



**BANCO SANTANDER TOTTA, S.A.**

**(incorporated with limited liability in Portugal)**

**EUR 12,500,000,000**

**COVERED BONDS PROGRAMME**

Banco Santander Totta, S.A. (the “**Issuer**”, “**Bank**” or “**BST**”), incorporated under Portuguese law, with head-office at Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, with a registered and fully-paid share capital of EUR 1,391,779,674.00 and registered under the sole registration and taxpayer number 500 844 321 with the Commercial Registry Office of Lisbon, is an authorised credit institution for the purposes of Decree-Law 59/2006, of 20 March 2006 (the “**Covered Bonds Law**”). The Covered Bonds (as defined below) will constitute mortgage covered bonds for the purposes, and with the benefit, of the Covered Bonds Law.

Under this EUR 12,500,000,000 Covered Bonds Programme (the “**Programme**”), the Issuer may from time to time issue mortgage covered bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds will be issued in nominative form (*nominativas*) and be represented in book-entry form (*forma escritural*). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed EUR 12,500,000,000 (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 on-going basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

This document comprises a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published

when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the “**Prospectus Regulation**”).

This Base Prospectus has been approved by the Comissão do Mercado de Valores Mobiliários (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. Such approval should not be considered as an endorsement of the Issuer or the quality of the Covered Bonds that are subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. Such approval relates only to Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”) and/or which are to be offered to the public in any Member State of the European Economic Area (“**EEA**”). **This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for a period of 12 months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.** The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid. Application will be made to the Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. (“**Euronext**”) for the admission of Covered Bonds issued under the Programme to be admitted to trading on the regulated market of Euronext Lisbon (“**Euronext Lisbon**”) and to be admitted to the official list of Euronext Lisbon (the “**Official List**”).

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 Euronext Lisbon or other EEA regulated market. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets (including EEA regulated markets) as may be agreed between the Issuer and the relevant Dealer. Under this Programme, the Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

The Covered Bonds have not been, and will not be, registered under the United States Securities Act 1933, as amended (the “**US Securities Act**”).

The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms.

Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under Regulation (EC) no. 1060/2009, as amended (the “**CRA Regulation**”) or by a credit rating agency which is certified under the CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom (“**UK**”) and registered under Regulation (EC) no. 1060/2009 as it forms part of UK domestic law by virtue of the European

Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the applicable Final Terms.

The Issuer has been assigned a long-term debt rating of "Baa2" with a stable outlook from Moody's Investors Service España, S.A. ("**Moody's**"), "BBB" with a stable outlook from S&P Global Ratings Europe Limited ("**S&P**"), "BBB +" with a stable outlook from Fitch Ratings Ireland Limited ("**Fitch**") and "A" with a stable outlook from DBRS Ratings GmbH ("**DBRS**"). Moody's, S&P, Fitch and DBRS are established in the EEA and registered under the CRA Regulation and are, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

The ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited in accordance with the UK CRA Regulation. The ratings issued by Fitch have been endorsed by Fitch Ratings Limited in accordance with the UK CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd in accordance with the UK CRA Regulation. The ratings issued by DBRS have been endorsed by DBRS Ratings Limited in accordance with the UK CRA Regulation. S&P Global Ratings UK Limited, Moody's Investors Service Ltd, Fitch Ratings Limited and DBRS Ratings Limited are established in the UK and registered under the UK CRA Regulation.

ESMA is obliged to maintain on its website, at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The UK Financial Conduct Authority ("**FCA**")'s Financial Services Register, available at <https://register.fca.org.uk/s/>, includes credit rating agencies registered and certified in accordance with the UK CRA Regulation. Similar to the ESMA list of credit rating agencies registered and certified in accordance with the CRA Regulation, there may be some delays between certain supervisory measures being taken against a relevant rating agency and updates to the Financial Services Register.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

As such, ratings issued by S&P, Moody's, Fitch and DBRS may also be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

As at the date of this Base Prospectus, the Programme is rated "Aa2" by Moody's, "A+" by Fitch and "AA (low)" by DBRS.

***Arranger***

Barclays

***Dealers***

Banco Santander Totta, S.A.

Barclays

BNP PARIBAS

BofA Securities

Credit Suisse

Deutsche Bank

Goldman Sachs Bank Europe SE

HSBC

Morgan Stanley

Natixis

Santander Corporate & Investment Banking

Société Générale Corporate & Investment Banking

UBS Investment Bank

UniCredit

**This Base Prospectus is dated 25 May 2022.**

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## OVERVIEW OF THE COVERED BONDS PROGRAMME

*This overview is qualified in its entirety by the rest of this Base Prospectus.*

***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. The Issuer and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Covered Bonds, a new Base Prospectus will be published.***

*This overview constitutes a general description of the Programme for the purposes of the Prospectus Delegated Regulations, notably Article 25(1)(b) of Commission Delegated Regulation (EU) no. 2019/980.*

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

**Description:** Covered Bonds Programme.

**Programme Size:** Up to EUR 12,500,000,000 (or its equivalent in other currencies) 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:** Banco Santander Totta, S.A. (see *Description of the Issuer*).

### **Issuer Legal Entity**

**Identifier (LEI):** 549300URJH9VSI58CS32

**Arranger:** Barclays Bank Ireland PLC

**Dealers:** Banco Santander, S.A., Banco Santander Totta, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Credit Suisse Bank (Europe), S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, Morgan Stanley Europe SE, Natixis, Société Générale, UBS Europe SE, UniCredit Bank AG and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement.

### **Common**

**Representative:** Bondholders, S.L. in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain, or any

successor common representative appointed by a meeting of the holders of Covered Bonds.

**Agent:** Banco Santander Totta, S.A., in its capacity as Agent, with its head office at Rua Áurea, no. 88, 1100-063 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.

**Paying Agent:** Banco Santander Totta, S.A., in its capacity as Paying Agent, with its head office at Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, or any successor Paying Agent(s), in each case together with any additional Paying Agent(s), appointed from time to time by the Issuer in connection with the Covered Bonds and under the Set of Agency Procedures.

#### **Cover Pool**

**Monitor:** PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) under number 183, registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3rd, 1069-316 Lisbon, Portugal. See *Cover Pool Monitor*.

#### **Hedge**

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

**Risk Factors:** There are certain factors set out in the section titled *Risk Factors* below that may affect the Issuer’s ability to fulfil its obligations under the Covered Bonds issued under the Programme. Some of these factors are related to the Issuer’s business activities, financial condition or results of operations. 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. Other categories of risk factors set out in detail under the section titled *Risk Factors* below are those related to legal and regulatory landscape with respect to the Covered Bonds, and to the suitability (or otherwise) of investment in the 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. See *Subscription and Sale and Secondary Market Arrangements*.

#### **Certain**

**Restrictions:** Each issue of Covered Bonds denominated in a currency in respect of which particular

laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale and Secondary Market Arrangements*).

**Currencies:** Subject to compliance with relevant laws, Covered Bonds may only be issued in euro or in such other currency accepted by Interbolsa for registration and clearing.

**Ratings:** The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms.

Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or by a credit rating agency which is certified under the CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the applicable Final Terms.

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. A rating addresses the likelihood that the holders of Covered Bonds will receive timely payments of interest and ultimate repayment of principal at the Maturity Date or the Extended Maturity Date, as applicable.

#### **Listing and Admission**

**to Trading:** This document dated 25 May 2022 has been approved by the CMVM as a base prospectus. In respect of Covered Bonds which are intended to be listed, application will be made to Euronext or such other or further stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer for the admission of Covered Bonds issued under the Programme to trading on the regulated market of Euronext Lisbon or such other or further 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 State(s) of the EEA in accordance with Article 25 of the Prospectus Regulation, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other Member States of the EEA. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or

admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).

## **Selling**

**Restrictions:** There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, the EEA (including Belgium), the UK, Singapore, Switzerland and Japan as set out in Subscription and Sale and Secondary Market Arrangements and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

## **United States Selling**

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

**Use of Proceeds:** Proceeds from the issue of Covered Bonds will be used by the Issuer for its general corporate purposes, or as otherwise identified in the applicable Final Terms.

## **Status of the**

**Covered Bonds:** The Covered Bonds will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and will rank *pari passu* among themselves. The Covered Bonds will be mortgage covered bonds issued by the Issuer in accordance with the Covered Bonds Law and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and will rank *pari passu* with all other obligations of the Issuer under mortgage covered bonds issued or to be issued by the Issuer pursuant to the Covered Bonds Law. See *Characteristics of the Cover Pool*.

## **Terms and**

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

**Clearing Systems:** Interbolsa, and/or Euroclear, and/or Clearstream, Luxembourg (together the “**Clearing Systems**” and, each, a “**Clearing System**”). See *Form of the Covered Bonds and Clearing System*.

## Form of the

**Covered Bonds:** The Covered Bonds will be in book-entry form and in nominative form (*nominativas*), 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 CMVM regulations. No physical document of title will be issued in respect of Covered Bonds. See *Form of the Covered Bonds and Clearing System*.

## Transfer of

**Covered Bonds:** The Covered Bonds may be transferred in accordance with the provisions of the Clearing System or other central securities depository with which the relevant Covered Bond has been deposited. The transferability of the Covered Bonds is not restricted.

**Maturities:** The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also *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.

**Events of Default:** Issuer Insolvency. See Condition 9 (*Insolvency Event and Enforcement*) of the Terms and Conditions.

**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 either 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 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 Covered Bonds of the relevant Series), as specified in the applicable Final Terms; or

- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.

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 Law (other than in specified instalments, if applicable – see *The Covered Bonds Law*), or (ii) that the relevant Covered Bonds will be redeemable at the option of the Issuer and/or the holder of Covered Bonds upon giving notice to the holder of Covered Bonds or the Issuer (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). The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms. See also *Extended Maturity Date*.

#### **Extended**

**Maturity Date:** Unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, the applicable

Final Terms will also provide that an Extended Maturity Date applies to each Series of the Covered Bonds.

As regards redemption of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within 2 Business Days thereafter), the maturity of the Principal Amount Outstanding of the Covered Bonds not redeemed will automatically extend on a monthly basis up to one year but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, 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.

As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within 2 Business Days thereafter), the Covered Bonds will bear interest on the Principal Amount Outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full and the Extended Maturity Date and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.

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

- (a) Fixed Interest Covered Bonds, Zero Coupon Covered Bonds or Floating Rate Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date; or
- (b) Fixed Interest Covered Bonds or Floating Rate Covered Bonds in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date,

in each case as set out in the applicable Final Terms.

In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

**Denomination  
of the Covered**

**Bonds:** Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s), as specified in the applicable Final Terms, subject to compliance with the applicable legal and/or regulatory and/or central bank requirements and provided that each Series will have Covered Bonds of one denomination only. See *Certain Restrictions* above.

**Minimum**

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

**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 of principal and interest in respect of the Covered Bonds will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Covered Bonds must, *inter alia*, deliver certain tax certifications. See *Taxation*.

**The Covered Bonds**

**Law:** The Covered Bonds Law introduced into Portuguese Law a framework for the issuance of certain types of asset covered bonds. Asset covered bonds can only be issued by (i) credit institutions licensed under the RGICSF or (ii) by special credit institutions created pursuant

to the Covered Bonds Law, whose special purpose is the issue of covered bonds. The Covered Bonds Law establishes that issuers of mortgage covered bonds shall maintain an asset cover 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 Law 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 Law and the Bank of Portugal Regulatory Notices further provide for (i) the supervision and regulation of issuers of covered bonds by the Bank of Portugal, (ii) the role of a cover pool monitor in respect of each issuer of covered bonds and the relevant cover pool maintained by it, (iii) the role of the common representative of the holders of covered bonds, (iv) restrictions on the types and status of the assets comprised in a cover pool (including loan to value restrictions, weighted average interest receivables and weighted average maturity restrictions), and (v) asset/liability management between the cover pool and the covered bonds. See *Characteristics of the Cover Pool, Insolvency of the Issuer, Common Representative of the Holders of Covered Bonds and The Covered Bonds Law*.

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

**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.

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

In connection with the issue of any Tranche of Covered Bonds (as defined in *Overview of the Covered Bonds 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

If the Final Terms in respect of any Covered Bonds includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (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 has been or will be prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **PROHIBITION OF SALES TO UK RETAIL INVESTORS**

If the Final Terms in respect of any Covered Bonds includes a legend titled “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 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 UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”), (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it

forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Covered Bonds may 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 MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under Commission Delegated Directive 2017/593 (the “**MiFID II 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 II Product Governance Rules.

**UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Covered Bonds may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “**UK distributor**”) should take into consideration the target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## **EU BENCHMARKS REGULATION**

Amounts payable on Floating Rate Covered Bonds may 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 (“**EMMI**”)) is included in the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) 2016/1011 (as amended, the “**EU Benchmarks Regulation**”).

**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE (as amended or modified from time to time, the SFA)** – Unless otherwise stated in the Final Terms in respect of any Covered Bonds, all Covered Bonds issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### **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.

#### **FULFILLMENT OF ANY ENVIRONMENTAL, SUSTAINABILITY, SOCIAL AND/OR OTHER CRITERIA**

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion, rating or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Covered Bonds issued as Green Bonds and in particular with any proceeds related to this issue to fulfil any environmental, sustainability, social and/or other criteria (including, but not limited to, criteria aligned with those recognised by Green Bond Principles administered by the International Capital Market Association and duly reviewed in accordance with the market standard principles). The Dealers have not undertaken, nor are they responsible for, any assessment or verification of any environmentally sustainable projects and their impact or monitoring of the use of proceeds of any such Covered Bonds (or amounts equal thereto). For the avoidance of doubt, any such opinion, rating or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion, rating or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Covered Bonds. Any such opinion, rating or certification is only current as of the date that opinion, rating or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, rating or certification and/or the information contained therein and/or the provider of such opinion, rating or certification for the purpose of any investment in such Covered Bonds. Currently, the providers of such opinions, ratings and certifications are not subject to any specific regulatory or other regime or oversight.

#### **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 Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by

reference in this Base Prospectus or any applicable supplement;

- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the 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 potential investor's financial activities are principally denominated;
- (d) understands thoroughly the terms of the Covered Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 advisors to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

As at the date of this Base Prospectus, the Programme is rated "Aa2" by Moody's, "A+" by Fitch and "AA (low)" by DBRS and any successor to the relevant rating agency. Series of Covered Bonds issued under the Programme may be rated or unrated. Where a Series of Covered Bonds is rated, such rating will be disclosed in the applicable Final Terms. The rating of Covered Bonds may not be the same as the rating applicable to the Issuer.

This Base Prospectus and the documents incorporated by reference in this Base Prospectus contain certain management indicators of performance or alternative performance indicators ("**APIs**"), which are used by management to evaluate Issuer's overall performance. These APIs 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 APIs should not be considered as alternatives to any performance indicators prepared in accordance with IFRS-EU. Many of these APIs 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 APIs. Furthermore, these APIs, as used by the Issuer, may not be comparable to other similarly titled indicators used by other companies. Investors should not consider such APIs 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 APIs 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 APIs in conjunction with the audited consolidated annual financial statements and the unaudited quarterly business activity and results report incorporated by reference in this Base Prospectus.

The descriptions (including definitions, explanations and reconciliations) of all APIs are set out in the “*Alternative Performance Indicators*” section of BST’s 2021 Annual Report which is incorporated by reference into this Base Prospectus (see the section titled *Documents Incorporated by Reference*).

## 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 are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of their occurrence.*

*Prospective investors in the Covered Bonds should carefully read and consider all the information contained in this Base Prospectus or incorporated by reference herein, including the risk factors set out in this section, prior to making an investment decision. The Issuer believes that the risk factors described below are those considered most relevant prior to the issuance of the Covered Bonds, based on the probability of their occurrence and the expected magnitude of their negative impact. Although these risks are considered the most significant and likely to affect 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 due to the identified risks having materialised differently to that expected. The Issuer does not represent that the statements below on the risks of holding Covered Bonds are exhaustive. Additional risks or uncertainties not presently known to the Issuer or which it currently considers immaterial may also have an adverse impact on the Issuer's ability to make payments on or in connection with the Covered Bonds.*

*Words and expressions defined in "Definitions" below shall have the same meaning in this section. Where information has been sourced from a third party, the Issuer confirms that, as far as it is aware, such information has been accurately reproduced. The Issuer only accepts responsibility to the extent that no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable). Where no official sources exist, the Issuer relies on its own estimates.*

The risk factors described below are those considered, in the Issuer's assessment, most material and specific to the Issuer and most likely to affect the Issuer's ability to fulfil its obligations under the Covered Bonds. The risk factors have been organised into the following categories:

- Risks relating to the Issuer's business activities, operational activities and strategy;
- Risks relating to the financial markets;
- Legal and regulatory risks;
- Risks specific to the Covered Bonds;
- Risks specific to the Cover Pool; and
- Other risks, including risks related to administrative matters.

Within each category, those risks considered to be the most material are set out first. The order of the categories does not imply that any category of risk is more material than any other category.

## RISKS RELATING TO THE ISSUER'S BUSINESS ACTIVITIES, OPERATIONAL ACTIVITIES AND STRATEGY

### **The Issuer is sensitive to changes in the Portuguese economy and to current uncertainties in the macro-economic context**

The Issuer, together with its consolidated subsidiaries (the “**BST Group**”), is sensitive to changes in the Portuguese economy and to current uncertainties in the macro-economic context.

