular, to the RGICSF, to the Portuguese Securities Code ("**CVM**") and to other related legislation. Such regulations relate to,

amongst others, 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.

Membership in the EU subjects Portugal to compliance with European legislation which may either be in the form of regulations, which are directly enforceable in any member state, or directives addressed to the member states, which may require the enactment of implementing legislation or which, as established by the European Court of Justice in several decisions, may be deemed to be directly enforceable in a member state in the event that they are clear, precise and unconditional. In addition, the EC and the Council of Ministers issue non-binding recommendations to member states. The Portuguese authorities have introduced EU directives and recommendations into legislation to adapt Portuguese laws to European regulatory standards.

Generally, novobanco's activity is under the supervision of the ECB and of the Bank of Portugal, as a credit institution, of the CMVM, as an issuer and as a financial intermediary, and the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)*), as an insurance agent.

(P) Ratings

The Issuer's current long-term senior ratings are Ba1 with stable outlook by Moody's.

(Q) Organisational Structure

Group Structure

Novobanco develops its banking activity directly and through its subsidiaries Banco Best and novobanco Açores. Additionally, it also operates in asset management, through its fully owned subsidiary GNB GA that operates in mutual fund management, real estate fund management, pension fund management and wealth management. Novobanco has equity holdings in companies operating in venture capital, real estate, renting and corporate services. As the main entity and parent company of the Group, novobanco's activity and financial results are affected by the performance of its subsidiaries.

Group companies in which novobanco has a direct or indirect holding higher or equal to 20 per cent., over which novobanco exercises control or significant influence, and that were included in the consolidation perimeter, are presented below.

Companies directly consolidated into novobanco, as at 30 June 2023:

	Year incorporated	Year acquired	Registered Office	Activity	Shareholding	Consolidation Method
					(%)	
Novo Banco, SA	2014	—	Portugal	Commercial banking		
Novo Banco dos Açores, SA (novobanco Açores) ..	2002	2002	Portugal	Commercial banking	57.53	Full consolidation
BEST – Banco Electrónico de Serviço Total, SA (BEST)	2001	2001	Portugal	Electronic banking	100.00	Full consolidation
NB África, SGPS, SA	2009	2009	Portugal	Holding	100.00	Full consolidation
GNB Gestão de Ativos, SGPS, SA (GNB GA)	1992	1992	Portugal	Holding	100.00	Full consolidation
ES Tech Ventures, S.G.P.S., SA (ESTV)	2000	2000	Portugal	Holding	100.00	Full consolidation

	Year incorporated	Year acquired	Registered Office	Activity	Shareholding	Consolidation Method
					(%)	
NB Finance, Ltd. (NB FINANCE)..........................	2015	2015	Cayman Islands	Issue and distribution of securities	100.00	Full consolidation
GNB Concessões, SGPS, SA (GNB CONCESSÕES)	2002	2003	Portugal	Holding	100.00	Full consolidation
Espírito Santo Representações, Ltda. (ESREP)	1996	1996	Brazil	Representation services	99,99	Full consolidation
Aroleri, SLU..	2021	2021	Spain	Real estate development	100.00	Full consolidation
Righthour, SA	2013	2013	Portugal	Services Provider	100.00	Full Consolidation
Fundo de Gestão de Património Imobiliário – FUNGEPI – Novo Banco.......................................	1997	2012	Portugal	Real estate fund management	100.00	Full consolidation
ImoInvestimento – Fundo Especial de Investimento Imobiliário Fechado...	2012	2012	Portugal	Real estate fund management	100.00	Full consolidation
Prediloc Capital – Fundo Especial de Investimento Imobiliário Fechado...	2006	2012	Portugal	Real estate fund management	100.00	Full consolidation
Imogestão – Fundo de Investimento Imobiliário Fechado	2006	2013	Portugal	Real estate fund management	99.99	Full consolidation
Invesfundo VII – Fundo de Investimento Imobiliário Fechado...	2008	2013	Portugal	Real estate fund management	100.00	Full consolidation
NB Património – Fundo de Investimento Imobiliário Aberto	1992	2014	Portugal	Real estate fund management	96.34	Full consolidation
NB Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional...	2009	2012	Portugal	Real estate fund management	100.00	Full consolidation
Fimes Oriente – Fundo de Investimento Imobiliário Fechado	2004	2012	Portugal	Real estate fund management	100.00	Full consolidation
Fundo de Investimento Imobiliário Fechado Amoreiras	2006	2015	Portugal	Real estate fund management	95.24	Full consolidation
NB Branches – Fundo Especial de Investimento Imobiliário Fechado...	2006	2019	Portugal	Real estate fund management	100.00	Full consolidation
Febagri-Actividades Agropecuárias e Imobiliárias SA	2006	2012	Portugal	Real estate development	100.00	Full consolidation
JCN – IP Investimentos Imobiliários e Participações, SA...	1995	2012	Portugal	Real estate development	100.00	Full consolidation
Greenwoods Ecoresorts empreendimentos imobiliários, SA...	2012	2012	Portugal	Real estate development	100.00	Full consolidation
Imalgarve – Sociedade de Investimentos Imobiliários, SA...	1986	2014	Portugal	Real estate development	100.00	Full consolidation
Herdade de Boina – Sociedade Imobiliária.............	1999	2012	Portugal	Real estate development	100.00	Full consolidation
Benagil – Promoção Imobiliária, SA......................	1970	2012	Portugal	Real estate development	100.00	Full consolidation
Promofundo – Fundo Especial de Investimento Imobiliário Fechado...	2008	2018	Portugal	Real estate fund management	100.00	Full consolidation
Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA (LOCARENT)	2003	2003	Portugal	Renting	50.00[2]	Equity method

	Year incorporated	Year acquired	Registered Office	Activity	Shareholding	Consolidation Method
					(%)	
UNICRE – Instituição Financeira de Crédito, SA ...	1974	2010	Portugal	Non-banking finance	17.50[1]	Equity method
Edenred Portugal, SA...	1984	2013	Portugal	Services provider	50.00[2]	Equity method
Multipessoal Recursos Humanos – SGPS, S.A	1993	1993	Portugal	Management of shareholdings	22.52	Equity method

Notes:

(1) The percentage presented above reflects the Group's economic interest. These entities were included in the consolidate balance sheet via the equity method as the Group exercises significant influence over their activities

(2) Entities consolidated under the equity method as the voting rights grant control to the other shareholders

Subgroups:

	Year incorporated	Year acquired	Registered Office	Activity	Shareholding	Consolidation Method
					(%)	
GNB – Gestão de Ativos, SGPS, SA (GNB GA)	**1992**	**1992**	**Portugal**	**Holding**	**100.00**	**Full consolidation**
GNB Fundos Mobiliários – Sociedade Gestora de Organismos de Investimento Coletivo, SA.............	1987	1987	Portugal	Investment fund management	100.00	Full consolidation
GNB Real Estate – Sociedade Gestora de Organismos de Investimento Coletivo, SA.............	1992	1992	Portugal	Investment fund management	100.00	Full consolidation
GNB Sociedade Gestora de Fundos de Pensões, SA	1989	1989	Portugal	Investment fund management	100.00	Full consolidation
GNB Sociedade Gestora de Patrimónios, SA	1987	1987	Portugal	Wealth management	100.00	Full consolidation
GBN – International Management, SA....................	1995	1995	Luxembourg	Investment fund management	100.00	Full consolidation
ES Tech Ventures, S.G.P.S., SA, (ESTV)............	**2000**	**2000**	**Portugal**	**Holding**	**100.00**	**Full consolidation**
Yunit Serviços, SA	2000	2000	Portugal	Internet portal management	33.33	Equity method
Fundo de Capital Risco NOVO BANCO PME Capital Growth	**2009**	**2009**	**Portugal**	**Venture capital fund**	**100.00**	**Full consolidation**
Righthour, SA...	2013	2013	Portugal	Services	100.00	Full consolidation
GNB Concessões, SGPS, SA (GNB CONCESSÕES)	**2002**	**2003**	**Portugal**	**Holding**	**100.00**	**Full consolidation**
Lineas – Concessões de Transportes, SGPS, SA	2008	2010	Portugal	Holding	40.00	Equity method

Additionally, taking into account the requirements of IFRS 10, the Group's consolidation perimeter includes the following structured entities:

	Year incorporated	Year acquired	Registered office	Shareholding	Consolidation method
				(%)	
Lusitano Mortgages No. 6 plc[(1)]	2007	2007	Ireland	100.00	Full consolidation
Lusitano Mortgages No. 7 plc[(1)]	2008	2008	Ireland	100.00	Full consolidation

Note:

(1) Structured entities set up in the scope as securitisation operations, recorded in the consolidated financial statements in accordance with the continued involvement of the Group in these operations, determined based on the percentage of the equity pieces held of the respective vehicles (see Note 41 of the interim condensed consolidated financial statements of the Group for the first half of 2023).

(R) Financial Statements of Novo Banco, S.A.

Consolidated Income Statement as at 30 September 2023 and 2022

	As at 30 September *(non-audited)*	
	2023	**2022**
	thousands of Euros	
Interest Income..	1,374,994	552,947
Interest Expenses..	(543,791)	(147,007)
Net Interest Income..	**831,203**	**405,940**
Dividend income..	2,014	4,500
Fees and commissions income	249,310	247,492
Fees and commissions expenses	(33,555)	(34,588)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss...	12,906	(71,520)
Gains or losses on financial assets and liabilities held for trading	4,681	150,898
Gains or losses on financial assets mandatorily at fair value through profit or loss	7,556	(10,972)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	79	4
Gains or losses from hedge accounting...	18,874	(6,057)
Exchange differences	12,265	2,427
Gains or losses on derecognition of non-financial assets	913	76,659
Other operating income...	78,309	178,467
Other operating expenses	(101,080)	(91,385)
Operating Income	**1,083,475**	**851,865**
Administrative expenses	(310,100)	(284,789)
Staff expenses..	(183,774)	(169,769)

	As at 30 September (non-audited)	
	2023	2022
	thousands of Euros	
Other administrative expenses	(126,326)	(115,020)
Cash contributions to resolution funds and deposit guarantee schemes	(22,334)	(41,155)
Depreciation	(29,473)	(29,436)
Provisions or reversal of provisions	(9,641)	32,863
Commitments and guarantees given	(1,951)	14,538
Other provisions	(7,690)	18,325
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(81,208)	(83,362)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	1	19,704
Impairment or reversal of impairment on non-financial assets	9, 099	8,298
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	5,225	6,484
Profit or loss before tax from continuing operations	**645,044**	**480,472**
Tax expense or income related to profit or loss from continuing operations	(2,596)	(27,811)
Current tax	(12,718)	(6,412)
Deferred tax	10,122	(21,399)
Profit or loss after tax from continuing operations	**642,448**	**452,661**
Profit or loss from discontinued operations	456	(270)
Profit or loss for the period	**642,904**	**452,391**
Attributable to Shareholders of the parent	**638,510**	**428,342**
Attributable to non-controlling interests	4,394	24,049
	642,904	**452,391**

Consolidated Balance Sheet as at 30 September 2023 and 31 December 2022

	As at	
	30 September 2023	31 December 2022
	thousands of Euros	
Assets		
Cash, cash balances at central banks and other demand deposits	3,364,224	6,599,078

	As at	
	30 September 2023	31 December 2022
Financial assets held for trading	540,045	171,810
Financial assets mandatorily at fair value through profit or loss	288,150	313,702
Financial assets designated at fair value through profit or loss	-	13
Financial assets at fair value through other comprehensive income	1,596,020	2,331,099
Financial assets at amortised cost	33,280,249	32,777,693
Securities	8,506,490	8,183,209
Loans and advances to banks	101,741	43,548
Loans and advances to customers	24,672,018	24,550,936
Derivatives – Hedge accounting	710,994	562,845
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(159,775)	(383,689)
Investments in subsidiaries, joint ventures and associates	115,975	119,744
Tangible assets	820,298	798,831
Tangible fixed assets	329,537	299,264
Investment properties	490,761	499,567
Intangible assets	76,364	69,832
Tax assets	997, 360	956,000
Current Tax Assets	27,858	32,570
Deferred Tax Assets	969,502	923,430
Other assets	1,254,026	1,618,484
Non-current assets and disposal groups classified as held for sale	65,407	59,587
Total Assets	**42,949,337**	**45,995,029**
Liabilities		
Financial liabilities held for trading	96,175	99,386
Financial liabilities measured at amortised cost	37,030,054	40,987,177
Deposits from central banks and other banks	5,970,322	9,705,154
(of which: repos)	3,924,287	2,150,824
Due to customers	29,488,006	29,277,858
(of which: repos)	948,257	450,906
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1,112,724	1,628,897
Other financial liabilities	459,002	375,268
Derivatives – Hedge accounting	218,933	119,578

	As at	
	30 September 2023	**31 December 2022**
Provisions	407,998	413,432
Tax liabilities	12,348	8,427
Current Tax liabilities	11,503	7,582
Deferred Tax liabilities	845	845
Other liabilities	927,968	839,919
Liabilities included in disposal groups classified as held for sale	22,019	15,492
Total Liabilities	**38,715,495**	**42,483,411**
Equity		
Capital	6,567,844	6,304,661
Accumulated other comprehensive income	(1,151,929)	(1,234,573)
Retained earnings	(8,577,074)	(8,577,074)
Other reserves	6,735,509	6,439,418
Profit or loss attributable to Shareholders of the parent	638,510	560,842
Minority interests (Non-controlling interests)	20,982	18,344
Total Equity	**4,233,842**	**3,511,618**
Total Liabilities and Equity	**42,949,337**	**45,995,029**

Main Indicators

	As at			
	31 December 2021	**30 September 2022**	**31 December 2022**	**30 September 2023**
Activity (€mn)				
Net Assets	44,619	46,992	45,995	42,949
Customer Loans (gross)	24,899	25,823	25,617	25,681
Customer Deposits	27,315	28,582	28,412	28,095
Securities Portfolio	10,471	11,179	10,646	10,810
Real Estate Exposure	824	714	614	594
Equity	3,149	3,411	3,512	4,234
Solvency (%) (Fully Loaded)				
Common Equity Tier 1/Risk Weighted Assets	10.1	12.7	13.1	16.5
Tier 1/Risk Weighted Assets	10.1	12.7	13.1	16.5
Total Capital/Risk Weighted Assets	12.2	14.9	15.5	19.3
Leverage Ratio	5.4	5.9	5.8	7.9

	As at			
	31 December 2021	**30 September 2022**	**31 December 2022**	**30 September 2023**
MREL Ratio	18.0	18.7	20.8	22.8
Liquidity				
European Central Bank Funding (€mn)[1]	2,696	2,065	385	(1,791)
Net Eligible Assets for Repo Operations (ECB and others), net of haircut (€mn)	16,476	17,0173	16,917	16,165
(Total Credit – Credit Provision)/Customer Deposits (%)[2]	86	83	83	83
Liquidity Coverage Ratio (LCR) (%)	182	193	210	136
Net Stable Funding Ratio (NSFR) (%)	117	108	113	117
Asset Quality				
Overdue Loans > 90 days/Customer Loans (gross) (%)	1.2	1.7	1.2	1.4
Non-Performing Loans (NPL)/(Customer Loans + Deposits with banks and Loans and advances to banks) (%)	5.7	5.0	4.3	4.2
NPL Coverage (%)	71.4	77.2	77.5	83.8
NPL's New entries	332	148	232	144
Stage 2 Loans (% of Gross Loans)	18	15	15	14
Stage 2 Loans Coverage Ratio (%)	7.3	7.9	7.8	8.6
Stage 3 Loans (% of Gross Loans)	7	6	5	5
Stage 3 Loans Coverage Ratio (%)[3]	49.7	57.1	55.1	55.6
Corporate (Amount (€bn)/Coverage by Impairment (%); RE Collateral (%); Backstop (%))	1.4/49; 52; NA	1.3/52; 50; NA	1.2/51; 55; 4	1.0/51; 60; 5
Mortgage (Amount (€bn)/Coverage by Impairment (%); RE Collateral (%))	0.2/20; 98	0.1/25; 97	0.1/29; 97	0.1/37; 95
Consumer (Amount (€bn)/Coverage by Impairment (%); RE Collateral (%); Backstop (%))	0.2/81; 9	0.2/82; 10	0.1/79; 15	0.1/72; 19
Cost of Risk (%)[4]	0.44	0.36	0.45	0.36
Profitability				
Net Income for the Period (€mn)	184.5	428.3	560.8	638.5
Income before Taxes and Non-controlling interests/Average Net Assets (%)[2]	0.5	1.4	1.2	1.7
Banking Income/Average Net Assets (%)[2]	2.9	2.5	2.5	3.3
Income before Taxes and Non-controlling interests/Average Equity (%)[2]	7.1	21.5	17.8	21.3
RoTE Return on Tangible Equity (%)[5]	6.2	19.9	19.0	24.3
Efficiency				
Operating Costs/Banking Income (%)[2]	42.0	36.9	39.8	30.8

	As at			
	31 December 2021	**30 September 2022**	**31 December 2022**	**30 September 2023**
Operating Costs/Commercial Banking Income (%)	47.7	50.5	48.8	32.4
Recurring Operating Costs/Commercial Banking Income (%)		48.5	44.1	30.7
Staff Costs/Banking Income (%)(2)	24.0	19.9	20.7	16.7
Employees (No.)				
Total	4,193	4 139	4 090	4 209
Branch Network (No.)				
Total	311	300	292	292

Notes:

(1) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending.

(2) According to Banco de Portugal Instruction n. 16/2004, in its version in force as at the date of this Base Prospectus.

(3) Including backstop.

(4) Includes credit, securities and initial fair value; 2021 figure excludes impairment related to Covid-19 (70bps including Covid-19 impairment charges).

(5) Return on Tangible Equity, with Tangible equity based on period average and excluding CCA not yet received accounted as a receivable; annualized.

(S) Recent Developments

On 1 February 2023 the Issuer informed that the GSB approved, subject to Fit & Proper, Benjamin Dickgiesser as a new member of the EBD for the current mandate term 2022 to 2025, becoming the next CFO.

Following this announcement, the Issuer informed on 24 February 2023 that Benjamin Dickgiesser resigned as member of the GSB.

On 13 February 2023 the Issuer announced the notification by the Directorate-General for Competition, to the Minister of Finance, of the successful completion of the Issuer's Restructuring Period.

This period comprised the completion of structural, behavioural and viability commitments which were agreed, in October 2017, between the Portuguese State and the European Commission, within the scope of the state aid process.

During this period the progress of the Issuer was monitored and verified by the Monitoring Trustee, appointed by the European Commission. The Monitoring Trustee's final report is being prepared upon the release of novobanco 2022 year-end accounts.

The successful conclusion of the Restructuring Process is a significant milestone for the Issuer, which continues to compete as a strong and independent bank, supporting Portuguese corporates and households.

On 22 March 2023, following its General Shareholders meeting, the Issuer announced its decision to increase its share capital as a result of the conversion of the conversion rights relating to 2018 and 2019 fiscal years. The conversion rights were issued under the special regime applicable to deferred tax assets approved by Law No. 21/2014, of 26 August, as amended. This capital increase was made through the incorporation of reserves in the amount of €146,366,604.25 and €116,816,620.97 for the fiscal years ended in 31 December 2018 and 31 December 2019, respectively, through the issuance of 739,789,019 new shares representing 6.27 per cent. of its share capital attributed to the Portuguese State.

On 29 March 2023 the Issuer announced that DBRS upgraded its Long- Term and Senior Debt Issuer ratings to BB (low) from B (high) with a stable trend. As for Subordinated Debt the rating was upgraded to B from B (low) with a stable trend.

On 19 April 2023 the Issuer announced that Moody's upgraded its rating for senior unsecured debt by 3 notches from B3 to Ba3 and its subordinated debt from B3 to B1 (both rated Caa2 before June 2022). The outlook on the long-term deposit and senior unsecured debt ratings remains positive. The ratings agency also upgraded the Issuer's long-term deposit ratings by 2 notches from Ba3 to Ba1.

On 24 May 2023 the Issuer announced that it had launched a 10.5NC5.5 Tier 2 bond in the amount of € 500 million, with maturity on 1 December 2033 and an early redemption option by the Bank at the end of 5 years. The notes were subscribed at 100% price and have an annual interest rate of 9.875% in the first 5 years, and 5 years mid-swaps plus a margin thereafter. At the same time the Bank also announced a tender offer on its existing Tier 2 securities (8.5% Fixed Rate Reset Callable Subordinated Notes due 2028, ISIN: PTNOBFOM0017), allowing investors to roll their exposures. The new bond issue was intended as a replacement of the existing Tier 2. On 31 May 2023 the Issuer announced that a total of €206.4 million was tendered and accepted on the tender offer of the existing Tier 2 and on the 1 June 2023 the Issuer announced the early redemption of the remaining outstanding nominal of that bond, to be effected on 6 July 2023, in compliance with the contractual terms of the Notes (€193.6 million).

On 22 June 2023 the Issuer announced that it had been notified by the Bank of Portugal of its MREL requirements, on a consolidated basis, as determined by the Single Resolution Board, from 1 January 2026, the MREL requirement will be equivalent to 23.47% of TREA plus the then applicable combined buffer requirement (including LSF Nani Investments S.à.r.l. O-SII, 3.02% at that date) and 5.91% of the Leverage Ratio. In addition, the Issuer also noted that no minimum subordination requirement was applied.

On 22 June 2023 the Issuer announced that, following the announcement on September 19th, 2022, and the authorization of the relevant regulatory authorities (fit and proper), Monika Wildner had joined the current mandate of the GSB of Issuer, as an independent member.

On 30 July 2023 the Issuer announced that it was subject to the 2023 EU-wide stress test conducted by the ECB. The Issuer noted the announcements made by the ECB on the EU-wide stress test and the outcomes of this exercise. The adverse stress test scenario was set by the ECB and covered a three-year time horizon (2023-2025). Under the theoretical adverse scenario, the Issuer's CET1 ratio would fall by 600-899 basis points to lower than 8% after three years. The stress test exercise results are not a forecast of either the financial performance or the capital ratios of the Issuer. When analysing results, it should also be taken into account that the exercise has been carried out applying a static balance sheet assumption as of December 2022. Since then, the Issuer has generated c.200 basis points of CET1 ratio to 15.1% (fully loaded), with organic capital generation guidance at 350 basis points for the year of 2023. Projections, under this stress test, consider approximately €55mn of Core Operating Income1 on three-year average, which compares with an actual result of €444mn in only the first half of 2023 and does therefore not factor in the current earnings profile of the Issuer after having completed its restructuring.

The 2023 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as a source of information for the purposes of the Supervisory Review and Evaluation Process (SREP). The Issuer further announced that it did not expect the outcome of this stress test to have a negative impact on its capital requirements.

On 1 October 2023 the Issuer announced that, following the announcement on 1 February 2023 and the authorization of the relevant regulatory authorities (fit and proper), Benjamin Dickgiesser has joined the EBD of the Issuer for the current mandate 2022-2025 as Chief Financial Officer ("CFO").

On 2 November 2023, the Issuer released its non-audited consolidated results for the first nine months of 2023, which include the following highlights:

Consistent Strategy Delivering Increased Profitability

- Novobanco announces a Net income of €638.5mn (1Q23: €148.4mn; 2Q23: €224.8mn; 3Q23: €265.3mn), backed by a solid domestic and simple business model, delivering increased profitability from top line performance, together with contained costs as a result of efficiency measures implemented in recent years.