The Bank of Portugal projects that the Portuguese economy grew by 4.9 per cent. in 2021 and will grow by 4.9 per cent. in 2022, followed by a more moderate pace of expansion in 2023 and 2024, of 2.9 per cent. and 2.0 per cent. respectively (*Source: Bank of Portugal, Economic Projections, March 2022*).

Over the last couple of years, the coronavirus (“**COVID-19**”) outbreak has had a severe impact on the global economy which was acutely felt in Portugal, as it was already facing internal challenges linked to the continuing weak situation of the Portuguese banking system and the lack of availability of credit. Recent and ongoing turbulent developments between Russia and Ukraine are of great concern and now represent one of the main uncertainties for the global economy with severe impacts in several countries including Portugal, such as by way of rising commodity prices.

The outlook for euro area activity and inflation has become very uncertain and will crucially depend on how the Russian war in Ukraine unfolds, on the impact of current sanctions and on possible further measures. Soaring energy prices and negative confidence levels imply significant headwinds to domestic demand in the near term, while the announced sanctions against Russia and Belarus and sharp deterioration in the prospects for these economies are expected to weaken euro area trade growth. Based on the assumption that the current disruptions to energy supplies and negative impacts on confidence linked to the Russia-Ukraine conflict are temporary and that global supply chains are not significantly affected, the projections still foresee a significant negative impact on euro area growth in 2022; however, in medium term, growth is projected to converge towards historical average rates, despite a less supportive fiscal stance and an increase in interest rates in line with the technical assumptions based on financial market expectations. Overall, real GDP growth is projected to average 3.7 per cent. in 2022, 2.8 per cent. in 2023 and 1.6 per cent. in 2024 (*Source: ECB, staff macroeconomic projections for the euro area, March 2022*).

Factors such as interest rates, security prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, war, terrorism, pandemics and epidemics or other widespread health emergencies (such as COVID-19, in relation to which see the risk factor entitled “*The COVID-19 pandemic and potential similar future outbreaks have had, and may continue to have, an adverse effect on the Issuer*” below) all impact the economy and financial markets, whether directly or indirectly, including by increasing the sovereign debt of certain countries, intensifying volatility and widening credit spreads, which could in turn have a material adverse effect on the Issuer’s business, results and financial condition and its ability to access capital and liquidity on acceptable financial terms.

**The COVID-19 pandemic and potential similar future outbreaks have had, and may continue to have, an adverse effect on the Issuer**

The spread of COVID-19 from late December 2019 onwards proceeded at such a rapid pace that on 11 March 2020, the World Health Organization confirmed that its spread and severity had escalated to the point of a pandemic. The initial stage of the pandemic was marked by national and international authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces, which led to materially increased volatility and declines in financial markets and the significant worsening of the macro-economic outlook.

Nonetheless, over time businesses, households and politicians have learnt to adapt to the pandemic environment, such that the re-introduction of social mobility restrictions to counter the subsequent waves of infections have had a smaller economic impact. Against the background of a more benign economic outlook, uncertainty regarding the evolution of the virus remains nevertheless high and there is a risk that the impact of COVID-19 on health as well as the global economy and financial markets could become more severe once again if vaccine-resistant strains of the virus emerge, resulting in further social mobility restrictions and business shutdowns.

In addition, certain adverse consequences of the pandemic continue to impact the macro-economic environment and may persist for some time, including labour shortages and disruptions of global supply chains, that are contributing to rising inflationary pressures.

The worsening of the current situation and any potential similar future outbreaks may have an adverse effect on the Issuer's counterparties and/or clients, resulting in additional risks in the performance of the obligations assumed by them towards the Issuer, as and when the same fall due, and ultimately exposing the Issuer to an increased number of defaults and insolvencies among its counterparties and/or clients. Any of these factors could have an adverse effect on the Issuer's profits and financial position, thereby affecting the Issuer's ability to make the payments under the Covered Bonds.

**The BST Group is constrained in its ability to obtain funding in the capital markets and may depend on the ECB for funding and liquidity**

The ECB currently makes funding available to European banks that satisfy certain conditions, including pledging eligible collateral. The financing obtained from the ECB, as at 31 December 2021, in the amount of EUR 7.5 billion, was entirely based on long-term operations, through the targeted longer-term refinancing operations ("TLTROs") programme. Net exposure to the Eurosystem stood at EUR 0.6 billion as at 31 December 2021 (compared to EUR 2.9 billion as at 31 December 2020).

As at 31 December 2021, the BST Group's portfolio of securities eligible for rediscount with the ECB was of EUR 19.8 billion, compared to EUR 18.4 billion as at 31 December 2020.

The ECB establishes the valuation and eligibility criteria that eligible securities must meet in order to be used in repo transactions with financial institutions. Downgrades of the credit rating of Portugal or Portuguese companies, or changes to the valuations or eligibility criteria, can have a negative impact on the portfolio of securities eligible

for that purpose and reduce the liquidity lines available from the ECB. The amount of ECB funding is tied to the value of collateral provided. If the value of the BST Group's assets declines, the amount of funding it can obtain from the ECB will also decline.

The curtailment or termination of liquidity operations by the ECB, including the end of the ECB's longer-term refinancing operations programme without a substitute or transitional measure, would force the BST Group to substitute its financing from the ECB with other potential sources of funding under unfavourable conditions or force the BST Group to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations. In addition, changes to the ECB's standards of eligible collateral, including removing asset classes from the pool of eligible assets or increasing minimum rating requirements of eligible assets, could result in certain instruments not being eligible as collateral for ECB funding purposes. The BST Group's access to such funding could be reduced and the cost of funding could increase. The occurrence of any of these events could have a material adverse effect on the Issuer's business activities, financial condition and results of operations.

On 7 March 2019, a third series of TLTROs was launched ("**TLTRO III**") consisting on a series of ten TLTROs, each with a maturity of three years, starting in September 2019 at a quarterly frequency. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility calculated over the life of the respective TLTRO III during the rest of the life of the same operation. Bearing in mind that the measures announced since 12 March 2020 are only temporary and specifically aimed at tackling the impact of the COVID-19 pandemic on the real economy, the duration, extent and continued existence of ECB liquidity support cannot be predicted. If it were to be withdrawn or reduced, the Issuer would need to find alternative sources of funding, which may not be as attractive or even available.

The BST Group has been introducing measures to diversify its financing sources beyond the ECB and has been implementing a deleveraging process by attempting to increase customer funds and reduce customer loans, having resumed its financing in the capital markets through the issue of covered bonds. This situation represents a risk of increased financing costs, particularly considering the significant difference between the ECB funding cost and the cost of collecting deposits and financing operations in the market, which may not be completely offset by the process of repricing loans.

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

The Issuer's net income from its assets and liabilities may be adversely impacted due to the materialisation of market risks. The most significant market risks the Issuer faces include interest rate, inflation, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin, which is the difference between lending and borrowing costs. Current structural market conditions, with low/negative interest rates and increased medium-term funding costs, may negatively impact the Issuer's operating income.

The Issuer's results of operations depend on the level of its net interest income, which is the difference between

interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond the Issuer's control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions among other factors (see the risk factor entitled "*Volatility in interest rates or monetary policy could adversely affect the Issuer's business*" below).

Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. In the ordinary course of its business, the Issuer only has a small percentage of its assets and liabilities denominated in currencies other than the euro. Fluctuations in the value of the euro against other currencies may positively or adversely affect the Issuer's profitability. The value of the euro against the U.S. dollar may affect earnings from the Issuer's international operations. These foreign exchange fluctuations and the performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios and may adversely impact the Issuer's business. The Issuer has implemented risk management policies to mitigate and control these and other market risks to which the Issuer is exposed and such exposures are constantly measured and monitored. However, it is difficult to accurately predict changes in economic or market conditions and to anticipate their effects on the Issuer's business activity, financial condition and the results of its operations.

The Issuer currently engages in various treasury activities for its own account, including placing euro and foreign currency-denominated deposits in the inter-bank market and trading in the primary and secondary markets for government securities. Proprietary trading includes taking positions in the fixed income and equity markets using cash, derivative products and financial instruments. Although the Issuer's level of engagement in such activities is limited, proprietary trading involves a degree of risk. Future proprietary trading results will in part depend on market conditions and any losses experienced by the Issuer could adversely affect its business activities, financial condition and results of operations.

#### **The Issuer is exposed to the depreciation of real estate assets**

Mortgage lending represented around 50.5 per cent. of the Issuer's credit portfolio at the end of December 2021 (compared with 48.4 per cent. at the end of December 2020). Therefore, the Issuer is highly exposed to the Portuguese real estate market, both directly through assets related to its operations or obtained in lieu of payment, and indirectly through properties securing loans or the funding of real estate promotion projects. This makes the Issuer vulnerable to house prices in Portugal and to a depression in the Portuguese real estate market, as it could lead to reduced recoveries on real estate assets held as collateral in the event of customer default.

The residential real estate market in Portugal in general, or in any particular region, may from time to time suffer from a decline in economic conditions, notably increased unemployment and disruption in the mortgage lending market and in the housing markets and, consequently, the Issuer may experience higher rates of default on mortgage loans. In addition, adverse weather conditions, natural disasters, fires or widespread health crises (such as the COVID-19 pandemic), or the fear of such crises, may weaken economic conditions and lead to a decline in the value of real estate located in regions affected by such events. This may reduce the financial resources available for individuals and businesses to purchase or invest in real estate property and for individuals to service

their mortgage loans, which may have a material adverse effect on the Issuer's business activities, financial condition and results of operations.

Economic or political developments beyond the Issuer's control or a significant devaluation of prices in the Portuguese real estate market may increase non-performing loans and decrease the value of the BST Group's loan portfolio. This scenario could lead to impairment losses in the assets held directly by the Issuer and lower recovery on mortgage loans in cases where mortgage loans need to be enforced and the relevant properties sold to satisfy the Issuer's credit entitlements. The occurrence of any of these events could have a material adverse effect on the Issuer's business activities, financial condition and results of operations.

**Because the Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results**

Although the Issuer believes that it holds a strong position, there is substantial competition in the markets in which it operates (including, among others, banking, leasing, insurance, investment banking, specialised credit and asset management). Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors (including non-bank or financial technology competitors). A decline in the Issuer's competitive position could adversely impact its ability to maintain or further increase its market share, which would in turn adversely affect its results.

The principal competitors of the BST Group in the banking sector (ranking in terms of assets as at 31 December 2021) are CGD, the Millennium BCP Group, the Novo Banco Group and the BPI Group.

Competition could also increase due to the market entry of new players with new operating models who are not burdened by potentially costly legacy operations. These new competitors may use new technologies, advanced data and analytic tools, and have a lower cost to serve, reduced regulatory burden and/or faster processes to challenge traditional banks. Technological developments have accelerated the adoption of new business models and the Issuer may not be successful in adapting to this rapid pace of change or may incur significant costs as a result. In particular, the emergence of disintermediation in the financial sector, resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents and new challengers, particularly with respect to payment services and products, and the introduction of disruptive technology, may impede the Issuer's ability to grow or retain its market share with a resulting impact on its revenues and profitability.

**The Bank may be unable to issue certain own funds and eligible liability instruments and therefore be either unable to meet its capital requirements/MREL or required to meet its capital requirements/MREL through more costly instruments**

The Issuer can issue Additional Tier 1 or Tier 2 instruments to meet its minimum total capital ratio requirement or other regulatory eligible instruments to meet the minimum requirement for own funds and eligible liabilities ("MREL"). However, these instruments may be viewed by investors as riskier than other debt instruments, primarily due to the risk of capital losses, missed coupon payments, conversion into capital instruments and lack

of available distributable items. Investor appetite for these instruments may thus decline in the future, which could render the Issuer unable to place them in the market. In this case, the Issuer would have to issue CET1 capital to meet the above mentioned regulatory requirements or issue Additional Tier 1, Tier 2 or other regulatory eligible instruments that would entail an associated coupon expense which may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU on the ranking of unsecured debt instruments in the insolvency hierarchy was transposed into the Portuguese legal framework by Law no. 23/2019 of 13 March 2019, which, in addition to governing the position of unsecured debt instruments in the insolvency hierarchy and providing greater legal certainty to the issuance of non-preferred debt, also confers a preferential claim to all deposits vis-a-vis senior debt.

The Issuer has been notified in December 2021 by the Bank of Portugal of the Single Resolution Board's decision on the determination of the MREL requirements to be met by Santander Totta- SGPS, S.A., on a consolidated basis, in terms of the total risk exposure amount ("**TREA**") and the leverage ratio exposure ("**LRE**"), in the following terms:

	Requirement in terms of TREA			Requirement in terms of LRE	
	2022	2024		2022	2024
<b>MREL Total</b>	17.43%	20.43%	<b>MREL Total</b>	6.88%	7.65%
<b>MREL Subordinated</b>	17.05%	19.28%	<b>MREL Subordinated</b>	6.88%	7.65%

One of the main objectives of the EU Banking Reforms is to implement the TLAC (as defined below) standard and to integrate the TLAC requirement into the general MREL rules (the "**TLAC/MREL Requirements**"), thereby avoiding duplication from the application of two parallel requirements. Although TLAC and MREL pursue the same regulatory objective, they are constructed differently. The EU Banking Reforms integrate the TLAC standard into the existing MREL rules to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority. Under the EU Banking Reforms, institutions such as BST would continue to be subject to an institution-specific MREL requirement, which may be higher than the Pillar 1 TLAC/MREL Requirements for Global Systematically Important Institutions ("**G-SIIs**") contained in the EU Banking Reforms. Although the specific MREL requirements may vary depending on the characteristics of the credit entity (they apply to the resolution institution or resolution group, as entities subject to resolution following a Single Point of Entry or Multiple Point of Entry resolution strategy) and the resolution process, BRRD2 together with CRR II (as defined below) introduced a relevant change in compliance with MREL, which now includes two ratios: (i) a risk ratio (percentage of total Risk Weighted Assets ("**RWA**") of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total leverage exposure), and empower the relevant resolution authority to authorise or require (a) compliance

with additional CET1, Additional Tier 1 or Tier 2 capital ratios (not foreseen in the previous MREL rules) and (b) that a certain level of senior liabilities issued by the resolution entity be subject to bail-in.

The EU Banking Reforms introduced limited adjustments to the existing MREL rules, ensuring technical consistency with the structure of any requirements for G-SIIs. Implementation of the TLAC/MREL Requirements were phased-in from 1 January 2019 (a 16 per cent. minimum TLAC requirement) to 1 January 2022 (an 18 per cent. minimum TLAC requirement). The EU Banking Reforms provide that a bank's failure to comply with its TLAC/MREL Requirements should be addressed by the relevant authorities based on their powers to address or remove impediments to resolution, the exercise of their supervisory powers and their power to impose early intervention measures, administrative penalties and other measures. If there is a shortfall in an institution's level of eligible liabilities and own funds, and its own funds are otherwise contributing to the "combined buffer requirement", those funds will be automatically used to meet the institution's MREL requirement instead. This may prevent the institution from meeting its "combined buffer requirement". Such failure, considered in addition to the TLAC/MREL Requirements, would require such institution to calculate its maximum distributable amount according to CRD IV (the "**Maximum Distributable Amount**"), with the relevant resolution authority imposing (subject to a potential 9 months grace period) restrictions to making (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues, and (iii) distributions relating to Additional Tier 1 instruments ("**Discretionary Payments**") above the Maximum Distributable Amount.

These measures have the objective of safeguarding financial stability, by strengthening the resilience of the financial sector and preventing systemic risk. As such, upon the transposition of the EU Banking Reforms, the Bank must fully comply with its "combined buffer requirement" in addition to its TLAC/MREL Requirements. Failure to comply with these buffers implies restrictions on Discretionary Payments as well as an obligation to submit to the competent authorities a capital conservation plan within 5 business days of the breach.

**Liquidity risks resulting from the Issuer's short-term liabilities towards its customers and new liquidity requirements may affect the Issuer's profitability and lead to an increase in its financing costs**

The Issuer's primary source of funds has traditionally been its retail deposit base (savings, current and term deposits).

The Issuer's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products, as well as receivables originated for some securitisation transactions still in place. The Issuer has also borrowed money in the money markets. In a scenario where the Issuer is unable to access wholesale market funding for short, medium or long-term funding, its liquidity operations with the ECB become increasingly important.

Since the Issuer relies on the aforementioned sources for funding, there is no assurance that, in the event of a sudden or unexpected shortage of funds in the market in which it operates, the Issuer will be able to maintain its levels of funding without incurring higher funding costs or resorting to the liquidation of certain assets.

Basel III recommendations endorse the implementation of short and medium/long-term liquidity coverage ratios,

known as Liquidity Coverage Ratio (“**LCR**”) and Net Stable Funding Ratio (“**NSFR**”). The LCR addresses the sufficiency of high quality liquidity assets to meet short-term liquidity needs in a severe stress scenario.

The Issuer’s LCR, computed in line with the CRD IV standards, was 131.6 per cent. as at 31 December 2021. The Issuer does not yet disclose its NSFR given that the applicable calculation rules are not fully regulated by the competent regulatory authorities. The final definition of NSFR, approved by the Basel Committee in October 2014, has not yet come into effect, although it has already been introduced into the CRR. A management limit of 100 per cent. on an ongoing basis was defined.

The Issuer’s fulfilment of liquidity ratios may lead to the constitution of portfolios with high liquidity assets but low profitability. It may also lead to an increase in its financing costs, since the ratios favour long-term over short-term financing. These changes may have a negative impact on the Issuer’s results of operations.