- NII was €831.2mn (3Q23: €307.2mn; +10.6% QoQ), reflecting the improvement of assets yield which more than offset the increase in the cost of funding. Continued momentum in 9M Net Interest Margin to 2.66% (3Q23: 3.00%), outperforming 2023 guidance of >2.5%.

- Fees and commissions totalled €217.1mn, increasing 0.7% YoY (Sep/22: €215.7mn).

- Commercial Cost to Income ratio improved to 32.4% (1H23: 33.6%), reflecting top line performance and €339.6mn of Operating costs (+8.1% YoY), reflecting both inflation and the continued investment in optimization and simplification of operations.

- Cost of risk was 36bps (1H23: 38bps), including impairment of credit and corporate bonds, consistent with 2023 guidance.

Continued Strong Capital Generation

- In the period, fully loaded CET1 ratio increased by 340bps to 16.5% while Total Capital ratio increased by 390 bps to 19.3% (+140bps and +150bps QoQ respectively). The capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation. Total capital ratio also benefited from the net increase of €100mn of Tier 2 instruments, following the issuance of the new €500mn 10.5NC5.5 Tier 2.

A Resilient Business Model with Market Share Momentum

- Gross Customers loans at €25.7bn (+0.2% YTD), with €2.6bn YTD origination partially offset by increased amortization and supported by positive momentum on new client acquisition. Increasing its footprint in the Portuguese market with global market share at 9.8% (Aug/23; +0.2pp YTD).

- Non-performing loans (NPL) continue to show a favorable trend, with 12.5% reduction compared to Dec/22, to €1,205mn in Sep/23. Net NPL ratio was 0.7% (NPL at 4.2% with increased coverage ratio considerably above European average, at 83.8%). Excluding cash and advances with to Banks, NPL ratio decreased to 4.7% (Dec/22: 5.4%), equivalent to a Net NPL ratio of 0.8% (Dec/22: 1.3%).

- Total customer funds of €34.5bn (Dec/22: €34.8bn), with customer deposits at €28.1bn. This performance is reflected in the growth of novobanco's deposit market share to 9.7% in Aug/23

(Dec/22: 9.3%). Loan to Deposits ratio remained healthy at 83.0%. As of Sep/23, novobanco had a net ECB funding position of -€1.8bn, post the reimbursement of €5.4bn from TLTRO III, and a Liquidity buffer of €13.3bn as of Sep/23 (+€0.4bn YTD).

On 7 November 2023 the Issuer announced that, following the announcement on 22 March 2023 and the authorization of the relevant regulatory authorities (fit and proper), Evgeniy Kazarez has joined the GSB of the Issuer for the current mandate 2021-2024.

On 17 November 2023 the Issuer announced that it had been notified by the Bank of Portugal regarding the decision to implement a sectoral systemic risk reserve. The implementation of this reserve aims to increase the resilience of institutions to the materialisation of potential systemic risk in the residential real estate market in Portugal. The sectoral systemic risk reserve complements the current prudential recommendation and constitutes a preventive measure to address the potential materialization of risks. The decision of the Bank of Portugal translates into the requirement for compliance with a sectoral systemic risk reserve of 4 per cent. on the amount of risk-weighted exposures on the retail portfolio of loans to individuals collateralized by residential properties located in Portugal, starting from 1 October 2024. The Issued informed that the implementation of this measure, which establishes the creation of a reserve for sectoral systemic risk, would result in pro-forma estimated increase of c.30 basis points in capital requirements.

On 22 November 2023 the Issuer announced that Moody's upgraded its long-term deposit and senior unsecured debt ratings by 2 notches, to Baa2 from Ba1 and to Ba1 from Ba3, respectively. The outlook on the long-term deposit and senior unsecured debt ratings remains positive. On the same day, the Issuer further announced that Moody's also upgraded the rating of the Covered Bonds by 2 notches to Aaa, from Aa2, following the upgrade of the long-term counterparty risk assessment to Baa1(cr) from Baa3(cr), as announced earlier that day.

ISSUER'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT

Underwriting Process

The residential mortgages are originated by novobanco at the branch level as a result of direct contact with borrowers, and from proposals submitted by credit intermediaries, framed in the legislation in force since 2018, which usually work with real estate brokers, and from the "*Assurfinance*" channel (which refers to mortgages sold through Companhia Seguradoras Unidas, S.A.). The mortgages are serviced by novobanco Mortgage Division.

The mortgage proposal is prepared at branch level by commercial analysts. The relevant mortgage data including loan characteristics, property description and borrower details are inserted in the workflow application that supports the loan approval process, namely:

(a) novobanco's in-house assessment of risk factors in relation to borrowers such as delinquencies on mortgage, consumer and other loans, bounced cheques, etc.;

(b) Credit reference agency data (Bank of Portugal), other sources (Financial Institutions);

(c) Employment status;

(d) Certified tax income;

(e) Global and partial debt-to-income; and

(f) Expected loan to value.

Specialised credit analysts assess each proposal based on an established credit discretions matrix and a well-established underwriting expertise. The main variables of the credit power matrix are credit scoring, loan to value, debt-to-income, loan amount and risk factors. Depending on the risk assessment of the proposal, the decision is taken by the commercial areas at the branch level for lower risk mortgage proposals, credit committees (there are 2 credit committees, north and south) for the intermediate risk assessment levels or the credit department or the Credit Council (which is composed by members of the EBD, the credit department, the risk department and commercial areas) for the riskier mortgage proposals,. If a mortgage proposal exceeds the limits assigned to each level on the credit discretions matrix, the decision is escalated to the next decision level.

After a favourable decision, a valuation request is sent to the Real Estate Department within novobanco which is responsible for property valuation, who selects an independent certified appraiser from a pre-approved list. Valuations are undertaken based upon conservative open market value and an assessment of the property characteristics.

Life and property insurance is required at origination. Property insurance is mandatory for every mortgage loan, while the Executive Board of Directors, under certain circumstances, can waive life insurance. In addition, life insurance is not mandatory for foreigners. For this specific offer there are the following additional requirements: (*i*) maximum loan to value of 75 per cent., (*ii*) maximum term of the loan is 30 years, and (*iii*) at maturity the borrower must not be over 75 years old. Life insurance covers the amount of the mortgage loan and the property insurance covers the replacement cost of the property.

Once all the above elements are collected, DMO – Departamento de Meios Operacionais – Crédito a Particulares and/or Pedro Queirós, Nuno Mota Campos; Miguel Almeida Fernandes & Associados Sociedade de Advogados RL, SP ACE (Outsourcer) reconfirms the commercial/financial decision in light of its internal

approval rules and evaluates all legal procedures (housing permit, pre-registration of house acquisition, etc) and prepares the mortgage deed through external solicitors.

Collections

Almost all payments on the Mortgage Loans are made on a monthly basis. Instalments comprising interest and principal components are paid through direct debit on the obligor's current account held with novobanco, and are spread throughout the month.

Valuation

Valuations of mortgaged houses are distributed to and carried out by valuation companies that work with the Issuer under an outsourcing contract which includes only national valuation companies certified by the CMVM. The assessors of the valuation companies visit the houses in question and make the relevant assessment and valuations according to applicable prospect values. There is an IT platform that supports this activity between the valuation companies and the Issuer's internal experts. This team also monitors the quality of such valuations using appropriate valuation samples.

Monitoring & Delinquency and Default Recovery Procedures

The Bank continuously monitors its mortgage loan portfolio, based on early warning indicators, with the aim of capturing risk deterioration at an earlier stage and avoiding default. The identification of the financial difficulties triggers has three possible sources:

1. Centralised identification: Monthly identification of early warning indicators to retail clients based on external and internal indicators, such as overdue credit in the Portuguese credit system, bounced cheques, legal disputes, unemployment, excessive debt service to income ratio or significant income reduction, among others.
2. Commercial areas: The commercial area, at the branch level, based on the client's knowledge and relationship, can also detect possible signs of financial distress.
3. Direct client communication: When the client takes the initiative to communicate financial difficulties to the Bank to find a mutual acceptable solution.

On a monthly basis, novobanco identifies the clients with indicators of financial difficulties and flag them as PARI in order to be treated under the PARI framework. The Bank contacts all clients flagged as PARI by letter /email in 10 days, informing them about the framework, the required documentation and the timeline to confirm the financial difficulties (10 days). With the required documentation, the Bank is then able to assess the financial viability and prepare a suitable proposal in accordance with the client's needs in a maximum of 15 days.

If the loan becomes defaulted with overdue instalments, the loan goes into recovery stage. Responsibility for control over instalments is shared between the relevant novobanco branches and the Recovery Department.

A delinquency is recorded if and when the instalment remains unpaid on the second day subsequent to the direct debit on the obligor's current account. Detection of payment failures results directly from the collection process, with collection and recovery being fully automatic during the first 30 days in arrears. For the initial 35 days the recovery of payment failures is managed at the branch level.

Once payment is 35 days in arrears, collection procedures formally move to the Recovery Department, which attempts to reach an agreement with the client or restructure the loan (in order to recover the instalments in

arrears). All delinquent obligors, including guarantors, are notified by letter and contacted by an outsourcing recovery unit.

After 156 days in arrears, the process enters the litigation phase. The recovery effort is assisted by outsourcing companies, led and constantly monitored by a dedicated internal team. Letters are sent, notifying that the file will be transferred to the judicial recovery phase. An additional settlement attempt is made and if an out of court settlement cannot be reached, all legal proceedings are initiated with the assistance of external law firms.

Typically, enforcement proceedings take an additional two to three years to complete.

USE OF PROCEEDS

The net proceeds resulting from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes.

THE COVERED BONDS FRAMEWORK

Framework

The Covered Bonds Law introduced a framework for the issuance of asset covered debt securities into Portuguese law.

On 6 May 2022, Decree-Law 31/2022, of 6 May 2022, approving the new Covered Bonds Framework and implementing the CBD, was published in the Portuguese Official Gazette ("*Diário da República*").

In accordance with the transitional provision of Decree-Law 31/2022, of 6 May 2022, novobanco as issuer of covered bonds applied to the CMVM, as supervisory authority, for the conversion of its covered bonds programme, approved under the Covered Bonds Law, to a covered bonds programme compliant with the Covered Bonds Framework. The CMVM has authorised such conversion and, as such all outstanding covered bonds of novobanco issued under the Covered Bonds Law are now subject to the Covered Bonds Framework.

Pursuant to article 44 of the Covered Bonds Framework, the CMVM may issue regulations with regard to covered bonds. The CMVM Regulation focuses only on those aspects that are directly subject to the Covered Bonds Framework, namely, (i) the instructive/ancillary elements for the purpose of authorising covered bond programmes; (ii) the criteria for legal, contractual or voluntary overcollateralisation; (iii) the issuer's information duties towards the CMVM; (iv) the document preservation duties related to the programmes; (v) the common representative's right of access to information about the cover pool; (vi) the means of sending and disclosing information relating to covered bond programmes; (vii) the procedures for the replacement of the programme's credit manager and the fee due and payable for the authorisation of covered bond programmes.

Issuers of Covered Bonds

Covered bonds ("*obrigações cobertas*") may only be issued by credit institutions.

Cover Assets

The following assets are eligible to collateralise issues of covered bonds made by an Institution in accordance with the Covered Bonds Framework:

(a) assets that observe the requirements set out in the European Union legislation related to prudential requirements of credit institutions in matters related to exposures in the form of covered bonds, namely the CRR;

(b) high-quality cover assets that are secured by a first-degree security over assets located or registered in the European Economic Area that are not covered by the previous paragraph, provided that in such case:

  (i) the assets are pecuniary receivables not yet matured, which are neither subject to conditions nor encumbered, judicially seized or apprehended;

  (ii) the credits have a determinable minimum amount at all times;

  (iii) the security is valid, enforceable and allows the claim to be recovered without undue delay; and

  (iv) physical collateral is subject to public registration and valuation rules suitable and generally accepted.