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

Following the Bank of Portugal’s decision on 3 August 2014 to apply a resolution measure to Banco Espírito Santo, S.A. (“**BES**”), most of its business was transferred to Novo Banco, S.A., a bridge bank specifically set up for that purpose and capitalised by the resolution fund – as created by Decree-Law 31-A/2012 of 10 February 2012 (the “**Portuguese Resolution Fund**”).

On 20 December 2015, the Bank of Portugal applied a resolution measure to Banif, which resulted in BST’s acquisition of a set of rights and obligations, comprised of assets, liabilities, off-balance sheet items and assets under the management of Banif. This operation involved an estimated public support of EUR 2,255 million to cover future contingencies, of which EUR 489 million were supported by the Portuguese Resolution Fund and EUR 1,766 million directly by the Portuguese State. Banif was sold to BST for EUR 150 million on 20 December 2015.

The Portuguese Resolution Fund is funded by contributions from its participating institutions (including BST) and from the Portuguese banking sector – with an initial share capital of EUR 4.9 billion. Of this amount, EUR 300 million corresponded to the Portuguese Resolution Fund’s own financial resources, EUR 3.9 billion resulted from a loan granted by the Portuguese State, and EUR 700 million from a loan granted by credit institutions that are members of the Portuguese Resolution Fund, including the Issuer. As of 31 December 2021, BST had financed EUR 233.8 million of this syndicated loan, which corresponds to 19.9 per cent. thereof. The Issuer’s pro rata share in the Portuguese Resolution Fund will vary from time to time according to the Issuer’s liabilities and own funds, when compared to the other institutions participating in the Portuguese Resolution Fund. Contributions to the Portuguese Resolution Fund are adjusted to reflect the risk profile, systemic relevance and solvency position of each participating institution. This number varies over time and it is thus difficult to determine the Issuer’s exact participation at any given point in time.

The periodic contributions to the Portuguese 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*) 22/2021 for 2022, the rate has been set at 0.057 per cent.

The final impact on BST of the resolution measures applied to BES and/or Banif, or of any other resolution measure applied, cannot be anticipated.

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

The Issuer faces the risk of the design and operating effectiveness of its controls and procedures being inadequate. Operational risks are inherent to the Issuer's business because its consolidated operations are highly dependent on computerised record-keeping, financial reporting and other systems, including point of sale monitoring and internal accounting systems, particularly following the centralisation of the Issuer's information technology systems. Increased digital interconnectivity across the BST Group, its customers and suppliers, and the need for resilient IT systems, including hardware, software, cloud computing services and cyber-security, remains an evolving risk to financial institutions, including the Issuer. Consequently, the Issuer continually monitors these risks using advanced administrative and information systems and has insurance coverage for certain operational risks.

The Issuer routinely transmits, receives and stores personal, confidential and proprietary information by email and other electronic means. Although BST safeguards its systems and processes, losses may result from under-trained or under-skilled personnel, IT failures, illegitimate access, cyber-attacks, inadequate or failed internal control processes and systems, regulatory or security breaches, human error, employee misconduct including fraud, natural disasters or other external events that interrupt normal business operations. Such losses may adversely affect its reputation, business and results.

The Issuer is subject to increasing regulatory requirements, including those foreseen in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and the free movement of such data, repealing Directive 95/46/EC, as amended (the General Data Protection Regulation ("GDPR")), which entered into force on 25 May 2018. The implementation and compliance with this regulation (and any additional national legislation passed in the context of the GDPR, including Law no. 58/2019, of 8 August) is complex and entails significant costs and time, given that the GDPR has introduced substantial changes to data protection standards.

The Issuer's reputation is one of its most important assets and contributes to its ability to attract and retain customers and conduct business with its counterparties. Reputational risk is the probability of negative impacts on the Issuer due to an unfavourable public image of the Bank among its customers, suppliers, analysts, employees, investors, the media, any other bodies with which the Issuer interacts, and the public in general.

Reputational issues may arise from the breach (or perceived breach) of legal and regulatory requirements, potential conflicts of interest, operational failures, unethical behaviour and lack of commitment to environmental, social and governance considerations.

Although the Issuer continually monitors this risk, it cannot assure potential investors that it will be able to foresee

the occurrence of reputational issues and avoid its negative consequences. Any failure to address reputational risks or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect its business, financial condition and results of operations and could damage its relationships with its regulators.

**The Issuer is exposed to the risk of its customers being unable to meet their commitments as and when they fall due**

Risks arising from adverse changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in the Issuer's businesses (see the risk factor entitled "*The inability of counterparties to meet their financial obligations or the Issuer's inability to fully enforce its rights against counterparties could have a material adverse effect on the Issuer's results*"). The Issuer is particularly exposed to the risk of its customers being unable to meet their commitments as and when they fall due. If the value of the collateral securing the Issuer's loan portfolio declines, the Issuer will be exposed to a higher credit risk and increased risk of non-performing loans. The Issuer cannot guarantee adequate proceeds from collateral disposals to cover any loan losses.

As at 31 December 2021, the non-performing exposure ratio (as per the EBA definition) represented 2.3 per cent. of the total credit portfolio (compared to 2.6 per cent. as at 31 December 2020) and the non-performing exposure coverage ratio stood at 81 per cent. (compared to 72.3 per cent. as at 31 December 2020). The Issuer cannot guarantee an adequate level of provisions and other reserves and that it will not have to take additional provisions for possible impairment losses in the future.

**Risks relating to the rules governing the formation of impairments and provisions could adversely affect the Issuer's results, financial condition or regulatory capital position**

IFRS 9 'Financial Instruments' became effective on 1 January 2018 and resulted in loan loss provisions being recognised earlier, on a more forward-looking basis and including a broader scope of financial instruments than was previously the case under IAS 39. IFRS 9 introduced new requirements as regards (i) classification and measurement of financial assets and liabilities, (ii) measurement and recognition of credit impairment on financial assets through an expected-loss model, and (iii) hedge accounting. The Issuer adopted IFRS 9, using the modified retrospective transition regime, which allowed it not to restate comparable amounts and register the cumulative effects of the appreciation of financial assets and liabilities against retained earnings. These effects resulted primarily from the recognition of expected loan losses, the revaluation of units and equity instruments at fair value and changes in the classification of financial assets in the Issuer's business model. Any change in the applicable requirements of IFRS 9, including as a result of choices made by the Issuer, could have a material adverse effect on its results of operations.

As a result of applying IFRS 9, there may be a material impact on the models used to calculate loan loss provisions under IFRS 9, which may cause more volatility in, or higher levels of, loan loss provisions, any of which could adversely affect the Issuer's results, financial condition or regulatory capital position.

## **RISKS RELATING TO THE FINANCIAL MARKETS**

### **The inability of counterparties to meet their financial obligations or the Issuer's inability to fully enforce its rights against counterparties could have a material adverse effect on the Issuer's results**

The Issuer's business operations involve entering into contractual arrangements with customers, suppliers, financing partners, reinsurers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries, which expose the Issuer to counterparty risks.

Counterparties' failure to comply with their obligations towards the Issuer due to bankruptcy, lack of liquidity, economic downturns, inflation rates, low oil or other commodity prices, operational failure or other factors, or even rumours of potential default, could have a material adverse effect on the Issuer's results, financial condition and liquidity.

The Issuer executes a high volume of transactions with customers and counterparties in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, among others, resulting in large periodic settlement amounts and potential credit exposure to one or more such counterparties or customers. As such, the Issuer could face concentration risk with respect to liabilities or amounts it expects to collect from specific counterparties and customers.

The Issuer is also subject to the risk of its rights against third parties not being enforceable in all circumstances. Deterioration in the credit quality of third parties with securities or obligations held by the Issuer could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in its counterparties' credit ratings could also have a negative impact on the Issuer's income and risk weighting, leading to increased capital requirements. The termination of contracts and the foreclosure on collateral could subject the Issuer to claims, keeping in mind that bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect the Issuer's business and results.

### **Volatility in interest rates or monetary policy could adversely affect the Issuer's business**

Interest rates are highly sensitive to many factors beyond the Issuer's control, including the deregulation of the financial sector, monetary policies, and both domestic and international economic and political conditions. The Issuer's results of operations, financial condition and return on capital are affected by volatility in interest rates.

In an environment of increasing interest rates, borrowers seeking to avoid increased monthly payments by refinancing their mortgage loans may no longer be able to do so at comparably low interest rates. Conversely, a prolonged period of low interest rates could reduce incentives for the Issuer's customers to save, reducing the Issuer's funding from deposits.

Since 2021, inflationary pressures have intensified as a result of a number of factors, including the revitalisation of demand for consumer goods, labour shortages and supply chain issues, which in turn have affected fiscal and monetary policies. Some of the risks that could negatively affect the economies and financial markets of the regions where BST operates are (i) the increase in energy prices that can lead to further inflationary pressures; (ii) the breakdown of global supply chains; (iii) excess liquidity and low interest rates, which can fuel further inflationary pressures; and (iv) tightening of monetary and public deficit policies.

In 2022, the Russia-Ukraine conflict has contributed to an inflationary environment and to further increases in the prices of energy, oil and other commodities and volatility in financial markets globally. Changes in market interest rates or volatility may affect the interest rates charged by the Issuer on its interest earning assets differently from the interest rates it pays on its interest-bearing liabilities. This puts pressure on the Issuer's net interest income and margins and could adversely affect its business and financial performance.

#### **Banking institutions may become legally obliged to reflect negative index rates in the calculation of loan interest rates in consumer and residential loan agreements**

Interest rates in some European countries and in Japan have been at, or near, historically low levels. Law no. 32/2018, of 18 July, amending Decree-Law 74-A/2017, of 23 June, on consumer credit agreements for residential real estate property, entered into force on 19 July 2018, imposing on banking institutions the obligation to reflect the existence of negative rates in the calculation of interest rates applicable to residential 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 be set off against positive interest rates (and ultimately be paid to the borrowers if it has not been fully set off at maturity). The Issuer has decided to apply the first option.

The effects of Law no. 32/2018, of 18 July put pressure on the Issuer's net interest income as the interest income on mortgage credit agreements (which constitute the majority of assets in the Cover Pool) may be reduced. This could ultimately adversely affect the Issuer's business and financial performance.

#### **LEGAL AND REGULATORY RISKS**

##### **The Issuer is subject to the European recovery and resolution framework, which dictates the procedures and measures available for any resolution of the Issuer, including the bail-in tool**

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/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, the "BRRD"). The BRRD aims to equip national authorities with harmonised tools and powers to promptly tackle crises in banks and investment firms and to minimise costs for taxpayers. These tools and powers include:

- (a) preparatory and preventive measures (including the requirement for banks to have recovery and resolution plans);
- (b) early supervisory intervention (including powers for authorities to take early action to address emerging problems); and
- (c) resolution tools, including bail-in, which are intended to ensure the continuity of essential services and manage the failure of a credit institution in an orderly way; these tools may be used when the authorities consider an institution's failure has become highly likely and a threat is posed to public interest.

The BRRD was implemented in Portugal by a number of legislative acts, including Law no. 23-A/2015, of 26 March, as amended, which have amended the Portuguese Legal Framework of Credit Institutions and Financial Companies (hereinafter, “**RGICSF**”) (enacted by Decree-Law 298/92, of 31 December, as amended), including the requirements for the application of preventive measures, supervisory intervention and resolution tools to credit institutions and investment firms in Portugal.

The implementation of resolution measures must pursue any of the following objectives:

- Ensure the continuity of essential financial services;
- Prevent serious consequences to financial stability;
- Safeguard public treasury and taxpayers' interests by minimising the use of public funds;
- Safeguard depositors and investors' confidence; or
- Protect the funds and assets held for and on behalf of clients and related investment services.

For the purposes of applying resolution measures, an institution is considered to be failing or likely to fail when, in the near future:

- The institution is, or is likely to be, in breach of its requirements for maintaining its licence;
- The institution's assets have or are likely to become lower than its liabilities;
- The institution is, or is likely to be, unable to pay its debt as it falls due; or
- Extraordinary public financial support is required.

Upon the entry into force, on 1 January 2016, of Regulation (EU) no. 806/2014, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, amending Regulation (EU) No. 1093/2010 (“**SRM Regulation**”), as amended from time to time, the Bank of Portugal's powers as resolution authority in relation to certain credit institutions, including the Issuer, were transferred to the resolution authority within the Banking Union established by the SRM Regulation – the “**Single Resolution Board**”.

The resolution measures that can be implemented by the resolution authority, either individually or in

conjunction, are, notably:

- (i) Sale of business tool: transfer to a purchaser, by decision of the resolution authority, of shares or other ownership instruments or of some or all rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution, without the consent of its shareholders or of any third party other than the acquirer;
- (ii) Bridge institution tool: establishment of a bridge institution by the resolution authority, to which shares or other ownership instruments or some or all rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution are transferred without the consent of its shareholders or of any third party;
- (iii) Asset separation tool (to be used only in conjunction with another resolution measure): transfer, by decision of the resolution authority, of rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of an institution under resolution or of a bridge institution to one or more asset management vehicles, without the consent of the shareholders of the institutions under resolution or of any third party other than the bridge institution. Asset management vehicles are legal persons fully or partially owned by the relevant resolution fund;
- (iv) Bail-in tool: write-down or conversion by the resolution authority of certain obligations of an institution under resolution, as defined under the applicable law (other than, for instance, covered deposits and secured obligations, such as Covered Bonds). However, to the extent that the Cover Pool is insufficient to meet all claims of the holders of Covered Bonds, such holders will have an unsecured claim over the Issuer for the uncovered claims, thus being subject to bail-in. In exceptional circumstances, when the bail-in tool is implemented, the resolution authority may exclude or partially exclude certain liabilities from the application of the write-down or conversion powers. This exception shall apply when strictly necessary and proportionate and shall fall under the specific requirements provided by law.

Resolution measures may be applied to institutions if the resolution authority considers that an institution and/or certain other members of the institution's group meet the following conditions ("**Resolution Conditions**"): (a) they are failing or likely to fail, (b) there is no reasonable prospect that such failure will be avoided within a reasonable timeframe by the adoption of measures by the institution and/or certain other members of its group, the application of early intervention measures or of a Non-Viability Loss Absorption Measure (as defined below), (c) a resolution action pursues any of the public interests listed below and (d) which would not be pursued more effectively by the commencement of winding-up proceedings against the relevant institution.

When applying any resolution measure, the resolution authority shall ensure that an institution's first losses are borne by its shareholders, followed by its creditors (except depositors covered by a deposit guarantee scheme), in an equitable manner and in accordance with the order of priority of the various classes of creditors under normal insolvency proceedings. Resolution measures are not subject to the prior consent of an institution's

shareholders or of the contractual parties related to assets, liabilities, off-balance sheet items and assets under management to be sold or transferred. These actions may have a direct impact on shareholders and on the BST Group's expected returns and an indirect impact through changes to the institution's business activities.

If an order were to be made under the RGICSF currently in force in respect of an entity (including the Issuer), such action may affect the entity's ability to satisfy its existing contractual obligations (including limiting its capacity to meet repayment obligations). The use of resolution tools could result in the cancellation, modification or conversion of any unsecured portion of the liability in respect of the Covered Bonds and/or in other modifications to the Terms and Conditions of the Covered Bonds and/or the Programme Documents.

The bail-in resolution tool may be used alone or in combination with other resolution tools, where the resolution authority considers that an institution meets the Resolution Conditions. This empowers the resolution authority to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims into equity, potentially subject to any future application of the general bail-in tool.

Although there are pre-conditions for the exercise of the bail-in power, there remains uncertainty regarding the specific factors which the relevant resolution authority may consider in deciding whether or not to exercise the bail-in power with respect to the relevant financial institution and/or securities issued by that institution. 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. Such a determination in relation to the Covered Bonds is not inconceivable.

In addition to the resolution tools described above, the RGICSF further empowers the resolution authorities to permanently write-down or convert relevant capital instruments into equity (CET1 instruments) capital instruments such as Tier 2 instruments and Additional Tier 1 capital instruments at the point of non-viability of an institution or such institution's group and before any other resolution action has been taken (the "**Non-Viability Loss Absorption Measure**"). Under the RGICSF, the point of non-viability is when any of the following conditions are met:

- the resolution authority determines that an institution or its group meets any of the Resolution Conditions and no resolution measure has been applied yet;
- the resolution authority determines that an institution or its group will no longer be viable unless the relevant capital instruments are written-down or converted; or
- extraordinary public support is required and without such support the institution would no longer be viable.

The write-down and conversion tools may be exercised independently of, or in combination with, the resolution tool. The implementation of write-down or conversion tools in relation to any of the BST Group's entities could have a material adverse impact on the Issuer's business, financial condition and results of operations. Furthermore, where capital instruments are converted into equity securities under the mandatory conversion tool, those equity securities may be subject to bail-in powers in resolution, resulting in their cancellation,

significant dilution or transfer away from their investors.

The exercise of any resolution powers under the RGICSF and/or any write-down or conversion into equity could adversely affect the rights of any holders of Covered Bonds, the price or value of their investment in the Covered Bonds and/or the Issuer's ability to satisfy its obligations under the Covered Bonds. Prospective investors in the Covered Bonds should consider the risk of losing their full investment, including principal and any accrued interest, if resolution measures are applied.