(c) Credits granted to public companies or secured by public companies not covered by paragraph (a) above.

(d) Other assets, such as:

(i) deposits with the Bank of Portugal in cash or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);

(ii) current or term account deposits with credit institutions located in the European Economic Area which are not in a control or group relationship with the Issuer; and

(iii) other assets, located in the European Economic Area, complying simultaneously with the requisites of low risk and high liquidity.

Hedging contracts may also be included in the cover pool for hedging purposes, notably to hedge interest rate, exchange rate and liquidity risks, provided that they meet certain legal requirements established in the Covered Bonds Framework and in Article 129 of the CRR.

The Covered Bonds Framework contains certain rules governing the limits and conditions for the use of these hedging contracts. The evaluation rules of the Hedging Contracts are established in Article 4(e) of the CMVM Regulation.

The cover pool is of a dynamic nature. Accordingly, the institution may be required, or may otherwise decide, to include new assets in such cover pool or substitute assets in case the existing ones no longer comply with the applicable financial and prudential requirements.

Furthermore, an institution is required by the Covered Bonds Framework to maintain a register of all the assets comprised in the cover pool, including hedging contracts.

Valuation and LTV Criteria

Credit Institutions are required to conduct valuations of mortgage properties and periodic updates of such valuations in accordance with the Articles 129 and 208 of the CRR, which establishes rules on the methods and frequency of the valuations of properties.

In accordance with Article 129(1) of the CRR, the maximum loan to value ratio for residential mortgage is 80 per cent. and 60 per cent. for commercial mortgages loans (which, in the case of commercial mortgages loans, may be increased to 70 per cent., subject to certain conditions).

The loan to value limit shall (i) apply on a loan-by-loan basis, (ii) determine the portion of the loan contribution to the coverage of liabilities attached to the covered bond and (iii) apply throughout the entire maturity of the loan.

Article 208 of the CRR contains detailed provisions regarding valuation of properties securing mortgage credits included in a cover pool (including subsequent valuations).

Asset-Liability Management and Financial Requirements

The Covered Bonds Framework establishes that the calculation of the coverage requirement shall be made in accordance with the nominal principle requirement and ensures that the total aggregate principal amount of all cover assets is at least equal to or greater than the aggregate principal amount of the unpaid covered bonds (i.e., 100 per cent. coverage of the liabilities shall be fully secured by cover assets).

For the purposes of the calculation of the level of overcollateralisation, as well as of the remaining financial and prudential requirements, the liabilities of the covered bonds shall include, namely:

(a) the obligations for the payment of the principal amount of issued covered bonds;

(b) the obligations for payment of any interest arising from the outstanding covered bonds;

(c) the payment obligations arising from derivative contracts comprised in the cover pool; and

(d) the expected costs related to maintenance and administration for the liquidation of the relevant programme.

If the relevant covered bonds are denominated in any currency other than euro, the institution must use the exchange rates published by the ECB as a reference.

Should a breach of the homogeneity, coverage or liquidity of the Cover Pool occur, as foreseen in Article 20 of the Covered Bonds Framework, the Issuer is required, immediately after becoming aware thereof, to take all possible steps to remedy such breach, by (i) allocating new primary or substitution assets, with or without replacing any assets already attached to the covered bonds, (ii) amortising outstanding covered bonds in the sufficient amount to remedy the breach and/or (iii) allocating new liquid assets to the liquidity buffer.

Mortgage credits that become delinquent after being allocated to the cover pool may still remain in such cover pool provided that the delinquency period is not equal to or higher than 90 days, in which case such mortgage credits must be removed from the cover pool by the credit institution and, if necessary to comply with the prudential requirements established in the Covered Bonds Framework, substituted by new primary or substitution assets.

Mortgage credits underlying covered bonds may only be sold or encumbered if the credit institution allocates new primary or substitution assets sufficient to maintain compliance with the financial and prudential requirements set forth in the Covered Bonds Framework.

Segregation of Cover Assets and Insolvency Remoteness

Asset segregation

The cover assets and hedging contracts allocated by the credit institution to the issues of covered bonds will, including liquidity buffer assets, interest revenue, repayments, and collateral relating to derivate contracts, will permanently remain and be registered in segregated accounts of the credit institution.

For further detail, please refer to chapters entitled “Characteristics of the Cover Pool” above.

Preferential status for covered bonds holders

Pursuant to the Covered Bonds Framework, holders of covered bonds benefit from a special creditor privilege (*privilégio creditório especial*) over the assets assigned to the issue, with precedence over any other creditors, for the purpose of redemption of principal and receipt of interest corresponding to the relevant covered bonds.

The mortgages that serve as collateral for the entitlements of the holders of covered bonds prevail over any real estate preferential claims. If the assets comprised in the cover pool are not enough to pay interest and principal under the covered bonds, the holders of covered bonds will then rank *pari passu* with unsecured creditors of the relevant institution.

The hedging contracts entered into by the Institution also form part of the cover pool and thus the relevant counterparties will also benefit from the special creditor privilege over such cover pool. Accordingly, these counterparties will have similar rights to those of the holders of the covered bonds and, consequently, their contracts are not expected to be called in case of insolvency of the institution.

In particular, the holders of covered bonds and the hedging counterparties have: (a) a claim against the credit institution issuing the covered bonds; (b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a special creditor privilege on the cover assets in the amount of the principal and

any accrued and future interest; and (c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the privileged credit referred in (b) cannot be fully satisfied, a common claim against the insolvency estate of that credit institution, which ranks *pari passu* with the claims of the credit institution's ordinary unsecured creditors of the credit institution. It is further specified that the entitlements under (a) to (c) above are limited to the total payment obligations under the covered bonds and that the above dual recourse and special creditor privilege also applies in case of extendable maturity of those covered bonds subject to automatic maturity extension, pursuant to the Covered Bonds Framework.

Pursuant to the Covered Bonds Framework, in the case of dissolution and winding-up of a credit institution, a meeting of holders of all series of covered bonds then outstanding may decide, by a 2/3 majority vote, to accelerate the covered bonds, in which case the administrator shall provide for the settlement of the estate allocated to the relevant issue in accordance with the provisions defined in the Covered Bonds Framework and in the relevant terms and conditions that govern such issue.

Maturity extension

Pursuant to the Covered Bonds Framework, credit institutions may issue covered bonds with an automatic extendable maturity structure when:

(a) the non-discretionary extension requirements are specified in the terms and conditions of the issue applicable to the covered bonds;

(b) the information provided to holders of covered bonds relating to covered bonds with such automatic extendable maturity structure is sufficient to perceive the respective risk, including:

   (i) the operation of the maturity extension;

   (ii) the consequences for a maturity extension of the liquidation or resolution of the relevant Credit Institution; and

   (iii) the CMVM's duties in relation to the maturity extension;

(c) the final maturity date of the covered bonds is determinable at all times; and

(d) in the event of liquidation or resolution of the relevant credit institution, maturity extensions do not affect the ranking of holders of covered bonds or invert the sequencing of the relevant covered bond programme's original maturity schedule.

In addition, the maturity of the covered bonds can only be extended based on the following:

(a) revocation of the authorisation of the relevant credit institution; or

(b) foreseeable or actual failure to pay the principal or interest amounts of the covered bonds due at the initial maturity date, that is not remediable within an established period of time in the terms of the relevant issue or the covered bond programme, not exceeding 10 business days.

In order to be able to extend the maturity of covered bonds, the Credit Institution shall notify the CMVM of the referred extension together with the relevant reasons for such extension (i) no less than 10 calendar days prior to the effective date or (ii) as soon as possible, if the occurrence of the reason for the extension or the time it becomes known does not allow the Credit Institution to respect the 10 calendar days deadline. The CMVM shall oppose the maturity extension within 10 calendar days from receipt of such notice from the Credit Institution referred to above, when it considers that the requirements for the extension of the maturity are not fulfilled.

If, prior to the date on which the Covered Bonds will be automatically extended, the CMVM has timely and duly decided to oppose to such extension, the extension to an extended maturity date will not apply; otherwise, such extension will apply.

For the avoidance of doubt, if the credit Institution communicates to the CMVM a possible extension with less than 10 calendar days in advance of the effective date and, if at the date on which the Covered Bonds should automatically be extended to the Extended Maturity Date, the CMVM has not yet resolved on its opposition, the Covered Bonds will be extended to the Extended Maturity Date; if, thereafter, the CMVM opposes to such extension, the extension to the Extended Maturity Date will cease to apply.

TAXATION

The following is a general summary of the Issuer's understanding of current law and practice in Portugal as in effect on the date of this Base Prospectus in relation to certain current relevant aspects to Portuguese taxation of the Covered Bonds and is subject to changes in such laws, including changes that could have a retroactive effect. Potentially applicable transitional rules have not been considered. The tax laws of an investor's Member State and of the Issuer's Member State of incorporation might have an impact on the income received from the securities. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any holder of Covered Bonds. It does not take into account nor discusses investors' individual circumstances or the tax laws of any country other than Portugal, and relates only to the position of persons who are absolute beneficial owners of Covered Bonds. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposal of Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds. Tax consequences may differ according to the provisions of different double taxation treaties, as well as according to a prospective investor's particular circumstances.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any account of different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the Terms and Conditions of the Covered Bonds or any related documentation.

Economic benefits derived from interest, accrued interest, amortisation or reimbursement premiums and other instances of remuneration arising from the Covered Bonds are designated as investment income for Portuguese tax purposes.

In the case of Zero Coupon Covered Bonds, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

Gains obtained with the repayment of Covered Bonds or of any other debt securities are qualified as capital gains for Portuguese tax purposes.

1. Covered Bonds Not Held Through a Centralised Control System

Portuguese resident holders and non-resident holders with a Portuguese permanent establishment

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to withholding tax at a rate of 28 per cent., which, if such income is not imputable to an entrepreneurial or professional activity, is the final tax on that income unless the individual elects to include it in his/her taxable income together with the remaining items of income derived, subject to tax at progressive rates of up to 48 per cent. In this circumstance, an additional income tax rate will be due on the part of taxable income exceeding €80,000 as follows: (*i*) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (*ii*) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. The progressive taxation under the IRS rules may therefore reach 53 per cent. In this case, the tax withheld is deemed a payment on account of the final tax due.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed 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 the general rules will apply.

Capital gains obtained on the disposal of the Covered Bonds by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the annual positive balance between (*i*) capital gains and (*ii*) capital losses, deducted of the costs necessary and effectively incurred in the acquisition and disposal.

For the purposes of computing taxable capital gains, (i) the acquisition value is determined by the cost as documentarily evidenced or, in the absence of such evidence, the lowest price recorded in the two years prior to the date of disposal, (ii) the necessary and effectively incurred costs upon the disposal (e.g. trading expenses) are added to the acquisition value (the cost basis) of the Covered Bonds, and (iii) Covered Bonds that were acquired first are considered as being sold first (first in, first out method). The realisation value corresponds to the value of assets and rights received, in addition to any cash proceeds, if applicable.

Tax applies at a special 28 per cent. rate, which is the final tax on that annual positive capital gain income balance, unless the individual elects to include it in his/her taxable income together with the remaining items of income derived, subject to tax at progressive rates of up to 48 per cent. Also in this circumstance, an additional income tax rate will be due on the part of taxable income exceeding € 80,000 as follows: (*i*) 2.5 per cent. on the part of the taxable income exceeding € 80,000 up to € 250,000 and (*ii*) 5 per cent. on the remaining part (if any) of the taxable income exceeding € 250,000. The progressive taxation under the IRS rules may therefore reach 53 per cent. Opting to declare the balance of gains and losses arising from the disposal of the Covered Bonds on a tax return results in the need to aggregate such balance with other accretions in wealth (*incrementos patrimoniais*) ordinarily subject to special rates (*taxas especiais*).

The balance between capital gains and capital losses arising from the disposal of the Covered Bonds which were held for less than 365 days is mandatorily disclosed together with other items of income where the taxable income, including such balance, is equal to or above € 78,834.

Where the taxpayer discloses the capital gains or losses in his or her tax return, any capital losses which were not offset against capital gains in the relevant tax period may be carried forward for five years and offset against future capital gains.

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 the Ministerial Order no. 150/2004 of 13th February, as amended from time to time ("**Blacklisted Jurisdiction**"), are disregarded for purposes of assessing the positive or negative balance referred to above.

No Portuguese withholding tax is levied on capital gains.

Stamp tax at a rate of 10 per cent. applies to the gratuitous acquisition (per death or in life) of Covered Bonds by an individual who is resident in Portugal. An exemption applies to transfers in favour of the spouse (or person living together as spouse under the civil partnership regime), ancestors and descendants.

Interest or other investment income derived from the Covered Bonds and capital gains obtained with the transfer of the Covered Bonds by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable to are included in their taxable profits and are subject to a Corporate Income Tax (*Imposto sobre o Rendimento das Pessoas Colectivas* – "**IRC**") at a rate of 21 per cent. or 17 per cent. on the first € 50,000 in the case of small or small and medium-sized enterprises, as well as Small Mid Cap companies, as defined by law and subject to the EU de *minimis rule*. A municipal surcharge ("*derrama municipal*"), at variable rates according to an annual decision of the municipal bodies, up to 1.5 per cent. of the taxable

profit, may also apply. A state surcharge ("*derrama estadual*") also applies at a rate of 3 per cent. on taxable profits in excess of € 1,500,000 to € 7,500,000, at 5 per cent. on taxable profits in excess of € 7,500,000 up to € 35,000,000 and at 9 per cent. on taxable profits in excess of € 35,000,000. Withholding tax at 25 per cent. applies to interest and other investment income, which is deemed a payment on account of the final tax due, except where the bondholder is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law.

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.

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 State and other corporate entities subject to administrative law, corporate entities recognised as having public interest and charities, pension funds, venture capital funds and some other exempt entities 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.

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 Covered Bonds to Portuguese tax resident corporate entities liable for IRC, or to permanent establishments to which it is imputable, is taken into consideration for computing the taxable profit for IRC purposes.

As such, 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. or 17 per cent. on the first € 50,000 in the case of small and small and medium-sized enterprises, as well as Small Mid Cap companies, as defined by law and subject to the EU de minimis rule. A municipal surcharge ("*derrama municipal*") at variable rates according to an annual decision of the municipal bodies, up to 1.5 per cent. of the taxable profit, may also apply. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of € 1,500,000 up to € 7,500,000, at 5 per cent. on taxable profits in excess of € 7,500,000 up to 35,000,000 and at 9 per cent. on taxable profits in excess of € 35,000,000.

There is neither wealth nor estate tax in Portugal.

Non-resident holders without a Portuguese permanent establishment

Interest and other types of investment income obtained by non-resident legal persons without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25 per cent. (legal persons) or 28 per cent. (individuals), which is the final tax on that income. The applicable rate is 35 per cent. in the case of individuals or legal persons domiciled in a country, territory or region included in the list of countries, territories and regions that provide a more favourable tax regime, i.e. Blacklisted Jurisdictions.

Interest and other types of investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal, the withholding tax rate may be reduced, e.g. to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that both substantial and formal

conditions on which the application of such benefit depends are met (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income). The reduction may apply at source or through the refund of the excess tax. The forms currently available for these purposes were approved by Order ("*Despacho*") 8363/2020, published in the Portuguese official gazette, 2nd series, 169, of 31 August 2020, from the Portuguese Secretary of State for tax affairs ,and may be available for viewing at *www.portaldasfinancas.gov.pt*.

The withholding of taxes arising from interest payments of the Covered Bonds issued by resident entities for tax purposes (as is the case of the Issuer) is the responsibility of the relevant custodians (i.e. the entities with whom registration of title over the Covered Bonds is held).

Interest paid to an associated company of the Bank which is resident in the European Union is exempt from withholding tax.

For these purposes, an "associated company of the Bank" is:

(i) A company which is subject to one of the taxes on profits listed in article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in an European Union Member State and is not, within the meaning of a double taxation convention on income concluded with a third State, considered to be resident for tax purposes outside the Community; and

(ii) Which holds a minimum direct holding of 25 per cent. in capital of the Bank, or is directly held by the Bank in at least 25 per cent. or which is directly held in at least 25 per cent. by a company which holds at least 25 per cent. of the capital of the Bank; and

(iii) Provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Bank to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

Capital gains obtained on the disposal of the Covered Bonds by non-resident individuals are subject to Portuguese capital gains taxation on the annual positive balance between (i) capital gains and (ii) capital losses, deducted of the costs necessary and effectively incurred in the acquisition and disposal. Tax applies at a 28 per cent. rate. An exemption applies to non-resident individuals, unless they are resident in Blacklisted Jurisdictions.

Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese personal income tax, but the applicable rules should be confirmed on a case by case basis.

Capital gains obtained on the disposal of Covered Bonds by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless (a) the share capital of the holder is more than 25 per cent., directly or indirectly, held by Portuguese resident entities or if (b) the holder is resident in a Blacklisted Jurisdiction.

Regarding item (a) above the capital gains are still exempt if the following requirements are cumulatively met: (i) the beneficial owner is a resident in an EU Member State, in an European Economic Area Member State which is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the European Union, or in a country with which Portugal has a double tax treaty in force

which foresees the exchange of information; (ii) the beneficial owner is subject and not exempt from a tax referred to in article 2 of Council Directive 2011/96/UE, of 30 November 2011, or from a tax of similar nature with a rate not lower than 60 per cent of the Portuguese Corporate Income Tax rate (currently 12,6 per cent.); (iii) the beneficial owner holds, directly or indirectly, at least 10 per cent. of the share capital or voting rights for at least 1 year uninterruptedly of the entity disposed; (iv) the beneficial owner is not part of an arrangement or series of arrangements which have been put into place for the main purpose or one of the main purposes of obtaining a tax advantage. Although the abovementioned cumulative requirements have been in full force since 31 March 2016 and apply to securities in general, the law is not clear on its application for the holder of debt securities to benefit from the relevant capital gain tax exemption, seeing as some of the alluded requirements appear not to apply to debt securities.

If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

No stamp tax applies to the acquisition through gift and inheritance of Covered Bonds by an individual who is not domiciled in Portugal.

The gratuitous acquisition of Covered Bonds by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

There is no wealth tax in Portugal.

2. Covered Bonds Held Through a Centralised Control System

The regime described in 1. above corresponds to the general tax treatment of investment income and capital gains on Covered Bonds and to the acquisition through gift or inheritance of such Covered Bonds.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-law 193/2005, of 7 November 2005, as amended from time to time (hereafter "**the special regime approved by Decree-law 193/2005**") investment income from and capital gains obtained on the disposal of debt securities issued by Portuguese resident entities, such as the Covered Bonds, may be exempt from Portuguese income tax provided that the debt securities are integrated in a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Euronext Securities Porto), by other European Union or European Economic Area 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 European Union), or, when authorized by the member of the government in charge of finance (currently the Finance Minister), by other centralized systems, and:

(i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and

(ii) the beneficial owners are central banks and government agencies, international organizations recognized by the Portuguese State, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force or other non-resident entities which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Ministerial Order 150/2004, as amended from time to time.

The special regime approved by Decree-law 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residency by the holders of Covered Bonds to which it applies.

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 that is entitled to the exemption. As a general rule, the proof of non-residency by the holders of Covered Bonds should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for zero coupon Covered Bonds), and in the case of domestically cleared Covered Bonds, prior to the transfer of Covered Bonds date, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Base Prospectus.

(a) Domestically Cleared Covered Bonds

The beneficial owner of Covered Bonds must provide proof of non-residency in Portuguese territory substantially in the terms set forth below.

(i) If a holder of Covered Bonds is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese State, a declaration of tax residence issued by the holder of Covered Bonds, duly signed and authenticated or proof pursuant to (iv) below;

(ii) If the beneficial owner of Covered Bonds is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Covered Bonds and its domicile; or (C) proof of non-residence pursuant to the terms of paragraph (iv) below.

(iii) If the beneficial owner of Covered Bonds is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation; or (B) proof of non-residency pursuant to the terms of paragraph (iv) below.

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities; or (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules regarding the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the holder of Covered Bonds must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3-year period starting on the date such document is issued. The holder of Covered Bonds must inform the register entity immediately of any change that may preclude the tax exemption from applying. In the other cases,

proof of non-residency is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption.

(b) Internationally Cleared Covered Bonds

If the Covered Bonds are registered in an account with an international clearing system, prior to the relevant date for payment of any interest of the redemption date (for Zero Coupon Covered Bonds), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemized by type of beneficial owner, as follows: (*i*) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax; (*ii*) Entities domiciled in a country, territory, or region subject to a clearly more favourable tax regime included in the list approved by Ministerial Order 150/2004 (as amended from time to time) which are not exempt from tax and are subject to withholding tax; (*iii*) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax; (*iv*) other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity, in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

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 special regime approved by Decree-law 193/2005.

The refund claim is to be submitted to the direct register entity of the Covered Bonds within 6 months from the date the withholding took place.

The refund of withholding tax in other circumstances or after the above 6 months period is to be claimed to the Portuguese tax authorities within 2 years from the end of the year in which tax was withheld. The refund is to be made within 3 months after which interest is due.

The forms currently applicable for the above purposes were approved by Order ("*Despacho*") 2937/2014 of the Portuguese Secretary of State for Tax Affairs, published in the Portuguese official gazette, 2nd series, no. 37, of 21 February 2014 and are available for viewing and downloading at *www.portaldasfinancas.gov.pt*.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any

ultimate investor that fails to provide its broker (or other custodian or intermediary form which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisor to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Covered Bonds are discharged once it has made payment via the Euronext Securities Porto system and the Issuer therefore has no responsibility for any amount thereafter transmitted through the ICSDs or Euronext Securities Porto and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) form payments they make.

The United States has reached a Model 1 Intergovernmental Agreement with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016.

Portugal has implemented, through Law 82-B/2014, of 31 December, and Decree-law 64/2016, of 11 of October, both as amended from time to time, the legislation based on the reciprocal exchange of information with the United States of America on financial accounts subject to disclosure (the "**Financial Reporting Regime**") in order to comply with Sections 1471 through 1474 of FATCA. Under such legislation the Issuer will be required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities which, in turn, would report such information to the Inland Revenue Service of the United States of America. The exchange of information shall be made by 31 May of each year comprising the information gathered respecting the previous year.

There can be no assurance, however, that the Issuer will be treated as a deemed-compliant FFI, or that it will in the future not be required to deduct FATCA withholding tax from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold under FATCA if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

FATCA is particularly complex and Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds.

Administrative Cooperation in the Field of Taxation

Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, and Council Directive 2021/514/EU, of 22 March 2021, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organization for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the Tax Authorities of their respective Member State (for the exchange of information with the State of Residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state

of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (i) in case of depository accounts, income paid or credited in the account during the calendar year; or, (ii) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Council Directive 2021/514/EU has amended Council Directive 2011/16/EU aiming to combat the fraud, evasion and tax avoidance in the digital economy and the cross-border dimension of the services offered through the use of digital platforms. Under this regime, any digital platform that connects sellers of certain goods and services with the respective buyers should report to the local tax authorities information on the economic activities carried out by the users.