**The Issuer is subject to complex regulation, including regulatory capital and liquidity requirements, which may change**

The Issuer operates in a highly regulated industry and, accordingly, could be adversely affected by regulatory changes in Portugal, the EU or foreign countries in which it operates. Although the Issuer works closely with its regulators and continually monitors this situation, future changes in regulation, taxation or other policies can be unpredictable and are beyond its control. Extensive regulation by the ECB, the EBA and the Bank of Portugal could hinder the Issuer's growth by increasing compliance costs and/or reducing profitability.

The implementation in the EU of Basel III has led to the approval of the package comprised of Directive 2013/36/EU (as amended, the "CRD IV"), implemented in Portugal by Decree-Law 157/2014, of 24 October 2014, and Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms, amending Regulation (EU) no. 648/2012 (as amended, the "CRR", and, together with the CRD IV, "CRD IV/CRR"). The CRD IV/CRR reinforced the capital requirements of banks, imposing different minimum capital ratios (e.g. CET1 ratio, Tier 1 ratio and total ratio), and changed the definition of regulatory capital. The CRD IV includes general rules, supervision powers and requirements relating to wages, governance and disclosure, having also introduced the following additional capital buffers, to be met with CET1:

- (a) capital conservation buffer of 2.5 per cent. of RWA;
- (b) countercyclical capital buffer rate of between 0 and 2.5 per cent. of RWA, pursuant to the conditions to be established by the competent authorities; and
- (c) systemic risk buffer: (i) applicable to institutions of global systemic importance between 1 and 3.5 per cent. of RWA; (ii) applicable to other institutions of systemic importance between 0 and 2 per cent. of RWA; and (iii) macroprudential systemic risk between 1 and 3 per cent. or between 3 and 5 per cent. of RWA, depending on the economic situation.

While the final Basel III standards were set to be implemented starting from January 2022 with the output capital floor being phased-in, in light of the COVID-19 pandemic, implementation has been deferred by one year to January 2023 and will be phased in over the next five years.

As at 31 December 2021, the Issuer had a CET1 ratio and Tier 1 ratio of 26.4 per cent. and 26.4 per cent. respectively, which compares with 20.8 per cent. and 20.8 per cent. respectively in the equivalent period of 2020.

For more information regarding the solvency ratios please see the section “Description of the Issuer – Solvency Ratios”. In the exercise of its powers as national macro-prudential authority, the Bank of Portugal decided to set the countercyclical buffer rate at 0 per cent. of the TREA, with effect from 1 January 2016. This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of the Bank of Portugal or the ECB (Single Supervisory Mechanism), as applicable. The Bank of Portugal’s last review of the countercyclical buffer was on 31 March 2022, having confirmed the 0 per cent. rate of the TREA for the second quarter of 2022. This decision is reviewed on a quarterly basis.

Further to a notification of the ECB, the Bank of Portugal imposed capital buffers on credit institutions identified as systemically important institutions (“O-SIIs”). For that purpose, on 30 November 2017, the Bank of Portugal published a table identifying the banking groups classified as O-SIIs and the respective capital buffers, as a percentage of total RWA. Simultaneously, the Bank of Portugal also published a more detailed document on the methodology for the identification and calibration of the O-SIIs buffer.

Santander Totta, SGPS, S.A. is currently in compliance with the Supervisory Review and Evaluation Process (“SREP”). According to the notification served by the ECB regarding minimum prudential requirements, to be fulfilled in 2022 on a consolidated basis, the minimum own funds requirements to be observed from the referred date, calculated as a ratio of total RWA, are as follows:

	2022	Pillar 1	Pillar 2	Buffers
<b>CET1</b>	8.344%	4.500%	0.844%	3.00%
<b>T1</b>	10.125%	6.000%	1.125%	3.00%
<b>Total</b>	12.500%	8.000%	1.500%	3.00%

The buffers include the capital conservation buffer (2.5 per cent.) and the O-SII buffer (0.5 per cent.). The Pillar 2 requirement, in 2022, defined under SREP, is 1.5 per cent..

As at 31 December 2021, Santander Totta, SGPS, S.A. had a CET1 ratio of 26.4 per cent. (fully implemented), a Tier 1 ratio of 26.4 per cent., and a total capital ratio of 29 per cent., in compliance with all the capital ratios required by the ECB under SREP.

With a view to incorporating flexibility to accounting and prudential rules, the European Commission proposed a few targeted “quick fix” amendments to the EU’s banking prudential rules in order to maximise banks’ ability to lend and absorb losses related to COVID-19. On 28 June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June, entered into force setting out exceptional temporary measures to alleviate the immediate negative impact of COVID-19 related developments, by adapting the timeline of application of international accounting standards to banks' capital, by treating more favourably public guarantees granted during this crisis, by postponing the date of application of the leverage ratio buffer, by setting a temporary prudential filter to mitigate the considerable negative impact of the volatility in central government debt markets

during the COVID-19 pandemic on institutions, by modifying the exclusion of certain exposures from the calculation of the leverage ratio, by advancing the date of application of several agreed measures that encourage banks to finance employees, small and medium sized enterprises and infrastructure projects, and by aligning the minimum coverage requirements for non-performing loans that benefit from public guarantees with those benefitting from guarantees granted by official export credit agencies.

In order to comply with the applicable ratios, the BST Group may be requested in the future to issue additional liabilities subject to bail-in provisions.

The CRD IV and CRR were further strengthened by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, amending the CRR as regards the leverage ratio, the NSFR, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements (as amended, “**CRR II**”), and by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019, amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital conservation measures (as amended, “**CRD V**”). The CRR II and CRD V introduced a new market risk framework, revisions to the large exposures regime and NSFR. The NSFR is intended to ensure that institutions are not overly reliant on short-term funding. The CRR II’s application is staggered, in accordance with Article 3 of the CRR II, from 27 June 2019 to 28 June 2023. The CRD V amends the CRD IV and required national transposition of the majority of its provisions by 28 December 2020.

Recent developments in the banking market suggest that even stricter rules may be applied by a new framework (“**Basel IV**”), which would require more stringent capital requirements and greater financial disclosure. Basel IV is likely to introduce higher leverage ratios, more detailed disclosure of reserves and the use of standardised models, rather than banks’ internal models, for the calculation of capital requirements. Following the publication of Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD (“**BRRD2**”), credit institutions have also been subject to more burdensome capital and other legal requirements, as these become applicable. The BRRD2 should have been transposed into domestic laws by 28 December 2020. Certain of the BRRD2’s requirements relate to the implementation of the total loss absorbing capacity (“**TLAC**”) standard, applicable from January 2022. The TLAC standard requires global systemically important banks to hold certain ratios of instruments and liabilities (as a percentage of their respective RWA), which should be available during resolution to absorb losses.

Implementation of the TLAC/MREL Requirements was phased-in from 1 January 2019 (a 16 per cent. minimum TLAC requirement) to 1 January 2022 (a 18 per cent. minimum TLAC requirement).

In addition to the above, on 26 January 2021, the European Commission launched a targeted public consultation on technical aspects of a new review of BRRD (“**BRRD III**”), the SRM Regulation (“**SRM III**”), and Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (as amended, “**DGSD II**”). This public consultation was open until 20 April 2021 and split into two main sections: a

section covering the general objectives of the review, and a section seeking technical feedback on stakeholders' experience with the current COVID-19 crisis and framework and the need for changes in the future framework, notably regarding (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on the 'no creditor worse off' principle, and (iii) depositor insurance. Further work will be needed and legislative proposals on this topic are still expected.

Consequently, the Issuer could face more intense and complex regulation, increasing its compliance costs. If the Issuer is required to raise its regulatory capital but is unable to do so on acceptable terms, it may have to reduce its RWA and possibly dispose of core or other non-core businesses in unfavourable terms, including at lower prices. Changes to the manner in which regulatory capital is calculated could adversely affect the Issuer's current capital ratios.

In this context, a new regime that establishes the rules for banking activity (the "**Banking Activity Code**"), which aims to replace the RGICSF and transpose BRRD2 and CRD V has been subject to public consultation and is now under analysis by the Ministry of Finance. The proposed Banking Activity Code introduces changes and/or updates on matters of, among others, internal governance, conflicts of interest and related parties, non-cooperative offshore tax jurisdictions, duties of information and administrative procedures and supervisor enforcement.

The Issuer's continued implementation of these measures may also have a significant impact on its capital and on its assets and liabilities management, as new regulations may restrict or limit the type or volume of transactions in which the Issuer participates, or introduce changes to the fees and commissions charged by the Issuer on certain loans or other products. Any of these events may have a material adverse effect on the Issuer's business, financial condition and on the results of its operations.

#### **The EU has adopted a deposit guarantee scheme directive that may result in additional costs to the BST Group**

On 2 July 2014, Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 providing for the establishment of deposit guarantee schemes (the "**recast DGSD**") and introducing 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 throughout the EU, entered into force. The recast DGSD was transposed into Portuguese law through Law no. 23-A/2015, of 26 March 2015, as amended by Law no. 66/2015, of 6 July 2015.

Regulation (EU) no. 806/2014, as amended, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

As a result of these developments, the BST Group may incur additional costs and liabilities. The indirect costs of the deposit guarantee systems may also be significant, even if they are much lower than the direct contributions to the fund, such 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.

#### **RISKS SPECIFIC TO THE COVERED BONDS**

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

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

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

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

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

It should also be noted that the CBD provides for permanent grandfathering with respect to certain requirements of the new regime for Article 52(4) UCITS Directive-compliant covered bonds issued before 8 July 2022 and includes an option for EU Member States to allow tap issues of grandfathered covered bonds (for up to 24 months after 8 July 2022, which Portugal has elected for under the new legislation), provided that such issues comply with certain prescribed requirements.

Further, in accordance with the transitional provisions of Decree-Law 31/2022, of 6 May 2022, an issuer of covered bonds under the Covered Bonds Law may apply to CMVM, as supervisory authority, to convert its existing covered bonds programme, under the Covered Bonds Law, to a covered bonds programme compliant with the Legal Regime of Covered Bonds, by submitting the application to CMVM together with the adjusted programme documentation and other applicable supporting documents and information. If CMVM authorises such

conversion, the covered bonds issued under the Covered Bonds Law will become subject to the Legal Regime of Covered Bonds and the terms of such compliant covered bonds programme. Until authorisation from the CMVM is provided, the existing covered bonds programme does not fulfil the legal requirements to be considered compliant with the Legal Regime of Covered Bonds. The Legal Regime of Covered Bonds entails significant differences *vis-à-vis* the Covered Bonds Law, notably on the requirements for extension of maturity (including documentation and information requirements and an opposition right of CMVM).

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

**Ratings of the Covered Bonds are not recommendations and ratings may be lowered, withdrawn or qualified**

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The Issuer is under no obligation to maintain any rating for itself or for the Covered Bonds. Ratings may not reflect the potential impact of all risks discussed in this section and any other factors that may affect the value of the Covered Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each securities rating should be evaluated independently of any other securities rating. In the event that any rating initially assigned to the Covered Bonds is subsequently lowered, withdrawn or qualified for any reason, the Issuer will not be obliged to provide any credit facilities or credit enhancement to restore the original rating. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Covered Bonds.

Ratings assigned to the Covered Bonds assess the likelihood of full and timely payment of the interest due on each Interest Payment Date to holders of the Covered Bonds, and of the ultimate payment of principal in relation to the Covered Bonds either on their Final Maturity Date or on the Extended Maturity Date, as applicable. Ratings only address the credit risks associated with the transaction. Other non-credit risks are not addressed, but may have a significant effect on yield for investors. Due to the methodology used by the main rating agencies, the Issuer's credit rating may be affected by the rating of Portugal's sovereign debt. If Portugal's sovereign debt is downgraded, the Issuer's credit rating is likely to be downgraded by an equivalent amount.

In addition, the negative economic impact which may be caused by events such as certain meteorological conditions, natural disasters, fires or widespread health crises or the fear of such crises (such as COVID-19) may result in downgrades to the ratings assigned to the Covered Bonds. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

European regulated institutions are in general restricted from using credit ratings for regulatory purposes in the EEA under the CRA Regulation, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to

transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

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

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

The Issuer has not requested a rating of the Covered Bonds from any rating agency other than the Rating Agencies. However, there can be no assurance as to whether any other rating agency will rate the Covered Bonds and what rating it may assign the Covered Bonds.

### **Absence of a secondary market**

The Covered Bonds may have no established trading market when issued. There can be no assurance that a secondary market for the Covered Bonds will develop or, if it does develop, that it will provide holders of the Covered Bonds with liquidity of investment or that it will continue for the entire life of the Covered Bonds. Consequently, any purchaser of the Covered Bonds may not be able to sell them easily or at prices that will provide a yield comparable to similar investments that already have a developed secondary market. Purchasers of Covered Bonds must be prepared to hold the Covered Bonds until their final redemption. The market price of the Covered Bonds could be subject to fluctuation due to variations in the value of the underlying mortgage-backed credits, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions, among other factors. Prospective investors should also be aware of the prevailing and widely reported global credit market conditions and the general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. Additionally, since the withdrawal process of the UK from the European Union, there has been increased volatility in the capital, currency and credit markets, which has recently been further enhanced by the disruption caused by the COVID-19 pandemic and the ongoing turbulent developments involving Russia and Ukraine.

**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” (including EURIBOR) have been the subject of ongoing national and international regulatory guidance and proposals for reform. Some reforms are already effective whilst others are still to be implemented, with further changes being anticipated. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or to have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds referencing such a benchmark.

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

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Covered Bonds linked to or referencing a benchmark, particularly if the methodology or other terms of the benchmark are changed to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could reduce or increase the rate or level, or affect the volatility of the published rate or level of the relevant benchmark (including EURIBOR).

More broadly, any of the international or national reforms or 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 the associated regulations or requirements. Such factors may (i) discourage market participants from continuing to administer or to contribute to benchmarks; (ii) trigger changes in the rules or methodologies used in benchmarks; (iii) lead to the disappearance of certain benchmarks.

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

Furthermore, to address systemic risk, on 2 February 2021 the Council of the European Union approved the final text of Regulation (EU) 2021/168 amending the EU Benchmarks Regulation as regards the exemption of certain

third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012. The new framework delegates the Commission to designate a replacement for benchmarks qualified as critical under the EU Benchmarks Regulation, where the cessation or wind-down of such benchmarks might significantly disrupt the functioning of financial markets within the EU. In particular, the designation of a replacement for a benchmark should apply to any contract and financial instrument, as defined in MiFID II, that is subject to the law of a Member State. In addition, with respect to supervised entities, Regulation (EU) 2021/168 extends the transitional period for the use of third-country benchmarks until 2023 and the Commission may further extend this period until 2025 by a delegated act to be passed before 15 June 2023. On 10 February 2021, the Council of the European Union adopted Regulation (EU) 2021/168, which was published in the Official Journal on 12 February 2021 and entered into force the following day.

It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forward. This may cause EURIBOR to perform differently than it has done in the past and may have other consequences which cannot be predicted. The potential elimination of benchmarks, such as EURIBOR, the establishment of alternative reference rates or changes in how a benchmark is administered 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 still available in its current form.

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

- (a) any of the reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR) could affect the level and volatility of the published rate;
- (b) the elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the interest calculation provisions of the Terms and Conditions, 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 the potential effects of such changes may adversely affect such benchmarks 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 those benchmarks; 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 Euro-zone 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 or any other significant change to EURIBOR or any other interest rate benchmark

could have a material adverse effect on the value or liquidity of, and the amount payable under, the 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 when making any investment decision with respect to the Covered Bonds. Investors in Floating Rate Covered Bonds which reference EURIBOR or any other relevant interest rate benchmark should be mindful of the interest rate fallback 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 linked to EURIBOR or any other relevant interest rate benchmark.

### **Legal risk**

The Covered Bonds Law was passed in 2006 and came into force on 20 March 2006. The Issuer was one of the first Portuguese credit institutions to set up a covered bonds programme under the Covered Bonds Law. The protection afforded to holders of Covered Bonds, by means of the special creditor privilege on the Cover Pool, is based exclusively on the Covered Bonds Law and has not yet been judicially challenged. Additionally, the Covered Bonds Law was not subject to amendment following the entry into force of the resolution legal framework currently applicable and provided for in the RGICSF, thus creating uncertainty as to the impact on the Cover Pool in the event of the Issuer's resolution, notably if the applicable resolution measure leads to the Cover Pool being transferred to an entity which does not have the capacity to replace assets forming part of the Cover Pool that may be required to be replaced for any legal or regulatory reason. The Terms and Conditions 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 Law, or administrative practice after the date of issue of the relevant Covered Bonds.

### **Covered Bonds may be subject to an Extended Maturity feature**

Unless the rating provided by the Rating Agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, an Extended Maturity Date will 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 and the Issuer fails to redeem at par all those Covered Bonds in full on the Maturity Date, the maturity of the Principal Amount Outstanding of the Covered Bonds will automatically be extended on a monthly basis for up to one year to the Extended Maturity Date, subject as otherwise provided in the applicable Final Terms. In that event, the Issuer may redeem at par all or part of the Principal Amount Outstanding of those Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, subject as otherwise provided in the applicable Final Terms. In that event also, the interest payable on the Principal Amount Outstanding of those Covered Bonds will change as provided in the applicable Final Terms and such interest may apply on a fixed or floating basis. The extension of maturity of the Principal Amount Outstanding of those Covered Bonds from the Maturity Date to the Extended Maturity Date will not entitle the holders of Covered Bonds to accelerate payments on those Covered

Bonds or constitute an event of default for any purpose, and no payment will be due to the holders of Covered Bonds in that event 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.