Portugal has implemented Directive 2011/16/EU through Decree-law 61/2013, of 10 May, as amended by Decree-Law No. 64/2016, of 11 October 2016, Law No. 98/2017, of 24 August 2017, Law No. 17/2019, of 14 February 2019, Law no. 24-D/2022, of 30 December 2022 and Law no. 36/2023, of 26 July 2023. Also, Council Directive 2014/107/EU was implemented through Decree-law 64/2016, of 11 October, as amended by Law No. 98/2017, of 24 August 2017, and Law No. 17/2019, of 14 February 2019.

Law no. 17/2019, of 14 February, introduced the regime for the automatic exchange of financial information to be carried out by financial institutions to the Portuguese Tax Authority (until May 31, with reference to the previous year) with respect to accounts held by holders or beneficiaries' resident in the Portuguese territory with a balance or value that exceeds € 50,000 (assessed at the end of each civil year). This regime covers information related to years 2018 and following years.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 30 November 2023, as amended from time to time, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds.

In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Covered Bonds have not been and will not be registered under the Securities Act or the securities laws or "blue sky laws" of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S.

Terms used in this paragraph have the meanings given to them by Regulation S. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed (and each further Dealer named in a Final Terms will be required to agree) that it will not offer or sell Covered Bonds (*i*) as part of their distribution at any time or (*ii*) otherwise until 40 days after the completion of the distribution of the Tranche of which such Covered Bonds are part, as determined and certified to the Agent by such Dealer (in the case of a non-syndicated issue) or the relevant lead dealer (in the case of a syndicated issue) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all Covered Bonds of the Tranche of which such Covered Bonds are a part, an offer or sale of the Covered Bonds within the United States by any dealer whether or not participating in the offering of such Tranche may violate the registration requirements of the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, ministerial guidelines and regulations of Japan. As used in this paragraph,

"**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies the "**Prohibition of Sales to EEA Retail Investors**" (as the case may be) as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(A) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation.

(B) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specify "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State of the EEA, except that it may make an offer of such Covered Bonds to the public in that Member State of the EEA:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Member State of the EEA means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and
- the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, undertake and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the 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 UK MiFIR; or

(C) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;

(ii) in relation to any Covered Bonds having a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold, and will not offer or sell, any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal and agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving the United Kingdom.

Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129, of 14 June 2017, as amended (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree 58, of 24 February 1998, as amended (the "**Italian Financial Services Act**") and Italian CONSOB Regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11973, of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time), and Legislative Decree 385, of 1 September 1993, as amended (the "**Italian Banking Act**"); and

(ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.]

General

No action has been taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of any of the Covered Bonds, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will, to the best of its knowledge, comply with all relevant securities laws, regulations and directives in each jurisdiction, in particular **Australia**, **South Africa** and **Canada**, in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

Secondary Market Arrangements

The Issuer may enter into agreements with Dealers or other persons in relation to a Series or Tranche of Covered Bonds whereby such Dealers may agree to provide liquidity in those Covered Bonds through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to quote bid and offer prices for the relevant Covered Bonds at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Covered Bonds under the Programme will benefit from such agreements.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 3 September 2015, in accordance with the provisions of the Covered Bonds Law. The first update of the Programme was duly authorised by resolution of the Board of Directors of the Issuer dated 20 December 2016, the second update of the Programme was duly authorised by resolution of the Executive Board of Directors of the Issuer dated 17 July 2019, the third update of the Programme was duly authorised by resolution of the Executive Board of Directors of the Issuer dated 16 September 2020. The Issuer applied to the CMVM to convert its existing covered bonds programme to a covered bonds programme compliant with the Covered Bonds Framework as authorised by a resolution of the Board of Directors of the Issuer dated 25 October 2023. The CMVM authorised such conversion on 30 November 2023.

Listing

Application will be made to admit the Covered Bonds to trading on the Euronext Lisbon Regulated Market.

Clearing systems

The Covered Bonds have been accepted for clearance through Euronext Securities Porto, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by Euronext Securities Porto will be specified in the relevant Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

Yield

The yield is calculated at the Issue Date on the basis of the Issue Price as specified in the applicable Final Terms. It is not an indication of future yield.

No significant change

There has been no significant change in the financial performance or financial position of the Group since 30 September 2023.

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2022.

Litigation

Except as described on the section *Description of the Issuer and of the Group – Legal, Administrative and Arbitration Proceedings*, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) within 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the Issuer's or the Group's financial position or profitability.

Accounts

The auditors of the Issuer are Ernst & Young, Audit & Associados – SROC, S.A., registered with the CMVM under number 20161480 and with the OROC under number 178, represented by António Filipe Dias da Fonseca

Brás, registered with the CMVM under number 20161271 and with the OROC under number 1661, and by João Carlos Miguel Alves, as alternate statutory auditor, registered with the CMVM under number 20160515 and with the OROC under number 896. Ernst & Young, Audit & Associados – SROC, S.A. has its registered office at Av. da República 90, 1700-157 Lisbon, Portugal.

The consolidated financial statements of the Group for the financial periods ended 31 December 2021 and 31 December 2022 were prepared in accordance with International Financial Reporting Standards. The financial statements of the Group were audited in accordance with International Standards on Auditing for the financial periods ended 31 December 2021 and 31 December 2022 by Ernst & Young, Audit & Associados – SROC, S.A., who issued a report without emphases for the aforementioned reference periods.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at https://www.novobanco.pt/english:

(a) the constitutional documents (including the Articles of Association in English) of the Issuer;

(b) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2022;

(c) the audited annual consolidated financial statements of the Group and related audit report for the financial year ended 31 December 2021;

(d) the interim non-audited (but reviewed) consolidated financial statements of the Issuer for the first semester of 2023 ;

(e) the non-audited consolidated financial information of the Group for the third quarter of 2023, including key indicators for the three months ended on 30 September 2023;

(f) the Common Representative Appointment Agreement dated 23 October 2020, as amended and restated on 30 November 2023;

(g) this Base Prospectus;

(h) any future prospectuses, offering circulars, information memoranda and supplements, including Final Terms (except for Final Terms relating to Covered Bonds which are not listed on any stock exchange), to this Base Prospectus and any other documents incorporated herein or therein by reference; and

The documents listed under (a) to (e) above are a direct and accurate translation from the original Portuguese versions. In the event of a discrepancy, the Portuguese version will prevail.

Electronic copy of this Base Prospectus

Electronic copies of this Base Prospectus (and any supplements thereto, and Final Terms pertaining to Covered Bonds listed on Euronext Lisbon Regulated Markets) are or will be available on the official website of the CMVM (*www.cmvm.pt*) and of the Issuer (*https://www.novobanco.pt/english/investor-relations/debt-issuance/covered-bonds-programme-cpt*). Copies of this Base Prospectus and any other documents incorporated herein shall remain publicly available in electronic form for at least 10 years after its publication.

Language of the Base Prospectus

The language of the Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

Validity of prospectus and prospectus supplements

For the avoidance of doubt, the Issuer does not have any obligation to supplement this Base Prospectus after the end of its 12-month validity period.

Post-issuance information

Any information which the Issuer is required by law or regulation to provide in relation to itself or securities issued by it, including the Covered Bonds, will be made available at *www.cmvm.pt*.

In compliance with Article 30 of the Covered Bonds Framework, the Issuer publishes quarterly investor reports on the outstanding Covered Bonds (*Covered Bonds (HTT) – Investor Report*), including information on the Cover Pool and the applicable Overcollateralisation Percentage. Such reports are available at the Issuer's corporate website (*https://www.novobanco.pt/english/investor-relations/debt-issuance/covered-bonds-programme-cpt*).

Third Party Information

Information sourced from the Bank of Portugal, the Portuguese Ministry of Finance, the Portuguese National Statistical Institute and the Portuguese Treasury and Government Debt Agency, and from comparisons based on the accounts reports of other Portuguese banks operating in Portugal has been accurately reproduced and, so for as the Issuer is aware and is able to ascertain from information published by such entities, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable). Where no official sources exist, the Issuer relies on its own estimates.

Where information from third parties is referenced in this Base Prospectus, the source of the information is identified alongside each statement.

Dealers transacting with the Issuer

Certain of the Dealers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective 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 Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of the Covered Bonds issued under the Programme. The Dealers and their respective 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. For the purposes of this paragraph, the term "**affiliates**" includes parent companies.

DEFINITIONS

In this Base Prospectus, the following defined terms have the meanings set out below:

"**Acceleration Notice**" means a notice served on the Issuer pursuant to Condition 9 (*Insolvency Event and Enforcement*).

"**Accrual Period**" means relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date

"**Additional Securit**y" means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit.

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, which the Independent Adviser or, as the case may be, the Issuer, in each case acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative 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, failing which, the Issuer determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if Independent Adviser, failing which, the Issuer determines that no such spread is customarily applied);

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

"**Agent**" means Novo Banco, S.A., in its capacity as Agent with head office at Avenida da Liberdade, 195, 1250-142 Lisbon, Portugal.

"**Agents**" means the Paying Agents.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, failing which, the Issuer determines has replaced the Original Reference Rate in accordance with Condition 4.2(E) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds and with an interest period of a comparable duration to the relevant Interest Period.

"**APP**" means asset purchase programme.

"**APMs**" means alternative performance measures.

"**Arranger**" means Barclays Bank Ireland PLC, and any other entity appointed as an arranger for the Programme and references in this Base Prospectus to the Arranger shall be references to the relevant Arranger.

"**ASF**" means *Autoridade de Supervisão de Seguros e Fundos de Pensões*, the Portuguese Insurance and Pension Funds Supervisory Authority.

"**AT1**" Additional Tier 1, together with CET1 items, "**Tier 1**".

"**Auditor**" means Ernst & Young, Audit & Associados – SROC, S.A., registered with the CMVM under number 20161480 and with the OROC under number 178, represented by António Filipe Dias da Fonseca Brás, registered with the CMVM under number 20161271 and with the OROC under number 1661, and by João Carlos Miguel Alves, as alternate statutory auditor, registered with the CMVM under number 20160515 and with the OROC under number 896. The head office of the Auditor is at Av. da República, no. 91, 1700-157 Lisbon.

"**Available Principal Distribution Amount**" means, in respect of such Interest Payment Date ("the relevant Interest Payment Date"), the result of (i) the principal component of the assets comprised within the Cover Pool, plus (ii) the interest component of the assets comprised within the Cover Pool (in both cases, (a) which are received by the Issuer between, and including, the sixth Business Day prior to the Interest Payment Date immediately preceding the relevant Interest Payment Date up to, but excluding, the sixth Business Day prior to the relevant Interest Payment Date and (b) including, for the avoidance of doubt, the proceeds arising from any disposal thereof) (iii) less the Interest Distribution Amount payable on such Interest Payment Date.

"**BANDES**" means Banco de Desarrollo Económico y Social.

"**Banco Best**" means Banco Eletrónico de Serviço Total S.A.

"**Bank**" means Novo Banco, S.A.

"**Bank Levy**" means the bank levy, due by credit institutions established in Portugal, pursuant to Law No 55-A/2010, of 31 December 2010, as amended (*contribuição sobre o sector bancário*).

"**Base Prospectus**" means this base prospectus dated 28 September 2020 prepared in connection with the Programme, as amended from time to time.

"**BCP**" means by Banco Comercial Português, S.A.

"**Benchmark Amendments**" has the meaning given to it in Condition 4.2 (E) (i).