**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 Law establishes that the Common Representative and any Hedge Counterparties, at the date hereof and in the future, are also preferred creditors of the Issuer and benefit from the abovementioned special creditor privilege. 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 those of other holders of Covered Bonds or of Other Preferred Creditors of the Issuer at the date hereof or in the future.

**The Terms and Conditions provide that the Issuer may vary the Terms and Conditions in respect of a Successor Rate or an Alternative Reference Rate as determined by an Independent Adviser without any requirement for consent or approval by 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 potential reforms, may cause the benchmark or screen rate to perform differently from in the past, 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 value of and return on the Covered Bonds and the trading market for securities referencing such benchmark or screen rate.

The Terms and Conditions also provide for certain fall-back arrangements in the event that a Benchmark Event occurs in relation to Covered Bonds for which Screen Rate Determination applies. Either (i) the Issuer will appoint an Independent Adviser to determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the Original Reference Rate (and in either case, the applicable Adjustment Spread); or (ii) if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed is unable to determine the relevant rates, the Issuer may (after consulting with the Independent Adviser (if any)) determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the Original Reference Rate (and in either case, the applicable Adjustment Spread). The use of any such Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) 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 have performed had the Original Reference Rate continued to apply.

Furthermore, if a Successor Rate or Alternative Reference Rate (and in either case, the applicable Adjustment

Spread) 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 by the holders of the Covered Bonds.

There is no guarantee that any Adjustment Spread will be effective in reducing or eliminating any economic prejudice or benefit to holders of the Covered Bonds or that, due to the particular circumstances of each holder of the Covered Bonds, any such adjustment will be favourable to each holder. 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 last observed on the Relevant Screen Page.

Investors should consult their own independent advisers and make their own assessment about the potential risks presented by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions when making any investment decision with respect to Covered Bonds linked to or referencing a benchmark.

#### **Eligibility of the Covered Bonds for Eurosystem Monetary Policy**

Covered Bonds may be intended to be held in a manner which will allow for Eurosystem eligibility, if so specified in the applicable Final Terms. However, this does not mean that they will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (“**Eurosystem Eligible Collateral**”), either upon issue or at any other time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the ECB. If the Covered Bonds do not satisfy these 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.

#### **RISKS SPECIFIC TO THE COVER POOL**

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

The Cover Pool may contain mortgage credits, other eligible assets, substitution assets and hedging contracts, in all cases subject to the limitations provided for in the Covered Bonds Law. At the date hereof, the Cover Pool contains mortgage credits and may also contain other eligible assets and hedging contracts in accordance with the Covered Bonds Law.

The Covered Bonds Law permits the composition of the Cover Pool to be dynamic. Accordingly, the composition of mortgage credits (and other permitted assets) comprised in the Cover Pool will change from time to time, in accordance with the Covered Bonds Law. See *The Covered Bonds Law*.

### **Other Assets**

The Covered Bonds Law permits the inclusion in the Cover Pool of other eligible assets and hedging contracts subject to certain restrictions under the Covered Bonds Law. The aggregate amount of other eligible assets cannot exceed 20 per cent. of the total value of the mortgage credits and other eligible assets comprised in the Cover Pool. See *Characteristics of the Cover Pool*.

### **Hedging Contracts**

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

### **Risks relating to the effects of depreciation in the value of the relevant property on the Cover Pool**

As described 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, amongst other things, a decline in the value of the relevant property and no assurance can be given in this regard.

A situation where a mortgage must be enforced to pay the holders of Covered Bonds is, however, highly unlikely because the Covered Bonds Law establishes that any mortgage credits delinquent for over 90 days must be substituted.

### **Amortisation of Mortgage Credits**

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

### **No independent investigation in relation to the assets in the Cover Pool**

Neither the Dealers nor the Arranger have 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 the representations and warranties provided by the Issuer in the Programme Agreement.

## **OTHER RISKS, INCLUDING RISKS RELATED TO ADMINISTRATIVE MATTERS**

**In respect of any Covered Bonds issued as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor**

The Final Terms relating to any specific issue of Covered Bonds may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Covered Bonds specifically towards environmentally sustainable projects, eligible in accordance with criteria aligned with those recognised by Green Bond Principles administered by the International Capital Market Association and duly reviewed in accordance with the market standard principles. Prospective investors should determine the relevance of such information for the purpose of any investment in such Covered Bonds together with any other investigation such investors deem necessary. In particular no assurance is given by the Issuer or any of the Dealers that the use of such proceeds towards environmentally sustainable projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses.

It should be noted that the definition (legal, regulatory or otherwise) of, and market consensus as to what constitutes a "green" or an equivalently labelled use or as to what precise attributes are required for a particular use to be defined as "green" or a loan that may finance such activity, and the requirements of any such label are currently under development. On 18 December 2019, the Council and the European Parliament reached a political agreement on a regulation to establish a framework to facilitate sustainable investment and on 22 June 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the "**Taxonomy Regulation**") was published in the Official Journal of the European Union and entered into force on 12 July 2020.

The Taxonomy Regulation tasks the European Commission with establishing the actual list of environmentally sustainable activities by defining technical screening criteria for each of the six environmental objectives through delegated acts. A first delegated act on sustainable activities for the first two objectives (i.e., climate change mitigation and climate change adaptation) was published on 21 April 2021 and formally adopted on 4 June 2021. On 9 December 2021, the Commission Delegated Regulation (EU) 2021/2139 concerning the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation was published in the Official Journal of the EU.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion, rating or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Covered Bonds as Green Bonds and in particular with any projects to fulfil any environmental, sustainability, social and/or other criteria. The Dealers have not undertaken, nor are they responsible for, any assessment or verification of any environmentally sustainable projects and their impact or monitoring of the use of proceeds of any such Covered Bonds (or amounts equal thereto). For the

avoidance of doubt, any such opinion, rating or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion, rating or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealer(s) or any other person to buy, sell or hold any such Covered Bonds. Any such opinion, rating or certification is only current as of the date that opinion, rating or certification was initially issued or given. Prospective investors must determine for themselves the relevance of any such opinion, rating or certification and/or the information contained therein and/or the provider of such opinion, rating or certification for the purpose of any investment in such Covered Bonds. Currently, the providers of such opinions, ratings and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Covered Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, Green Bonds. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and no representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained.

While it is the intention of the Issuer to apply the proceeds (or an amount equal to it) of the Covered Bonds so specified for environmentally sustainable projects, eligible in accordance with criteria aligned with those recognised by Green Bond Principles administered by the International Capital Market Association and duly reviewed in accordance with the market standard principles, there can be no assurance that the relevant project(s) or asset(s) or use(s) will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for or towards such projects. Nor can there be any assurance that such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure to apply an amount equal to the proceeds of any issue of Green Bonds for environmentally sustainable projects, defaults in relation to such projects or its assets, or failure to obtain and publish any such opinions, ratings and certifications, will not constitute an event of default under the relevant Green Bonds nor give rise to any other claim of an investor in such Green Bonds against the Issuer. No assurance or representation is given that the life of any such Covered Bonds and the duration of the relevant projects will be aligned. Any of the events described above may have a material adverse effect on the value of such Covered Bonds, result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose and/or limit the Issuer's access to market relating to "green" or other equivalently labelled instruments.

## RESPONSIBILITY STATEMENTS

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation, providing information on the Issuer and the Covered Bonds which, according to their respective nature, is necessary to enable investors to make an informed assessment of the Issuer's assets and liabilities, financial position, profit and losses, and prospects, as well as of the features and characteristics of the Covered Bonds. This Base Prospectus is not a prospectus for the purposes of section 12(a)(2) or any other provision of the US Securities Act.

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

Third party information has been included in this Base Prospectus. Where such third party information has been used, the source of such information has been specified. The Issuer confirms that such information has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 its Board of Directors, the members of its Audit Committee and PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. ("**PwC**"), are responsible for the information contained in this Base Prospectus and each of them declares that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus for which it is responsible pursuant to the aforementioned Articles is in accordance with the facts and contains no omissions likely to affect the import of such information.

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

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 Board of Directors, its Audit Committee or PwC 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.

This Base Prospectus is to be read in conjunction with all documents deemed to be incorporated herein by reference (see *Documents Incorporated by Reference*). This Base Prospectus shall be read and construed, and any decision to invest in the Covered Bonds should be made, on the basis that such documents are so incorporated and form part of this Base Prospectus as a whole.

Other than in relation to the documents deemed to be incorporated by reference (see *Documents Incorporated by Reference*), the information found on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CMVM.

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 Programme or 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 in *Overview of the Covered Bonds 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 after the date hereof or after the date on which this Base Prospectus has been most recently supplemented, or that any other information supplied in connection with the Programme is correct as of or as at any time subsequent to the date indicated in the document containing such information.

If, between the date of this Base Prospectus and the closing date of any offer or the date of any admission to trading made thereunder, any new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus occurs, or if the Issuer becomes aware of a previously existing fact not disclosed in this Base Prospectus, any of which may affect the assessment of any Covered Bonds, the Issuer will prepare a supplement to this Base Prospectus.

The Arranger, the Common Representative and the Dealers expressly refrain from undertaking any review of the financial condition or affairs of the Issuer during the life of the Programme and from advising any investor in the Covered Bonds of any information coming to their attention. Investors should review, amongst other things, the most recent financial statements, if any, of the Issuer when deciding whether or not to purchase any Covered Bonds.

*Important information relating to the use of this Base Prospectus and the sale or offer of the Covered Bonds generally*

This Base Prospectus or any Final Terms 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 such 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 by the Issuer for the CMVM's approval 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 country or 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 sales made 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 EEA (including, among other countries, Belgium), the UK, Switzerland, Singapore and Japan. See Subscription and Sale and Secondary Market Arrangements.

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

No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. The Dealers expressly do not undertake to review the Issuer's financial condition or affairs during the life of the Programme

or to advise any investor in Covered Bonds issued under the Programme of any information coming to their attention. Each investor contemplating purchasing any Covered Bonds should: (i) determine for itself the relevance of the information contained or incorporated by reference in this Base Prospectus, (ii) make its own independent investigation of the Issuer's financial condition and affairs, and assessment of the Issuer's creditworthiness, and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, considering its own investment objectives and experience, as well as any other factors relevant to such an investment, in each case, based upon such investigation as it deems necessary.

This Base Prospectus has been prepared on the basis that, other than to the extent sub-paragraph (ii) below may apply, any offer of Covered Bonds in any Member State of the EEA 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 Member State of the EEA of Covered Bonds which are the subject of a placement contemplated in this Base Prospectus, as completed by the 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 or supplement a prospectus pursuant to, respectively, Articles 3 and 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 Member State of the EEA or, where appropriate, approved in another Member State of the EEA and notified to the competent authority in that Member State of the EEA 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 Member State of the EEA and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or its 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.

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents as disclosed in English language shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (i) the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2020, together with the auditors' reports prepared in connection therewith (available at [www.santander.pt](http://www.santander.pt) and at [www.cmvm.pt](http://www.cmvm.pt)), including the information set out at the following pages in particular:

Alternative Performance Indicators	Pages 61 to 63 (out of 258)
Consolidated financial statements	Pages 103 to 108 (out of 258)
Consolidated balance sheet statement as of December 31, 2020 and 2019	Page 104 (out of 258)
Consolidated statement of profit or loss as of December 31, 2020 and 2019	Page 105 (out of 258)
Consolidated statement of comprehensive income as of December 31, 2020 and 2019	Page 106 (out of 258)
Consolidated statement of changes in shareholders' equity for the periods ended December 31, 2020 and 2019	Page 107 (out of 258)
Consolidated statements of cash flows for the years ended December 31, 2020 and 2019	Page 108 (out of 258)
Notes to the consolidated financial statements	Pages 109 to 245 (out of 258)
Reports and opinions on the consolidated business	Pages 246 to 257 (out of 258)

- (ii) the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2021, together with the auditors' reports prepared in connection therewith (available at [www.santander.pt](http://www.santander.pt) and at [www.cmvm.pt](http://www.cmvm.pt)) (the "2021 Annual Report"), including the information set out at the following pages in particular:

Alternative Performance Indicators	Pages 70 to 72 (out of 282)
Consolidated financial statements	Pages 117 to 122 (out of 282)
Consolidated statement of financial position as of December 31, 2021 and 2020	Page 118 (out of 282)
Consolidated statement of profit or loss as of December 31,	Page 119 (out of 282)

2021 and 2020

Consolidated statement of other comprehensive income as of December 31, 2021 and 2020 Page 120 (out of 282)

Consolidated statement of changes in shareholders' equity for the periods ended December 31, 2021 and 2020 Page 121 (out of 282)

Consolidated statements of cash flows for the years ended December 31, 2021 and 2020 Page 122 (out of 282)

Notes to the consolidated financial statements Pages 123 to 268 (out of 282)

Reports and opinions on the consolidated business Pages 269 to 281 (out of 282)

- (iii) the bylaws (including an English language translation thereof) of the Issuer (available at <https://www.santander.pt/pdfs/investor-relations/santander-totta-sa/governo-sociedade/contrato-sociedade/Estatutos-BST-Ingles.pdf>).
- (iv) the Terms and Conditions of the Covered Bonds contained in the previous Base Prospectuses dated 14 August 2014, as supplemented, 29 July 2015, as supplemented, 14 July 2016, as supplemented, 19 July 2017, as supplemented, 26 July 2018, 31 May 2019, 29 May 2020 and 20 May 2021, as supplemented.

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

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CMVM in accordance with Articles 3 and 23, respectively, of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

## FORM OF THE COVERED BONDS AND CLEARING SYSTEM

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

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

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

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

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

### *General*

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

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

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

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

Covered Bonds will be attributed an International Securities Identification Number (“**ISIN**”) code through the codification system of Interbolsa and will be accepted for clearing through LCH. Clearnet, S.A., the clearing system operated at Interbolsa as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Interbolsa’s settlement system. Under the procedures of Interbolsa’s settlement system, settlement of stock exchange transactions takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place on the settlement date. Covered Bonds may be attributed Financial Instrument Short Name (“**FISN**”), Classification of Financial Instruments (“**CFI**”) code and/or other securities identifier, which will be contained in the Final Terms relating thereto.

#### *Form of the Covered Bonds*

The Covered Bonds of each Series will be in 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 Interbolsa. The Covered Bonds will be nominative Covered Bonds (*nominativas*).

The Covered Bonds of each Series will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa 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 Affiliate Members of Interbolsa. The expression “**Affiliate Member of Interbolsa**” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Covered Bonds shall be treated as the holder of the principal amount of the Covered Bonds recorded therein.

Registering the Covered Bonds with Interbolsa does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for the Eurosystem monetary policy and intra-day 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 Interbolsa*

Payment in respect of the Covered Bonds of principal and interest (i) in Euros will be (a) credited, according to the procedures and regulations of Interbolsa, to TARGET2 payment current accounts held in the payment system of TARGET2 according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the

accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) in currencies other than Euro will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by CGD, to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

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

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

The Paying Agent notifies Interbolsa of the amounts to be paid for payments to be processed in accordance with Interbolsa procedures and regulations. In the case of a partial payment, the amount held in the TARGET 2 current account of the Paying Agent must be apportioned pro-rata between the accounts of the Affiliate Members of Interbolsa.

#### *Transfer of Covered Bonds*

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

## FINAL TERMS 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:

Final Terms dated [●].

### [PROHIBITION OF SALES TO EEA 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 (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”), (b) 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 (recast), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) 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 has been prepared and, therefore, offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA might be unlawful under the PRIIPs Regulation.]<sup>1</sup>*

### [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 (“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 UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”), (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Covered Bonds or otherwise making*

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<sup>1</sup> Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute “packaged” products and no key information document will be prepared in the EEA or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

*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.]<sup>2</sup>*

**[MiFID II PRODUCT GOVERNANCE – PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

*Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in 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.]<sup>3</sup>*

**[UK MiFIR PRODUCT GOVERNANCE – PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

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

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<sup>2</sup> Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute “packaged” products and no key information document will be prepared in the UK or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>3</sup> Legend to be included on front of the Final Terms, to outline the product approval process of any applicable EU MiFID manufacturer.

manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>4</sup>

**[NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE** (as amended or modified from time to time, the “SFA”) - [Insert notice if classification of the Covered Bonds is not “prescribed capital markets products”, pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)].<sup>5</sup>

Banco Santander Totta, S.A.

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

under the EUR 12,500,000,000 Covered Bonds Programme

**THE COVERED BONDS (AS DESCRIBED HEREIN) ARE MORTGAGE COVERED BONDS ISSUED IN ACCORDANCE WITH DECREE-LAW 59/2006, OF 20 MARCH 2006 (THE “COVERED BONDS LAW”). THE ISSUER HAS THE CAPACITY TO ISSUE COVERED BONDS IN ACCORDANCE WITH THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS ARE SECURED BY THE COVER POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW.**

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

#### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 25 May 2022 [and the supplement dated [●]] (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 (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 so supplemented] in order to obtain all the relevant information. The Base Prospectus [as supplemented] is available for viewing at Banco Santander Totta, S.A., Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, and copies may be obtained from the same address. A copy of the Base Prospectus [and any supplements thereto] [is] [are] available

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<sup>4</sup> Legend to be included on front of the Final Terms, to outline the product approval process of any applicable UK MiFIR manufacturer.

<sup>5</sup> Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

for viewing at [www.cmvm.pt](http://www.cmvm.pt) and [www.santander.pt](http://www.santander.pt). A copy of these Final Terms is available for viewing at <https://www.santander.pt/institucional/investor-relations/santander-totta-sa/emissao-de-divida>.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under any previous base prospectus whose terms and conditions are incorporated by reference herein as so supplemented or any other subsequent base prospectus.]*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the base prospectus dated [*original date*], as supplemented, which is incorporated by reference in the Base Prospectus dated 25 May 2022 [and the supplement dated [●]] (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 (the “**Prospectus Regulation**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus and these Final Terms are available for viewing at Banco Santander Totta, S.A., Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, and copies may be obtained from the same address. A copy of the Base Prospectus [and any supplements thereto] [is] [are] available for viewing at [www.cmvm.pt](http://www.cmvm.pt) and [www.santander.pt](http://www.santander.pt). A copy of these Final Terms is available for viewing at <https://www.santander.pt/institucional/investor-relations/santander-totta-sa/emissao-de-divida>.

*[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.]*

*[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:  | Banco Santander Totta, S.A.  |
|    | (i) Series Number:                             | [●]  |
|    | (ii) Tranche Number:                           | [●]  |
|    |  | <i>(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.)</i> |
| 2. | Specified Currency or Currencies:              | [●]  |
|    | (i) Aggregate Nominal Amount of Covered Bonds: |  |
|    | (a) Series:                                    | [●]  |

- (b) Tranche: [●]
- (ii) Specify whether Covered Bonds are to be admitted to trading: [Yes (if so, specify each Series/Tranche)/No]
- (iii) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
3. Specified Denominations: [●]
- (i) Issue Date: [●]
- (ii) [Interest Commencement Date]: [specify if different from the Issue Date/Issue Date/Not Applicable]
- (NB: An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)*
4. Maturity Date: [specify date (for Fixed Rate Covered Bonds) or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]
- (NB: Maturity Date should not be less than 2 years from the Issue Date.)*
5. Extended Maturity Date: [Applicable/Not Applicable]
- [insert date] (If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable").
- (Extended Maturity Date must be Applicable to all issues of Covered Bonds, unless, the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable)*
6. Interest Basis:
- (i) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]
- [EURIBOR] +/- Margin
- [Margin = [●] per cent.]
- [Zero Coupon]
- (further particulars specified below)
- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] /
- [[●] per cent. Fixed Rate]
- [EURIBOR] +/- Margin
- [Margin = [●] per cent.]

- [Zero Coupon]  
(further particulars specified below)  
*[Insert "Not Applicable" only if Extended Maturity Date does not apply]*
7. Redemption/Payment Basis: [Redemption at par]  
[Other (*specify*)]
8. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for change of Covered Bonds into another Interest or Redemption/ Payment Basis]*
9. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[[further particulars specified below]]
- (i) Status of the Covered Bonds: The Covered Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other mortgage covered bonds issued or to be issued by the Issuer. The Covered Bonds will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law.
- (ii) [Date [Board] approval for issuance of Covered Bonds obtained]: [•]  
*(NB: Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds)*
10. Method of distribution: [Syndicated/Non-syndicated]
11. Listing/Admission to Regulated Market: [Euronext Lisbon /Other (*specify*)/None]

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

12. Fixed Rate Covered Bonds Provisions
- To Maturity Date: [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: [●] per cent. *per annum* [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent. *per annum* [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]  
*(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: [[●] in each year up to and including the Maturity Date / [other (*specify*)]]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable][[●] in each month up to and including the Extended Maturity Date]/[other (*specify*)]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.)*  
*(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount [(s)]:
- To Maturity Date: [[●] 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: *[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: [30/360 or Actual/Actual (ICMA)/Other (*specify*)]



- Maturity Date: Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other *(give details)* (State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)
- (iii) Additional Business Centre(s):
- To Maturity Date: [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)*
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined:
- To Maturity Date: [Screen Rate Determination/ISDA Determination]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/[Screen Rate Determination/ISDA Determination]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)*
- (v) Party responsible for calculating the Rate of Interest and Interest Amount:
- To Maturity Date: [Banco Santander Totta, S.A./[●]]  
*[Elect and fill-in the second alternative only if a Calculation Agent has been appointed other than the Agent]*
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/[Banco Santander Totta, S.A./[●]]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date, in which case the last alternative shall be elected and filled-in if a Calculation Agent has been appointed other than the Agent.)*
- (vi) Screen Rate Determination:
- A. To Maturity Date:
- Reference Rate: [●]

- Interest Determination Date: [●] *(Second day on which the TARGET2 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)*
- B. From Maturity Date up to Extended Maturity Date: [Not Applicable]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)*
- Reference Rate: [●]
  - Interest Determination Date: [●] *(Second day on which the TARGET2 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: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph.)*  
*(If applicable, and “2021 ISDA Definitions” is selected below, note that “Administrator/Benchmark Event”, “Generic Fallbacks” and “Calculation Agent Alternative Rate Determination” are not workable in a notes context. Amendments will therefore need to be made to the Terms and Conditions which will require a Prospectus Regulation drawdown prospectus for the issue.)*
- A. To Maturity Date:
- ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
  - Floating Rate Option: [●]  
*(If “2021 ISDA Definitions” is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions).)*
  - Designated Maturity: [●]/[Not Applicable]  
*(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate.)*
  - Reset Date: [●]  
*(In the case of a EURIBOR based option, the first day of*

*the Interest Period.)*

- Compounding: [Applicable/Not Applicable]  
*(If not applicable, delete the following item 'Compounding Method'.)*
  
- Compounding Method: [Compounding with Lookback  
  
Lookback: [[Specify] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
[Compounding with Observation Period Shift  
  
Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
Observation Period Shift Additional Business Days: [Specify]/[Not Applicable]]  
  
[Compounding with Lockout  
  
Lockout: [[Specify] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
Lockout Period Business Days: [Specify]/[Applicable Business Days]]
  
- Averaging: [Applicable/Not Applicable]  
*(If not applicable, delete the following item 'Averaging Method'.)*
  
- Averaging Method: [Averaging with Lookback  
  
Lookback: [[Specify] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
[Averaging with Observation Period Shift  
  
Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]

	Observation Period Shift Additional Business Days: [Specify]/[Not Applicable]
	[Averaging with Lockout]
	Lockout: [[Specify] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]
	Lockout Period Business Days: [Specify]/[Applicable Business Days]
• Index:	[Applicable/Not Applicable]  <i>(If not applicable, delete the following item 'Index Method'.)</i>
• Index Method:	Compounded Index Method with Observation Period Shift  Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]
	Observation Period Shift Additional Business Days: [Specify]/[Not Applicable]
B. From Maturity Date up to Extended Maturity Date:	[Not Applicable]  <i>(State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)</i>
• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
• Floating Rate Option:	[•]  <i>(If "2021 ISDA Definitions" is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions).)</i>
• Designated Maturity:	[•]/[Not Applicable]  <i>(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate.)</i>
• Reset Date:	[•]  <i>(In the case of a EURIBOR based option, the first day of</i>

*the Interest Period.)*

- Compounding: [Applicable/Not Applicable]  
*(If not applicable, delete the following item 'Compounding Method'.)*
  
- Compounding Method: [Compounding with Lookback  
  
Lookback: [[Specify] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
[Compounding with Observation Period Shift  
  
Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]  
  
Observation Period Shift Additional Business Days: [Specify]/[Not Applicable]]  
  
[Compounding with Lockout  
  
Lockout: [[Specify] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]  
  
Lockout Period Business Days: [Specify]/[Applicable Business Days]]
  
- Averaging: [Applicable/Not Applicable]  
*(If not applicable, delete the following item 'Averaging Method'.)*
  
- Averaging Method: [Averaging with Lookback  
  
Lookback: [[Specify] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
  
[Averaging with Observation Period Shift  
  
Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Observation Period Shift Additional Business Days:  
[Specify]/[Not Applicable]]

[Averaging with Lockout

Lockout: [[Specify] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Lockout Period Business Days: [Specify]/[Applicable Business Days]]

• Index: [Applicable/Not Applicable]  
*(If not applicable, delete the following item 'Index Method'.)*

• Index Method: Compounded Index Method with Observation Period Shift

Observation Period Shift: [[Specify] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Observation Period Shift Additional Business Days:  
[Specify]/[Not Applicable]]

(viii) Margin(s):

- To Maturity Date: [+/-] [●] per cent. *per annum*
- From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [+/-] [●] per cent. *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: [●] per cent. *per annum*
- From Maturity Date up to Extended Maturity Date: [Not Applicable]/[●] per cent. *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: [●] per cent. *per annum*

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/[●] per cent. *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: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(see Condition 4 (*Interest*) for alternatives)
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/  
[Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360 (ISDA)  
30E/360  
Other] (see Condition 4 (*Interest*) for alternatives)  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)*
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Terms and Conditions:
- To Maturity Date: [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/[●]  
*(State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.)*

14. Zero Coupon Covered Bonds Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [●] per cent. *per annum*
  - (ii) Reference Price: [●]
  - (iii) Any other formula/basis of determining amount payable: [●]
  - (iv) Day Count Fraction in relation to late payment: [Condition 6.6 applies/Other *(specify)*]  
*(consider applicable day count fraction if not U.S. dollar denominated)*

**PROVISIONS RELATING TO REDEMPTION**

15. 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 and method, if any, of calculation of such amount(s): [●] 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)*
16. 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 and method, if any, of calculation of such amount(s): [●] 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)*

17. Final Redemption Amount of each Covered Bond: [●] per Covered Bond of [●] Specified Denomination
18. [Early Redemption Amount of each Covered Bond payable on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6 (*Redemption and Purchase*))]: (NB: *The Final Redemption Amount shall correspond at least to the nominal amount*)  
[Applicable/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

19. Form of Covered Bonds: Book-Entry form (*forma escritural*)  
Nominative form (*nominativas*)
20. Other final terms: [Not Applicable/*give details*]  
*(When adding on any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)*

**DISTRIBUTION**

21. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Date of [Subscription] Agreement: [●]  
(iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]  
(iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name and date of relevant agreement*]
22. U.S. Selling Restrictions: [Not Applicable/*give details*]
23. Additional selling restrictions: [Not Applicable/*give details*]
24. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Covered Bonds clearly do not constitute “packaged” products or the Covered Bonds do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no KID will be prepared in the EEA, “Applicable” should be specified)*

25. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]  
*(If the Covered Bonds clearly do not constitute “packaged” products or the Covered Bonds do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no KID will be prepared in the UK, “Applicable” should be specified)*
26. Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]  
*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms for issue and admission to trading on the regulated market of Euronext Lisbon. The Base Prospectus and the form of Final Terms allows for admission to trading on other regulated markets of the Covered Bonds described herein pursuant to the EUR 12,500,000,000 Covered Bonds Programme of Banco Santander Totta, S.A.

### **RESPONSIBILITY**

The Issuer is responsible for the information contained in these Final Terms. 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

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

### 2. Ratings

Ratings: The Covered Bonds to be issued [have been]/[are expected to be] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. Each of [*defined terms*] is established in the [European Economic Area (“**EEA**”) / United Kingdom (“**UK**”)] and is registered under [Regulation (EC) no. 1060/2009, as amended (the “**CRA Regulation**”) / Regulation (EC) no. 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”)]:

[Moody’s: [●]]

[Fitch: [●]]

[DBRS:[●]]

[Other: [●]]

*(The above disclosure should reflect the rating allocated to the Covered Bonds being issued.)*

*[[Insert credit rating agency] is established in the [EEA / UK] and is registered under the [CRA Regulation / UK CRA Regulation.]*

*However, the ratings [[have been]/[are expected to be]] endorsed by [*insert the name of the relevant EEA / UK entity*] in accordance with the [CRA Regulation / UK CRA Regulation]. [*Insert the name of the relevant EEA / UK entity*] is established in the [EEA / UK] and registered under the [CRA Regulation / UK CRA Regulation].*

*[Insert 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 Issuer 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. **Reasons for the Offer, Estimated Net Proceeds (Issue Price minus the fees payable to the Managers/Dealers) and Estimated Total Expenses (the total expenses relating to admission to trading and the fees payable to the Managers/Dealers)**

[(i) Reasons for the offer: [See "Use of Proceeds" in the Base Prospectus / Give Details]

*(See "Use of Proceeds" wording in the Base Prospectus if reasons for the offer differ from what is disclosed in the Base Prospectus, give details)]*

[(ii) Estimated net proceeds: [●]

[(iii) Estimated total expenses: [●]

### 5. **Yield**

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.

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

### 6. **Operational Information**

ISIN Code: [●]

Common Code:	<input type="checkbox"/>
CFI:	<input type="checkbox"/> /[Not Applicable]
FISN:	<input type="checkbox"/> /[Not Applicable]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	<input type="checkbox"/>
Intended to be held in a manner which would allow Eurosystem eligibility:	<input type="checkbox"/> [Yes] <input type="checkbox"/> [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 above]

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds. The applicable Final Terms in relation to any Tranche of Covered Bonds shall complete the following Terms and Conditions for the purpose of such Covered Bonds. 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 MORTGAGE COVERED BONDS (OBRIGAÇÕES HIPOTECÁRIAS) ISSUED IN ACCORDANCE WITH THE COVERED BONDS LAW (AS DEFINED IN THESE TERMS AND CONDITIONS). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) IS A CREDIT INSTITUTION WITH THE CAPACITY TO ISSUE COVERED BONDS PURSUANT TO THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS LAW ARE SECURED BY THE ASSETS THAT COMPRISE THE COVER POOL (AS DEFINED BELOW) MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW.**

This Covered Bond is one of a Series (as defined below) of mortgage covered bonds issued by Banco Santander Totta, 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 the book-entries corresponding to the units of the lowest 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, the “**Set of Agency Procedures**”) dated 4 April 2008 and made and agreed by Banco Santander Totta, 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 the persons in whose name the Covered Bonds are registered in the relevant securities account held with Interbolsa.

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

Copies of the Set of Agency Procedures are (i) available for inspection or collection during normal business hours at the specified office of each of the Paying Agents (such Paying Agents together referred to as the “**Agents**”) or (ii) may be provided by email to holders of Covered Bonds following their prior written request to any of the Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). 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 where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the 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) and remain available for payment against presentation of the relevant Covered Bonds;
- (c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions; and
- (d) those Covered Bonds which have become prescribed under these Terms and Conditions.

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

The Covered Bonds are in nominative form (*nominativas*) and in the Specified Currency and the Specified Denomination(s), 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 will be held through Interbolsa and will be held in book-entry form (*forma escritural*) 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 Affiliate Member of Interbolsa as having an interest in Covered Bonds shall be treated as the holder of the principal amount of the Covered Bonds recorded therein.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond, depending upon the Interest Basis shown and as specified 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 and Zero Coupon Covered Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Covered Bonds or Floating Rate Covered Bonds in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

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

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

The transferability of the Covered Bonds is not restricted.

Covered Bonds may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Covered Bond. 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.

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

## **4. INTEREST**

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

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

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment

Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified. As used in these Terms and Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1 (*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 most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - 2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

- (i) **“Determination Period”** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); 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 or the relevant payment date if the Covered Bonds become payable on a date other than an 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(A)(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 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 London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars shall be Sydney or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(B) *Rate of Interest*

*Floating Rate Covered Bonds*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms, provided that (as set out below and detailed in the relevant Final Terms) the relevant rate of interest will be equal to the relevant

reference rate plus or minus (as the case may be) the relevant Margin.

(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;
3. if the applicable Floating Rate Option is based on the Eurozone inter-bank offered rate (EURIBOR) for a currency, the relevant Reset Date is the first day of that Interest Period;
4. if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following as specified in the applicable Final Terms:
  - (a) Compounding with Lookback;
  - (b) Compounding with Observation Period Shift; or
  - (c) Compounding with Lockout; and
5. if the Floating Rate Option is a Compounded Index Floating Rate Option, the Index Method is Compounded Index Method with Observation Period Shift as specified in the applicable Final Terms.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the

applicable Final Terms.

For the purposes of this sub-paragraph 4.2(B), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**”, “**Overnight Floating Rate Option**”, “**Overnight Rate Compounding Method**”, “**Compounding with Lookback**”, “**Compounding with Observation Period Shift**”, “**Compounding with Lockout**”, “**Averaging with Lookback**”, “**Averaging with Observation Period Shift**”, “**Averaging with Lockout**”, “**Compounded Index Floating Rate Option**”, “**Index Method**” and “**Compounded Index Method with Observation Period Shift**” 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 specify 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.

If, for the purposes of the calculations described above, the Relevant Screen Page is not available or if no offered quotations appear thereon, the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent so specified shall request each of the Reference Banks to provide it with its offered quotation (expressed as a percentage rate *per annum*) for the Reference Rate at 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date (as specified in the applicable Final Terms) in question. If two or more of the Reference Banks provide it with such offered quotations, the Rate of Interest for such Interest

Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent.

If on any Interest Determination Date, one only or none of the Reference Banks provides the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate *per annum* which the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the above specified time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Eurozone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the above specified time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, it is quoting to leading banks in the Eurozone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined on the Interest Determination Date for the last preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

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

If the applicable Final Terms specify 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 paragraph (B) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify 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 paragraph (B) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

The Agent or, where the applicable Final Terms specify 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 specify 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, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (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, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

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

The Agent, or where the applicable Final Terms specify 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 paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(F) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (*Interest on Floating Rate Covered Bonds*), whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of negligence, 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 unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until (i) the date on which all amounts due in respect of such Covered Bond have been paid; and (ii) 5 days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Agent, and notice to that effect has been given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

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

(A) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*), the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 4.3 (*Accrual of interest*). In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 4.4(B) on the Principal Amount Outstanding of the Covered Bonds in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of

Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the Principal Amount Outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent so specified, 2 Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

- (C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*) the Principal Amount Outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date 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 to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within 2 Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*).