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or be administered; or

(b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will on or prior to a specified date cease to publish the Original Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, on or before a specified date, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will be prohibited from being used either generally, or in respect of the Covered Bonds, or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date; or

(e) it has, or will on or prior to a specified date, become unlawful for the Agent, the Calculation Agent, the Issuer or other party, as the case may be, to calculate any payments due to be made to the holders of the Covered Bonds using the Original Reference Rate; or

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

provided that in the case of sub-paragraphs (b), (c) and (d), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Benchmarks Regulation**" means Regulation (EU) No. 2016/1011 (as amended from time to time).

"**BES**" means Banco Espírito Santo, S.A.

"**Book Entry Covered Bonds**" means any Covered Bonds issued in book entry form.

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, as amended.

"**BRRD II**" means the amendments to the BRRD which entered into force in 27 June 2019.

"**Business Day**" means a day which is both: (*i*) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and (*ii*) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Lisbon and any Additional Business Centre(s)) or (2) in relation to any sum payable in euro, a day on which the T2 System is open.

"**CALCO**" means the Capital, Asset and Liabilities Committee.

"**Calculation Agent**" means the party responsible (the "**Calculation Agent**") for calculating the Rate of Interest and Interest Amount (if not the Agent).

"**Capital Backstop**" means the agreement of the Portuguese Government in the context of the Lone Star Sale and the related state aid measures to provide additional capital to novobanco if, following any SREP exercise carried out by the SSM, the SREP total capital ratio of the Issuer falls below the SREP total capital requirement, and novobanco is not able to address such shortfall through payments to be made under the CCA.

"**CBD**" means the new covered bond directive, Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019.

"**CCA**" means the Contingent Capitalization Agreement entered into the Resolution Fund and the Issuer as part of the conditions of the Lone Star Sale.

"**CCA Assets**" means a predefined portfolio of assets which had an initial book value net of impairment, as of 30 June 2016, of approximately €7.9 billion, which included: €5.9 billion of loans to customers, €1.1 billion of restructuring funds, €0.1 billion of securities and €0.8 billion of other assets. As at 31 December 2022, the CCA Assets had a net book value of €1.1 billion (31 December 2021: €1.7 billion), which included €0.6 billion of loans (31 December 2021: €0.8 billion), of which 45 per cent. were NPLs (31 December 2021: 41 per cent.), €0.2 billion of restructuring funds (31 December 2021: €0.5 billion) and €0.4 billion of other assets (31 December 2021: €0.4 billion). In addition, CCA Assets also include undrawn exposures relating to guarantees, committed credit lines and other commitments, which amounted to €1.3 billion and €0.2 billion as at 30 June 2016 and 31 December 2022 respectively (31 December 2021: €0.3 billion), and provisions recorded as liabilities which amounted to €0.1 billion as at 30 June 2016 and 31 December 2022 (31 December 2021: €0.1

billion), in relation to such exposures. As at 30 June 2016 and 31 December 2022, the impairment related to the CCA Assets amounted to €4.8 billion and €0.5 billion respectively (31 December 2021: €0.7 billion).

"**CCA Losses**" means the cases where (i) the Group's capital ratios decrease below the Minimum Capital Condition (as defined below) and (ii) losses are recorded in relation to the CCA Assets (as defined below) or other CCA covered losses.

"**CCA Maturity Date**" means 31 December 2025, which date can be extended until 31 December 2026 under certain conditions

"**Central de Valores Mobiliários**" means the Portuguese Centralised System of Registration of Securities.

"**CEO**" means Chief Executive Officer.

"**CET1**" Common Equity Tier 1 capital.

"**Clearing System**" means Euronext Securities Porto and/or, in relation to any Series of Covered Bonds, any other clearing system depositary as specified in the relevant Final Terms, and each a "**Clearing System**".

"**Clearstream, Luxembourg**" means Clearstream Banking société anonyme, Luxembourg.

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

"**CMVM Regulation**" means the secondary legislation passed by the CMVM regulating certain aspects of the Covered Bonds Framework, namely Regulation 2/2023, and any relevant regulations or instructions that may be issued by the CMVM in the future

"**Commission Proposal**" or "**FTT Proposal**" means the EC proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.

"**Commitments**" means the additional adopted commitments by the Portuguese authorities (following the commitments initially undertaken in 2014 in the context of the application of the Resolution Measure by the Bank of Portugal to BES and subsequently revised in December 2015) which were approved by the EC on 11 October 2017 and will remain in place until 31 December 2021 (the "**Restructuring Period**").

"**Common Representative**" means Bondholders, S.L., in its capacity as representative of the holders of the Covered Bonds pursuant to Article 28 of the Covered Bonds Framework in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain.

"**Common Representative Appointment Agreement**" means the agreement dated 23 October 2020 entered into between the Issuer and the Common Representative, as amended, supplemented and/or restated from time to time, notably as amended and restated on 30 November 2023, and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative.

"**Cover Pool**" means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the holders of Covered Bonds and the Other Preferred Creditors, which comprises the Primary Assets, the Substitution Assets and the Liquidity Assets, as specified in the Register. The Cover Pool is autonomous from any other cover pool maintained by the Issuer in relation to any other programmes that it has or may establish in the future.

"**Cover Pool Monitor**" means Pricewaterhousecoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., a company incorporated under the laws of Portugal, member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*") with number 183 and registered with the

Portuguese Securities Market Commission ("*Comissão do Mercado dos Valores Mobiliários*") with number 20161485, with registered office at Palácio SottoMayor, Rua Sousa Martins, no 1, 3, 1050-217 Lisbon.

"**Cover Pool Monitor Agreement**" means the agreement, dated 30 November 2023, entered into between the Issuer and the Cover Pool Monitor, as amended, supplemented and/or restated from time to time.

"**Covered Bond**" means any covered bond issued by the Issuer pursuant to the Covered Bonds Framework in the form specified in the applicable Final Terms and "**Covered Bonds**" shall be construed accordingly.

"**Covered Bonds Law**" means the Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-law 59/2006, of 20 March 2006, as amended from time to time, which has been revoked by Decree-Law 31/2022, of 6 May 2022.

"**CRA Regulation**" means Regulation (EU) no. 1060/2009, of the European Parliament and of the Council, of 16 September 2009, as amended from time to time.

"**CRD IV**" means the CRR and the CRD IV Directive.

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013, as amended from time to time.

"**Credit Institutions General Regime**" or "**RGICSF**" means Decree-law 298/92, of 31 December 1992, as amended from time to time.

"**CRR**" or "**CRD IV Regulation**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, as amended from time to time.

"**CSD**" means a central securities depositary.

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

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

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

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

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**DBRS**” means any entity that is part of DBRS Group and any successor to the relevant rating agency.

“**Dealers**” means Barclays Bank Ireland PLC, Novo Banco, S.A. and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement (each a “**Dealer**”).

“**Decision of 29 December 2015 on Retransfer**” means the Bank of Portugal’s decision of 29 December 2015 on the retransfer of senior bonds back to BES.

“**Decisions of 29 December 2015**” means the Bank of Portugal’s decisions of 29 December 2015.

“**Decree-law 193/2005**” means Decree-law 193/2005, of 7 November 2005, as amended.

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**DTA’s**” means deferred tax assets.

“**EBA**” means the European Banking Authority.

“**EBA Rulebook**” means the single supervisory set of rules applicable to the Eurozone Member States developed by EBA.

“**EBD**” means Executive Board of Directors.

“**EC**” means the European Commission,

“**ECB**” means the European Central Bank.

“**ECL**” means expected credit loss.

“**EEA**” means the European Economic Area.

“**ELA**” means Emergency Liquidity Assistance.

“**EMMI**” means the European Money Markets Institute

“**EMU**” means the European Monetary Union.

“**ESCB**” means the European system of Central Banks.

“**ESI**” means Espírito Santo International.

“**ESMA**” means the European Securities and Markets Authority.

“**EU**” means the European Union.

“**EURIBOR**” means the Euro Interbank Offered Rate.

“**Euro**”, “**EUR**”, “**€**” or “**euro**” means the lawful currency of Member States of the European Union that adopt the single currency introduced in accordance with the Treaty.

“**Euroclear**” means Euroclear Bank S.A./N.V.

"**Euronext Lisbon**" means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

"**Euronext Lisbon Regulated Market**" means the regulated market of Euronext Lisbon.

"**Euronext Securities Porto Participant**" means any authorised financial intermediary entitled to hold control accounts with Euronext Securities Porto on behalf of their customers and includes any depositary banks appointed by Euroclear S.A./N.V ("**Euroclear Bank**") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") for the purpose of holding such accounts with Euronext Securities Porto on behalf of Euroclear Bank and Clearstream, Luxembourg.

"**Eurosystem**" means the central banking system for the Euro.

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

"**FATCA**" means the U.S. Internal Revenue Code of 1986.

"**FCA**" means the UK Financial Conduct Authority.

"**FIEA**" means Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended.

"**Final Terms**" means, in relation to each Tranche, the final terms applicable to such Covered Bonds.

"**Financial Assistance Programme**" means the 2011 Economic Adjustment Programme created by a memorandum of understanding on financial assistance with IMF, the EC and the ECB to address deteriorating economic conditions in Portugal stemming from the global financial crisis of 2007/2008.

"**Financial Reporting Regime**" means the legislation based on the reciprocal exchange of information with the United States of America on financial accounts subject to disclosure implemented in Portugal by through Law 82-B/2014, of 31 December, and Decree-law 64/2016, of 11 of October, both as amended from time to time.

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

"**FONDEN**" means Fondo de Desarrollo Nacional.

"**FSMA**" means the Financial Services and Markets Act 2000.

"**FTT**" means Financial Transaction Tax.

"**GBP**", "**£**" or "**pounds sterling**" means pounds sterling, the lawful currency of the United Kingdom.

"**GDP**" means gross domestic product.

"**GDPR**" means the European Union General Data Protection Regulation, approved by the Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April of 2016, as amended.

"**GNB GA**" means GNB – Gestão de Ativos, S.G.P.S., S.A.

"**GRD**" means Global Risk Department.

"**Group**" means the Issuer and its consolidated subsidiaries.

"**GSB**" means General and Supervisory Board.

"**G-SIIs**" means global systemically important institutions.

"**Hedge Counterparties**" means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Framework.

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

"**HQLAs**" means high-quality liquid assets.

"**ICAAP**" means Internal Capital Adequacy Self-Assessment.

"**IFRS-EU**" means the International Financial Reporting Standards as adopted by the EU.

"**IMF**" means the International Monetary Fund.

"**Indemnification Mechanism**" means the indemnification mechanism established in connection with the Lone Star Sale.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets transactions appointed by the Issuer under Condition 4.2 (E).

"**Insolvency Event**" means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-law 199/2006, of 25 October 2006, as amended from time to time, the RGICSF, and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-law 53/2004, of 18 March 2004, as amended from time to time).

"**Interbolsa**" or "**Euronext Securities Porto**" means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários.

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

"**Interest Distribution Amount**" means the aggregate of the amount required to pay (i) the Interest Amount due under the Covered Bonds on such Interest Payment Date; and (ii) any sums payable to Other Preferred Creditors due on such Interest Payment Date.

"**Investor's Currency**" means the currency in which an investor's financial activities are principally denominated.

"**IRRBB**" means interest rate risk in the banking book.

"**ISDA**" means the International Swaps and Derivatives Association Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds.

"**ISIN**" means International Securities Identification Number.

"**Issue Date**" means the date so specified in the applicable Final Terms being, in respect of any Covered Bond, the date of issue and purchase of such Covered Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

"**Issuer**" means Novo Banco, S.A.

"**Italian Banking Act**" means Italian Legislative Decree 385, of 1 September 1993, as amended.

"**Italian Financial Services Act**" means the Italian Legislative Decree 58, of 24 February 1998, as amended.

"**Law 61/2014**" means Law No. 61/2014 of 26 August 2014 (as amended from time to time).