#### **4.5 Benchmark Replacement**

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

- (A) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint at its own expense an Independent Adviser to determine (without any requirement for the consent or approval of the holders of the Covered Bonds), no later than 10 days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or the relevant component part thereof) is otherwise to be determined by reference to the Original Reference Rate (the “**IA Determination Cut-Off Date**”), (A) a Successor Rate or, failing which, an Alternative Reference Rate, for the purposes of determining each relevant Rate of Interest (or the

relevant component part thereof) applicable to the Covered Bonds and (B) in either case, an Adjustment Spread. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or the applicable Adjustment Spread, the Independent Adviser will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

- (B) if the Issuer (i) is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Reference Rate in accordance with this Condition 4.5, in either case prior to the relevant IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Adviser in the event one has been appointed) may determine (without any requirement for the consent or approval of the holders of the Covered Bonds), no later than the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or the relevant component part thereof) is otherwise to be determined by reference to the Original Reference Rate, (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 4.5. Without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Reference Rate and/or the applicable Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;
- (C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by an Independent Adviser or the Issuer, as applicable, in accordance with paragraphs (A) or (B) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall (subject to adjustment as provided in paragraph (D) below) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and to further adjustment as provided in, this Condition 4.5);
- (D) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by an Independent Adviser or the Issuer, as applicable, in accordance with paragraphs (A) or (B) above, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, will determine the Adjustment Spread to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) for each determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Reference Rate (as applicable);

- (E) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) in each case acting in good faith and in a commercially reasonable manner, determines (in accordance with paragraphs (A) or (B) above) a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or the applicable Adjustment Spread in accordance with the above provisions, the Independent Adviser or, as the case may be, the Issuer may (without any requirement for the consent or approval of the holders of the Covered Bonds) also specify changes to these Conditions and/or the Set of Agency Procedures in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or the Adjustment Spread (as applicable), including, but not limited to, (A) the Day Count Fraction, Relevant Screen Page, Business Day Convention, Interest Determination Date, time at which the Relevant Screen Page is observed and/or the definition of Reference Rate and (B) the method for determining the fall-back rate in relation to the Covered Bonds (such amendments, together, the “**Benchmark Amendments**”). For the avoidance of doubt, the Issuer and the Agent shall effect such consequential amendments to the Set of Agency Procedures and/or these Conditions as may be required in order to give effect to the application of this Condition 4.5. No consent shall be required from the holders of the Covered Bonds in connection with determining or giving effect to the Successor Rate, Alternative Reference Rate or the Adjustment Spread (as applicable) or any Benchmark Amendments, including for the execution of any documents or other steps to be taken by the Issuer or the Agent (if required or useful);
- (F) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate, Adjustment Spread and/or Benchmark Amendments (as applicable), give notice thereof to the holders of the Covered Bonds in accordance with Condition 11 (*Notices*) and the Agent (if different from the Issuer). Such notice shall be irrevocable and shall specify the relevant Successor Rate or Alternative Reference Rate (as applicable), the applicable Adjustment Spread and the specific terms of any other Benchmark Amendments, and their effective date;
- (G) an Independent Adviser appointed pursuant to this Condition 4.5 shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Agent or the holders of the Covered Bonds for any advice given to the Issuer or in connection with any determination made by the Independent Adviser or the Issuer, as applicable, pursuant to this Condition 4.5; and
- (H) without prejudice to the obligations of the Issuer under this Condition 4.5, the Original Reference Rate and the other provisions in this Condition 4 will continue to apply for the purpose of determining the Rate of Interest (or the relevant component part thereof) on the relevant Interest Determination Date (i) if the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)) is unable to or does not determine a Successor Rate or an Alternative Reference Rate in accordance with this Condition 4.5, and (ii) if the Independent Adviser or, as the case may be, the Issuer does determine a Successor Rate or Alternative Reference Rate in accordance with this Condition 4.5, but the Agent (if different from

the Issuer) and has not been notified of the Successor Rate or Alternative Reference Rate (as applicable), the applicable Adjustment Spread and any Benchmark Amendments in accordance with Condition 4.5(F) prior to the relevant Interest Determination Date. For the avoidance of doubt, this Condition 4.5(H) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.5.

## **5. PAYMENTS**

### **5.1 Method of payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars shall be Sydney); and
- (ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) Interbolsa regulations, fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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

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

Payment in respect of the Covered Bonds of principal and interest (i) in Euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) from the payment current account which the Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Paying Agent’s behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited

with such Covered Bonds and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) in currencies other than Euros will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

### 5.3 Payment Day

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

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

provided that such a day is a business day for the purposes of the centralised system operated by Interbolsa (as defined by a notice of Interbolsa, according to which such a business day corresponds to a day on which the TARGET2 System is open).

### 5.4 Interpretation of principal

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed

to include, as applicable:

- (i) the Final Redemption Amount of the Covered Bonds;
- (ii) the Optional Redemption Amount(s) (if any) of the Covered Bonds; and
- (iii) 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 6.7 (*Extension of Maturity up to Extended Maturity Date*), unless previously redeemed or purchased and cancelled or extended as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, in the relevant Specified Currency on the Maturity Date.

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

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 30 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, 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. To exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must deliver, at the specified office of any Paying Agent, at any time during normal business hours of such Paying Agent, a duly completed and signed notice of exercise in the form (for the time being

current) obtainable from any specified office of any Paying Agent and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. Any Put Notice given by a holder of any Covered Bond pursuant to this paragraph shall be irrevocable. The right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

#### **6.4 Purchases**

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

#### **6.5 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 6.4 (*Purchases*) shall be cancelled by Interbolsa and cannot be held, reissued or resold.

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

If the amount payable in respect of any Zero Coupon Covered Bond to which Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*) does not apply, upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 6.1 (*Final redemption*), 6.2 (*Redemption at the option of the Issuer (Call Option)*) or 6.3 (*Redemption at the option of the holders of Covered Bonds (Put Option)*) or upon its becoming due and repayable as provided in Condition 9 (*Insolvency Event and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated according to the following formula:

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

where:

**RP** means the Reference Price; and

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

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

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Agent and notice to that effect has been given to the holders of

Covered Bonds either in accordance with Condition 11 (*Notices*) or individually.

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

- (A) An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Covered Bonds unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such Extended Maturity provisions.
- (B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within 2 Business Days thereafter, the maturity of the Covered Bonds 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 Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, 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 all or any of the Principal Amount Outstanding of the Covered Bonds in full at least 5 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.
- (C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*) 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 Terms and Conditions.
- (D) Any extension of the maturity of Covered Bonds under this Condition 6.7 shall be irrevocable. Where this Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*) shall not constitute an event of default for any purpose or give any holder of Covered Bonds any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Terms and Conditions.

- (E) In the event of the extension of the maturity of Covered Bonds under this Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*), interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.4 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*).
- (F) 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 on the Covered Bonds shall be reduced by the level of that redemption.
- (G) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*), subject to otherwise provided for in the applicable Final Terms, for so long as any of those Covered Bonds remains in issue, the Issuer shall not issue any further mortgage covered bonds, unless the proceeds of issue of such further mortgage covered securities are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.
- (H) This Condition 6.7 (*Extension of Maturity up to Extended Maturity Date*) shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date (or within 2 Business Days thereafter).

## **7. TAXATION**

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

All payments of principal and interest in respect of the Covered Bonds will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Covered Bonds must, *inter alia*, deliver certain tax certifications. See *Taxation* section.

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

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

### **7.3 Taxing Jurisdiction**

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

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

Notwithstanding that the Issuer or any Paying Agent is required to make a Tax Deduction in accordance with Condition 7.1 (*Payments free of taxes*), 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 thereof, subject in each case to the provisions of Condition 5 (*Payments*). As used in these Terms and Conditions, “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

## **9. INSOLVENCY EVENT AND ENFORCEMENT**

### **9.1 Insolvency Event**

Pursuant to the Covered Bonds Law, if an Insolvency Event in respect of the Issuer occurs, the holders of Covered Bonds may approve a Resolution, by a majority of 2/3 of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding, to determine the serving of an Acceleration Notice, in which case all outstanding Covered Bonds shall immediately become due and payable each at their Early Redemption Amount together with accrued interest.

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 Covered Bonds.

- (B) In exercising any of its powers and discretions the Common Representative shall only have regard to the interests of the holders of Covered Bonds of all Series.
- (C) No holder of Covered Bonds shall be entitled to proceed directly against the Issuer or to take any action with respect to the Common Representative Appointment Agreement, the Covered Bonds or any other Programme Document unless the Common Representative, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

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

- (A) The names of the Agent and the Paying Agent and their initial specified offices are set out below. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint such other bank to act as such in its place.
- (B) The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:
  - (i) there will at all times be an Agent;
  - (ii) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Agent) having a specified office in a city approved by the Common Representative in continental Europe; and
  - (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**

Notices to the holders of Covered Bonds shall, in respect of the Covered Bonds listed on Euronext Lisbon, be published on the Euronext bulletin (if applicable) and on the CMVM's information system ([www.cmvm.pt](http://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 Portuguese law requirements that may be applicable, namely pursuant to the Portuguese Companies Code and CMVM Regulation 5/2008, as amended.

## 12. MEETINGS OF HOLDERS OF COVERED BONDS

- (A) The Portuguese Companies Code, which applies to Covered Bonds in accordance with Article 14(1) of the Covered Bonds Law, contains provisions for convening meetings of the holders of Covered Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.
- (B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever 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 of the relevant series holding, whatever the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented in such series. 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; or (ii) if in respect to a Resolution regarding a Reserved Matter, 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.

Resolutions involving the increase of the charges to holders of Covered Bonds require unanimity to be approved.

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 Condition 12(C)(ii);

- (D) A Resolution approved at any meeting of the holders of Covered Bonds of a Series shall, subject

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

- (E) Notwithstanding the provisions of the immediately preceding paragraph, any Resolution to direct the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*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.
- (F) 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.
- (G) A Programme Resolution passed at any meeting of the holders of Covered Bonds of all Series shall be binding on all holders of Covered Bonds of all Series, whether or not they are present at the meeting.
- (H) In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in euro, the nominal amount of the Covered Bonds of any Series not denominated in euro shall be converted into euro at the relevant exchange rate at the date of the meeting.

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

- (A) If, in connection with the exercise of its powers and discretions, the Common Representative is of the opinion that the interests of the holders of Covered Bonds of any one or more Series would be materially prejudiced thereby, the Common Representative shall not exercise such powers and discretions without the approval of such holders of Covered Bonds by a Resolution or by a written resolution of such holders of Covered Bonds of at least the majority of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.
- (B) The Common Representative shall not be required to expend its own funds or otherwise incur or risk incurring any liability in the performance of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has grounds for believing the repayment of such funds is not reasonably assured to it under the Covered Bonds Law or if it has not been provided with

adequate indemnity against or security for such risk or liability. Notwithstanding any Programme Resolution or any other Resolution approved at any meeting or any written resolution of any holders of Covered Bonds, the Common Representative may (i) 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, (ii) refrain from doing anything which might in its opinion be contrary to any law of any jurisdiction or which might otherwise render it liable to any person and (iii) do anything which is in its opinion necessary to comply with any such law, and in no circumstances shall be liable to the holders of Covered Bonds for any consequences of such actions or inaction. The Common Representative Appointment Agreement contains further provisions for the indemnification of the Common Representative and for its relief from responsibility.

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

### **14.1 Maintenance of overcollateralisation**

For so long as the Covered Bonds are outstanding, the Value (determined in accordance with the Covered Bonds Law and the Bank of Portugal Regulatory Notices) of the Cover Pool maintained by the Issuer shall at all times be a minimum of 105.26 per cent. of the aggregate Value of all outstanding Covered Bonds issued under the Programme less any Covered Bonds held by the Issuer pursuant to Article 21(2) of the Covered Bonds Law and not cancelled or such other percentage 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 105.26 per cent.; and
- (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, Valuation of Cover Pool 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.

### **14.2 Issuer Covenants**

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

- (A) *Loan to Value*: the Value of a Mortgage Credit may not exceed either 80 per cent. of the Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. of the Current Property Value, in case of a Property intended primarily for commercial purposes;
- (B) *Asset Cover*: the aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool;

- (C) *Average Maturity*: the remaining average Maturity of all outstanding Covered Bonds is at all times shorter than the remaining average Maturity of the Cover Pool entered in the Register;
- (D) *Interest Cover*: the total amount of interest receivable on the Cover Pool will at all times be at least equal to or exceed the total amount of interest payable on the outstanding Covered Bonds;
- (E) *Valuations*: all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Other Assets and Properties will be made in compliance with the requirements of the Covered Bonds Law and the Bank of Portugal Regulatory Notices (in particular Regulatory Notice 5/2006 and Regulatory Notice 6/2006);
- (F) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) in accordance with the Covered Bonds Law and under the terms set forth in the Cover Pool Monitor Agreement;
- (G) *Mortgage Credits*: the Mortgage Credits included in the Cover Pool are not Non-Performing Mortgage Credits; and
- (H) *Liabilities*: the net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts of the yield curve.

## **15. FURTHER ISSUES**

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

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The Common Representative Appointment Agreement, the Set of Agency Procedures, the Covered Bonds, the other Programme Documents and any non-contractual obligations in connection therewith are governed by, and shall be construed in accordance with, Portuguese law unless specifically stated to the contrary.

The Issuer agrees, for the exclusive benefit of the holders of Covered Bonds that the courts of Portugal are to have jurisdiction to settle any disputes which may arise out of or in connection with the Covered Bonds and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Covered Bonds may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been

brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the Portuguese courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

## 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*).

**“Adjustment Spread”** shall mean a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (c) if neither (a) nor (b) applies, the Independent Adviser or, as the case may be, the Issuer (following consultation with the Independent Adviser (if any)), in each case in its discretion and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

**“Affiliate Member of Interbolsa”** 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.

**“Agent”** means Banco Santander Totta, S.A., in its capacity as Agent, with its head office at Rua Áurea, no. 88, 1100-063 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.

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

**"Bank of Portugal Regulatory Notices"** means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, namely Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006, Regulatory Notice 8/2006 and any relevant regulatory notices or instructions that may be issued by the Bank of Portugal in the future.

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

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or be administered; or
- (b) the later of (I) a public statement by the administrator of the Original Reference Rate stating that it will, on or prior to a specified date, cease to publish the Original Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (II) the date falling 6 months before the specified date referred to in (b)(I); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate has been permanently or indefinitely discontinued; or
- (d) the later of (I) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will, on or prior to a specified date, be permanently or indefinitely discontinued and (II) the date falling 6 months before the specified date referred to in (d)(I); or
- (e) the later of (I) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or prior to a specified date and (II) the date falling 6 months before the specified date referred to in (e)(I); or
- (f) it has, or will on or prior to the next Interest Determination Date, become unlawful for the Issuer, the Agent or any Calculation Agent specified in the applicable Final Terms, as the case may be, to calculate any payments due to be made to the holders of the Covered Bonds using the Original

Reference Rate; or

- (g) the later of (I) a public statement by the supervisor of the administrator of the Original Reference Rate stating that the Original Reference Rate will, as of a specified date, no longer be representative of its relevant underlying market and (II) the date falling six months before the specified date referred to in (g)(I).

**“Calculation Agent”** except if and where defined otherwise in these Terms and Conditions, has the meaning ascribed to it in the Final Terms.

**“Central de Valores Mobiliários”** means the Portuguese Centralised System of Registration of Securities.

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

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

**“Common Representative”** means Bondholders, S.L., in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain.

**“Common Representative Appointment Agreement”** means the agreement dated 25 May 2022 entered into between the Issuer and the Common Representative and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative, as amended and restated.

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

**“Cover Pool Monitor”** means PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) under the number 183, registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3rd, 1069-316 Lisbon, Portugal.

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

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

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

**“EU”** means the European Union.

**“EUR”, “€” or “Euro” or “euro”** means the lawful currency of Member States of the EU that adopt the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty.

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

**“Final Terms”** means the final terms issued in relation to each Tranche of Covered Bonds and giving details of that Tranche of Covered Bonds and, in relation to any particular Tranche of Covered Bonds, applicable Final Terms means the Final Terms applicable to that Tranche of 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 Law for the purpose of hedging interest rate, exchange or liquidity risks in relation to the Cover Pool.

**“Hedge Counterparties”** means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

**“Instruction 13/2006”** means the regulatory instruction (*Instrução*) 13/2006 issued by the Bank of Portugal and published on 15 November 2006, relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

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

**“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.

**“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*).

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

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

**“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 a credit receivable granted by the Issuer secured by a Mortgage and/or any Additional Security, which is registered as being comprised in the Cover Pool for the amount and with the characteristics required to be indicated pursuant to the Covered Bonds Law and which complies with the following eligibility criteria established in the Covered Bonds Law:

- (a) it is a pecuniary receivable not yet matured, which is neither subject to conditions nor encumbered, judicially seized or apprehended and which is secured by a first ranking mortgage over residential or commercial real estate located in an EU Member State;
- (b) notwithstanding (a) above, it is a pecuniary receivable secured by a junior mortgage but where all mortgage credits ranking senior thereto are held by the Issuer and also allocated to the Cover Pool; or
- (c) it is a receivable secured by (i) a personal guarantee granted by a credit institution, or (ii) an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

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

- (a) is in the course of being foreclosed or otherwise enforced; or
- (b) has one or more payments of principal or interest payable on the related credit in arrears and those payments refer to a period of 90 days or more.