"**Law 83/2017**" means Law 83/2017, of 18 August 2017, as amended, which implemented Directives 2015/849/EC of 20 May 2015, as amended, and 2016/2258/EC of 6 December 2016 in Portugal.

"**LCR**" means liquidity coverage ratio.

"**Liquidity Assets**" means the assets which may compose the Liquidity Buffer in accordance with the Covered Bonds Framework, as described below:

(a) Assets qualifying as level 1, level 2A or level 2B assets pursuant to the applicable delegated regulation adopted pursuant to article 460 of the CRR, that are valued in accordance with such regulation, and are not issued by the issuing credit institution itself, its parent undertaking, unless it is a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links; and

(b) Short-term exposures to credit institutions that qualify for credit quality step 1 or 2 (as defined in the CRR), or claims, including deposits, that are short-term to credit institutions that qualify for credit quality step 1, 2 or 3 (as defined in the CRR), in accordance with article 129(1)(c) of the CRR, provided that any such assets comply with any applicable requirements under paragraph (A) (Eligible Assets) of Condition 14.3 (Issuer Covenants), subject to Condition 14.1(iii).

For the avoidance of doubt, and provided that the requirements under b) above are met, the assets under b) above can include short term deposits held with the Bank of Portugal or the Issuer, segregated and allocated to the Cover Pool as part of the Liquidity Assets.

"**LiST**" means liquidity stress test.

"**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

"**Lone Star**" means the US private equity firm Lone Star Funds.

"**Lone Star Sale**" means the sale of 75 per cent. of the share capital of novobanco to Nani Holdings, S.G.P.S., S.A., a company indirectly held by investment funds managed by the Lone Star group, agreed in 31 March 2017 and completed on 18 October 2017.

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

"**MiFID II**" means the Directive 2014/65/UE of the European Parliament and of the Council, of 15 May 2014.2014, as amended.

"**MiFID Product Governance Rules**" means the product governance rules under Commission Delegated Directive 2017/593.

"**MiFIR**" means the Regulation 600/2014 of the European Parliament and of the Council, of 15 May 2014.2014, as amended

"**Minimum Capital Condition**" means the capital ratio threshold under which the Issuer is able to claim payments under the CCA.

"**Ministerial Order 150/2004**" means Ministerial Order 150/2004, of 13 February 2004, as amended from time to time.

"**Moody's**" means Moody's Investors Service España, S.A., and any of its successors and affiliates.

"**Monitoring Committee**" means the committee to function as a consulting body in the context of the CCA foreseen in the Articles of Association of the Issuer.

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

"**Mortgage Credit**" means the pecuniary credit receivables secured by a Mortgage and/or any Additional Security which is comprised in the Cover Pool and which complies with the eligibility criteria established in the Covered Bonds Framework, in particular the following:

(a) assets that observe the requirements set out in the European Union legislation related to prudential requirements of credit institutions in matters related to exposures in the form of covered bonds, namely the CRR;

(b) high-quality cover assets that are secured by a first-degree security over assets located or registered in the European Economic Area that are not covered by the previous paragraph, provided that in such case:

 (1) the assets are pecuniary receivables not yet matured, which are neither subject to conditions nor encumbered, judicially seized or apprehended;

 (2) the credits have a determinable minimum amount at all times;

 (3) the security is valid, enforceable and allows the claim to be recovered without undue delay; and

 (4) physical collateral is subject to public registration and valuation rules suitable and generally accepted; or

(c) credits granted to public companies or secured by public companies not covered by paragraph (a) above.

"**MREL**" means minimum requirement for own funds and eligible liabilities.

"**MVO**" means Model Validation Office.

"**National Central Bank**" means the Eurosystem National Central Bank.

"**NBA**" means Novo Banco dos Açores, S.A.

"**NCA**" means national competent authority.

"**NCWOL**" means no creditor worse off than in liquidation.

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

(a) is in the course of being foreclosed or otherwise enforced; or

(b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days or more.

"**novobanco**" means Novo Banco, S.A.

"**NPAs**" means non-performing assets.

"**NPLs**" means non-performing loans.

"**NPS**" means Net Promoter Score.

"**NSFR**" means net stable funding ratio.

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

"**O-SII**" means other systemically important institution.

"**O-SII Buffer**" the additional buffer requirement applicable to O-SIIs

"**OTC**" means over the counter.

"**Other Preferred Creditors**" means the Common Representative (or any successor thereof) and the counterparties under the Hedging Contracts.

"**Overcollateralisation**" has the meaning given in Condition 14.1.

"**Overcollateralisation Percentage**" means 105 per cent. or such other percentage as may be selected by the Issuer from time to time pursuant and subject to the terms of Condition 14.1 and notified to the Cover Pool Monitor.

"**Paying Agents**" means the paying agents named in the Set of Agency Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Set of Agency Procedures.

"**PEPP**" means the Pandemic Emergency Purchase Programme.

"**Pension Fund**" means novobanco's defined benefit pension fund.

"**Portuguese Companies Code**" means the commercial companies code approved by Decree-law 262/86, of 2 September 1986 (as amended from time to time).

"**Portuguese Securities Code**" or "**CVM**" means Decree-law 486/99, of 13 November 1999 (as amended from time to time).

"**PRIIPs Regulation**" means Regulation (EU) No. 1286/2014 (as amended).

"**Primary Assets**" means the dominant cover assets that determine the nature of a cover pool of covered bonds, under the Covered Bonds Framework. In particular in respect of the Cover Pool, the Primary Assets are Mortgage Credits, corresponding to the type of assets foreseen in article 129(1), paragraphs (d) and (f) of the CRR.

"**Principal Amount Outstanding**" means, in respect of a Covered Bond, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of Covered Bonds in respect thereof.

"**Programme**" means the €10,000,000,000.00 Covered Bonds programme established on 5 October 2015 and updated on 21 December 2016, 18 July 2019, 28 September 2020 and 30 November 2023 for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus.

"**Programme Agreement**" means the agreement, dated 30 November 2023, entered into between the Issuer, the Arranger and the Dealers named therein, as amended, supplemented and/or restated from time to time.

"**Programme Documents**" means the Base Prospectus, the Programme Agreement, the Set of Agency Procedures, the Common Representative Appointment Agreement, the Cover Pool Monitor Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto and in relation to the Programme.

“**Programme Resolution**” means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Insolvency Event and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

“**Property**” means, in relation to any Mortgage Credit, the property upon which the repayment of such Mortgage Credit is secured by the corresponding Mortgage and “**Properties**” means all of them.

“**Property Valuation**” means, in relation to any Property the amount determined as such Property’s market value (which means, in accordance with point (76) of article 4(1) of the CRR, the estimated amount for which the Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion), in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with the Covered Bonds Framework and article 208 of the CRR, provided that, in accordance with the foregoing, the Issuer may use statistical methods to monitor the value of the Property and identify if it needs revaluation.

“**Prospectus Delegated Regulations**” means Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, together with Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301.

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

“**PSD**” means Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015, as amended.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of Floating Rate Covered Bonds.

“**Rating**” means the then current rating of rated Covered Bonds given by the relevant Rating Agency and “**Ratings**” means all of such Ratings.

“**Rating Agency**” means Moody’s.

“**REA**” means risk exposure amount.

“**Recast DGSD**” means Directive 2014/49/EU of the European Parliament and the Council of 16 April 2014, as amended.

“**Reforms**” means the legislative proposals for amendments to the CRR, the CRD IV Directive, the BRRD and the Single Resolution Mechanism.

“**Register**” means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Framework and the CMVM Regulation.

“**Regulation 10/2005-R**” means Regulation 10/2005-R of ASF.

"**Regulation 11971**" means CONSOB Regulation no. 11971, of 14 May 1999, as amended from time to time.

"**Regulation S**" means Regulation S under the Securities Act.

"**Relevant Date**" means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

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

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

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the relevant benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the relevant 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 State**" means a Member State of the European Economic Area and (until the end of the transition period under the UK-EU Withdrawal Agreement) the United Kingdom.

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

"**Resolution**" means a resolution adopted at a duly convened meeting of holders of Covered Bonds and approved in accordance with the applicable provisions.

"**Resolution Fund**" means the Portuguese Resolution Fund (*Fundo de Resolução*).

"**Resolution Measure**" means the resolution measure by the Bank of Portugal to Banco Espírito Santo, S.A., on 3 August 2014 (as amended and supplemented by related decisions, including by the Decisions of 29 December 2015 and the Decision of 29 December 2015 on Retransfer), subsequently revised in December 2015 and then superseded by a new set of commitments agreed in October 2017 (the "**Commitments**").

"**Resolution of 3 August 2014**" means the resolution of the Board of Directors of Bank of Portugal dated 3 August 2014 (8 p.m.) under no. 5 of article 145-G of the RGICSF), approved by Decree-Law no. 298/92, of 31 December (in the version in force at the time), following the Resolution Measure.

"**Resolution of 29 December 2015**" means the resolution approved by the Board of Directors of Bank of Portugal on 29 December 2015 which resulted in a revised and consolidated version of Annex 2 to the Resolution of 3 August 2014, and consolidated the perimeter of assets, liabilities, off-balance sheet items and assets under management of novobanco.

"**Restructuring Period**" means the period within which the Commitments will generally remain in place, which will last until 31 December 2021.

"**RoE**" means return on equity.

"**RTD**" means Rating Department.

"**RWAs**" means risk weighted assets.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

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

"**Set of Agency Procedures**" means the set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time) dated 5 October 2015 and made and agreed by Novo Banco, S.A., in its capacity as Agent, Paying Agent and the Issuer and agreed to by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

"**SICR**" means significant increase in credit risk.

"**SME**" means small and medium-sized enterprise

"**Special regime approved by Decree-law 193/2005**" means the Special Tax Regime for Debt Securities, approved by Decree-law 193/2005, of 7 November 2005, as amended from time to time.

"**SRB**" means the Single Resolution Board.

"**SREP**" means the Supervisory Review and Evaluation Process

"**SRM**" means the Single Resolution Mechanism.

"**SSM**" means the Single Supervisory Mechanism.

"**Stabilisation Manager(s)**" means the Dealer or Dealers (if any) named as the stabilising manager(s) for a particular Tranche of Covered Bonds.

"**Stock Exchange**" means Euronext Lisbon or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms.

"**Sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

"**Substitution Assets**" means the cover assets that contribute to the coverage requirements in relation to covered bonds other than Primary Assets, under the Covered Bonds Framework, provided that they comply with the relevant requirements foreseen in article 129 of the CRR.

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

"**T2 Day**" means any day on which the T2 System is open.

"**T2 System**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure

to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and "Taxes", "taxation", "taxable" and comparable expressions shall be construed accordingly.

"**Tax Authority**" means any government, state, municipal, local, federal or other tax, revenue, customs or excise authority, body or official anywhere in the world exercising a tax, revenue, customs or excise function including the Irish Revenue Commissioners and H.M. Revenue and Customs.

"**Tax Deduction**" means any deduction or withholding on account of Tax.

"**Terms and Conditions of the Covered Bonds**" means in relation to the Covered Bonds, the terms and conditions applicable to the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

"**TLAC**" means total loss absorbing capacity

"**Total Own Funds**" Total Own Funds is Tier 1 and Tier 2.

"**Total Target Reserve Amount**" means on any date, the amount equal to the Interest Amount payable on the Covered Bonds on the three months following such date plus € 100,000.00.

"**Tranche**" means Covered Bonds which are identical in all respects (including as to listing).

"**Treaty**" means the treaty establishing the European Communities, as amended by the Treaty on European Union.

"**UCITS Directive**" means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009.

"**United Kingdom**" or "**UK**" means the United Kingdom.

"**U.S.$**", "**USD**" or "**U.S. dollars**" means United States dollars, the lawful currency of the United States of America.

"**VaR**" means value at risk.

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