**“Original Reference Rate”** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) applicable to the Covered Bonds in respect of any Interest Period(s).

**“Other Assets”** means all assets other than Mortgage Credits and Hedging Contracts which are included in the Cover Pool as specified in the Register, which comply with the following criteria:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a minimum long term rating at least equal to “A2” or “A” or equivalent and a minimum short term rating at least equal to “A-1”, “P-1” or “F1” or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined

by the Bank of Portugal.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedging Contracts.

**“Other Preferred Creditors”** means the Common Representative (or any successor thereof) and the Hedge Counterparties.

**“Overcollateralisation Percentage”** means 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 14 (*Overcollateralisation, Valuation of Cover Pool 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.

**“Paying Agent”** means Banco Santander Totta, S.A., in its capacity as Paying Agent, with its head office at Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, or any successor Paying Agent(s), in each case together with any additional Paying Agent(s), appointed from time to time by the Issuer in connection with the Covered Bonds and under the Set of Agency Procedures.

**“Portuguese Companies Code”** means the commercial companies code approved by Decree-Law 262/86, of 2 September 1986, as amended.

**“Portuguese Securities Code”** means Decree-Law 486/99, of 13 November 1999, as amended.

**“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:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulatory Notice 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognised indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 5/2006.

**“Reference Banks”** means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page or, if applicable, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

**“Register”** means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Bank of Portugal Regulatory Notices.

**“Regulatory Notice 5/2006”** means the regulatory notice (*Aviso*) 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 6/2006”** means the regulatory notice (*Aviso*) 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 8/2006”** means the regulatory notice (*Aviso*) 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

**“Regulation S”** means Regulation S under the US 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 an Original Reference Rate:

- (a) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Original Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

**“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 Condition 12(C)(ii).

**“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.

**“Set of Agency Procedures”** means the set of agency procedures dated 4 April 2008 (as amended and restated) and made and agreed by Banco Santander Totta, S.A., in its capacity as Agent, Paying Agent and Issuer and agreed to by any subsequent agent, paying agent, transfer agent, and/or agent bank 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.

**“Successor Rate”** means the rate that the Independent Adviser or, as the case may be, the Issuer determines is a successor to, or replacement of, the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

**“TARGET2 System”** means the Trans-European Automated Real-time Gross Settlement Express Transfer Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2).

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

**“Tax Authority”** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including the Irish Revenue Commissioners and H.M. Revenue and Customs.

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

**“Terms and Conditions”** means in relation to the Covered Bonds, the terms and conditions 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 on the Functioning of the EU, as amended.

**“Value”** means:

- (a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- (b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register; and
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

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

## CHARACTERISTICS OF THE COVER POOL

### INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

In general, covered bonds may only be issued by duly licensed credit institutions that are allowed by law to grant mortgage loans and that have not less than EUR 7,500,000 in own funds. The Issuer meets each of these requirements and thus is qualified to issue covered bonds under the Covered Bonds Law.

### ISSUER REQUIRED TO MAINTAIN COVER POOL

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

To enable it to issue Covered Bonds, the Issuer has established and will maintain a segregated register (the “**Register**”) in relation to the Cover Pool for the purposes of the Covered Bonds Law. The Issuer plans to issue from time to time further Covered Bonds and will include in the relevant Cover Pool additional mortgage credit assets or substitution assets as security for those Covered Bonds in accordance with relevant provisions of the Covered Bonds Law, as further detailed below.

The Issuer is required, as soon as practicable after becoming aware that it has contravened the provisions of the Covered Bonds Law, 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 which comply with the legal eligibility criteria described below may be included in the Cover Pool:

#### *Mortgage Credits Eligibility Criteria*

Pecuniary credit receivables of the Issuer which are not yet matured and neither subject to conditions nor encumbered, judicially seized or apprehended and secured by:

- (a) first ranking mortgages over residential or commercial real estate located in an EU Member State; or
- (b) junior mortgages but where all mortgage credits ranking senior thereto are held by the Issuer and are also allocated to the Cover Pool; or
- (c) a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

*“Other Assets” Eligibility Criteria:*

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

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a minimum long term rating at least equal to “A2” or “A” or equivalent and a minimum short term rating at least equal to “A-1,” “P-1” or “F1” or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

The initial aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool allocated as collateral to all Covered Bonds issued by the Issuer.

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

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

**HEDGING CONTRACTS**

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

Pursuant to the requirements of the Covered Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) in a recognised market of an OECD country, or (iii) with a counterparty which is a credit institution with a rating of at least “A-” or equivalent. The Covered Bonds Law empowers the Bank of Portugal to develop, by regulatory notice (*Aviso*), the eligibility criteria for hedging contracts to form part of the Cover Pool.

Also pursuant to the Covered Bonds Law, the Register shall, in relation to each Hedging Contract, identify (i) the Covered Bonds to which the relevant Hedging Contract relates; (ii) the corresponding Cover Pool; (iii) the nominal value of the Hedging Contract; (iv) the Hedge Counterparty; and (v) the commencement date and the maturity date of such Hedging Contract.

If a particular Tranche of Covered Bonds is issued in a denomination other than the euro, the Issuer must enter into Hedging Contracts for the purpose of hedging any currency exchange risk.

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

#### **LOAN-TO-VALUE RESTRICTIONS**

Pursuant to the Covered Bonds Law, the amount of a Mortgage Credit granted by the Issuer and registered as being comprised in the Cover Pool may not exceed (i) the value of the corresponding Mortgage, nor (ii) 80 per cent. of the value of the Property, if it is residential property, nor 60 per cent. of the value of the Property, if it is commercial property. See *Valuation of Cover Pool* below.

#### **WEIGHTED AVERAGE TERM TO MATURITY**

The Covered Bonds Law sets out certain criteria, including matching weighted average term to maturity, which are required to be met by the Issuer in respect of its Cover Pool. In any case, the average maturity of the outstanding Covered Bonds may not exceed, at any time, the average maturity of the Mortgage Credits and Other Assets allocated to the relevant issuance.

#### **OVERCOLLATERALISATION**

Pursuant to the Covered Bonds Law, the nominal principal amount of any Covered Bonds outstanding may not exceed 95 per cent. of the aggregate nominal amount of the Cover Pool less any Covered Bonds acquired by the Issuer pursuant to the Covered Bonds Law and not cancelled. In addition, the aggregate amount of interest payable to the holders of Covered Bonds may not exceed, at any time, the amount of interest to be collected under the Cover Pool (including both the Mortgage Credits and the Other Assets) allocated to the Covered Bonds.

In compliance with the above legal requirements, Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to over-collateralise the Cover Pool with respect to outstanding Covered Bonds at a minimum level of 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 14 (*Overcollateralisation, Valuation of Cover Pool 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. See *Terms and Conditions of the Covered Bonds*.

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

- (a) Mortgage Credits shall be included at their outstanding principal amount, together with any accrued but

- unpaid interest;
- (b) the Covered Bonds shall be accounted according to the nominal value of outstanding principal, together with accrued but unpaid interest;
- (c) in relation to any Other Assets:
  - (i) deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
  - (ii) 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, including accrued but unpaid interests.

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.

In addition, the net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts in the yield curve.

BST decided, to the benefit of the holders of Covered Bonds, from 25 July 2013, to apply an Overcollateralisation Percentage (mentioned in Condition 14.1 (*Maintenance of Overcollateralisation*) of the Terms and Conditions of the Covered Bonds) of 115 per cent. This percentage may be subject to change in result of requirements from Rating Agencies and/or the ratings envisaged by BST for the Covered Bonds.

#### **COMPLIANCE WITH FINANCIAL REQUIREMENTS**

The Cover Pool Monitor, pursuant to the Covered Bonds Law 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 Law and in the Bank of Portugal Regulatory Notices described in this section. The Issuer must, as soon as practicable after becoming aware that it has failed to comply with any provisions of the Covered Bonds Law summarised herein (or when it is reasonable to expect that they will not be complied with), take all steps to comply with that provision, by undertaking one or more of the following procedures:

- (a) allocating new mortgage credit assets, with or without substitution of those already allocated to the Covered Bonds; and/or
- (b) allocating additional Other Assets; and/or
- (c) acquiring Covered Bonds in the secondary market.

#### **VALUATION OF COVER POOL**

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

The Covered Bonds Law empowers the Bank of Portugal to specify, by regulatory notice (*Aviso*), requirements in relation to the valuation basis and methodology, time of valuation and any other matters that it considers relevant for determining the value of mortgage credit assets or Other Assets for the purposes of the Covered Bonds Law. The Covered Bonds Law also empowers the Bank of Portugal to specify, by regulatory notice, requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the value of substitution assets that are to be comprised in the Cover Pool.

Pursuant to the above, the valuation requirements applicable to the Properties are set out in Regulatory Notice 5/2006 and in Regulatory Notice 6/2006.

### ***Valuation of Properties***

#### *General Overview*

The value of each Property associated with a Mortgage Credit comprised in the Cover Pool may not be higher than the commercial value of such Property, determined in accordance with prudent criteria and taking into consideration (i) the sustainable long term characteristics of such Property, (ii) the standard conditions of the local market, (iii) the current use of the relevant Property, and (iv) any alternative uses of the Property in question.

Pursuant to the requirements of Regulatory Notice 5/2006, the commercial value awarded by the Issuer to each of the Properties related to Mortgage Credits comprised in the Cover Pool may not be higher than the market value of such Property. For these purposes, the “market value” of each Property shall correspond to the price by which the relevant Property can be purchased by a third party able to complete such purchase on the date of the valuation of the Property, assuming that (i) the Property is publicly put on sale, (ii) the market conditions allow for a regular transfer of such Property, and (iii) there is a normal period of time to, considering the nature of the Property in question, negotiate the purchase and sale of such Property.

#### *Valuation by expert*

Prior to the inclusion in the Cover Pool of the related Mortgage Credit, each Property must be valued by a real estate valuation expert. Such valuation shall be reviewed by a real estate valuation expert whenever (i) the information available to the Issuer indicates that there may have been a substantial decrease in the value of the Property or (ii) the value of the Property may have materially decreased in relation to general market prices.

A valuation made by a real estate valuation expert prior to the enactment of Regulatory Notice 5/2006 may, however, be used by the Issuer provided that:

- (a) the valuations were carried out by a valuation expert who is independent from the credit analysis and credit decision-making process within the BST Group;
- (b) the valuations were subject to a written report from the valuation expert that includes, in a clear and accurate way, elements that allow the understanding of the analysis and conclusions of the valuation expert;
- (c) the Properties had been valued in light of the corresponding market value or the value of the mortgaged

Property, as established by Regulatory Notice 5/2006; and

- (d) there has been no evidence that the relevant Property is over-valued at the time of allocation of the relevant Mortgage Credit to the issue of Covered Bonds.

The real estate valuation experts appointed from time to time by the Issuer to conduct the required valuation of Properties shall be independent and be adequately qualified and experienced for the performance of their functions. The Issuer may not appoint a real estate valuation expert with any potential conflicts of interest, notably where there is (i) any specific interest of the real estate valuation expert in the Property subject to the valuation, (ii) any relationship, commercial or personal, with the borrower of the Mortgage Credit related to the Property subject to valuation, or (iii) where the remuneration of the valuation expert is dependent on the valuation of the relevant Property.

The Issuer may appoint a valuation expert within the BST Group, provided such valuation expert is independent from the credit analysis and decision-making process within the BST Group.

The selection of real estate valuation experts by the Issuer must ensure adequate diversification and rotation, and the Issuer shall maintain a permanent and updated list of selected valuation experts, setting out the criteria which have led to the respective selection, as well as the Properties valued by each valuation expert. The list applicable to each year shall be sent to the Bank of Portugal by the end of January of the following year, indicating, if applicable, any changes made to such list from the list submitted the previous year.

Under Regulatory Notice 5/2006, the Bank of Portugal may, in relation to a given Property, require the Issuer to appoint another valuation expert, in particular when the value resulting from the previous valuation raises doubts as to its correctness.

#### *Methods of valuation*

The Issuer must ensure that each real estate valuation expert it appoints uses one of the following methods of valuation, which shall be chosen in light of the specific characteristics of the Property subject to valuation, as well as of the specific conditions of the local market:

- (a) Cost method;
- (b) Income method; or
- (c) Comparison method.

#### *Valuation report*

Each real estate valuation expert appointed by the Issuer shall prepare a 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 of the selection and basis of the method(s) of valuation, any parameters used and/or

assumptions adopted, identifying the manner in which the volatility effects of the short term market or the market temporary conditions were taken into account;

- (c) a description of possible qualifications to the analysis;
- (d) the valuation of the Property, in terms of both the value of the mortgaged Property and of the market value of the Property;
- (e) a statement of the valuation expert that they have carried out the valuation according to the applicable requirements set out in the Covered Bonds Law and in the Bank of Portugal Regulatory Notices, in particular Regulatory Notice 5/2006; and
- (f) the date of the valuation and the identification and the signature of the valuation expert.

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

In respect of Mortgage Credits that exceed (i) 5 per cent. of the own funds of the Issuer or (ii) EUR 500,000, in the case of residential Properties, or EUR 1,000,000 in the case of commercial Properties, the valuation of the relevant Property shall be reviewed by a real estate valuation expert at least every three years.

The Issuer shall also perform any internal check of the value of each of the Properties once every three years, for residential Properties, and at least once a year for commercial Properties.

The Issuer may be required to conduct Property valuations whenever there is relevant information that indicates that a substantial decrease of the Property value has taken place or that the Property value may have suffered a material decline in relation to standard market prices.

For the purpose of conducting an update of the valuation of the Properties, the Issuer may resort to recognised indexes or statistical methods. In this case, the Issuer shall send the Bank of Portugal a report with the detailed description of such indexes and statistical methods, as well as the grounds for their use, together with an opinion on the adequacy of such indexes and statistical methods produced by a reputable independent valuation expert.

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

The Issuer shall provide the Cover Pool Monitor with all information necessary for the Cover Pool Monitor to supervise, pursuant to the Covered Bonds Law 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 Law and in Regulatory Notice 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

***Valuation of Other Assets***

Pursuant to Regulatory Notice 6/2006, the Other Assets shall be valued as follows:

- (a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and

- (b) the securities eligible for Eurosystem credit transactions shall be accounting 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, including accrued but unpaid interest.

### ***Insurance***

Pursuant to the Covered Bonds Law, if any property mortgaged as security for payment of interest and principal in relation to a mortgage credit asset comprised in the Cover Pool does not have an adequate insurance policy contracted by the relevant owner, the Issuer must obtain such insurance coverage adequate to the risks inherent to the relevant property. The Issuer must bear the costs of such insurance. In any case, the insurance policy attached to any property included in the Cover Pool must provide for a full coverage, allowing, in case of total loss, for such property to be rebuilt. Any compensation due under any such insurance policies must be paid directly to the Issuer, up to the limit of the relevant Mortgage Credit.

### **COVER POOL SEGREGATED REGISTER AND SPECIAL CREDITOR PRIVILEGE**

#### *Autonomous pool of assets and segregated register*

Pursuant to the Covered Bonds Law, the Cover Pool constitutes an autonomous pool of assets (*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 Law provides that the appropriate particulars of each asset comprised in the Cover Pool (including Mortgage Credits, Other Assets and Hedging Contracts) must be recorded in a segregated register within, and maintained by, the Issuer. Such register must record the following:

- (a) the outstanding principal amount;
- (b) the applicable interest rate;
- (c) the applicable amortisation;
- (d) the notary's office where the relevant mortgage was entered into, when applicable; and
- (e) the reference regarding the definitive inscription of the mortgages in the corresponding real estate registry.

Pursuant to Article 4(3) of the Covered Bonds Law, the Cover Pool is identified in the transaction documents by a code. The key to such code is deposited with the Bank of Portugal which has promulgated, by regulatory notice (*Aviso*), the conditions under which the holders of Covered Bonds may have access to the segregated register of the Cover Pool.

#### *Special creditor privilege*

Under the Covered Bonds Law, the holders of Covered Bonds enjoy a special creditor privilege over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds.

Pursuant to the Covered Bonds Law, this special creditor privilege applies automatically for the benefit of the holders of Covered Bonds, the Common Representative and the Hedge Counterparties and is not subject to registration.

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

## INSOLVENCY OF THE ISSUER

Until (and including) 30 June 2022, the following regime will apply under the Covered Bonds Law:

The Covered Bonds Law governs, to a certain extent, the impact on the Covered Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Covered Bonds. In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Covered Bonds Law establishes that the Cover Pool shall be segregated from the insolvency estate of the Issuer and will not form part thereof until full payment of any amounts due to the holders of Covered Bonds. The amounts corresponding to payment of interest and repayment of principal of the Mortgage Credits and Other Assets will not form part of the insolvency estate of the Issuer.

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds and the Other Preferred Creditors. In this situation, pursuant to the Covered Bonds Law, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds.

If an Insolvency Event occurs in relation to the Issuer, the plan for the voluntary dissolution and winding-up of the Issuer, which shall be submitted to the Bank of Portugal pursuant to Article 35-A of the RGICSF, shall identify a Substitute Credit Institution appointed to (i) manage the Cover Pool allocated to the outstanding Covered Bonds and (ii) ensure that the payments of any amounts due to the holders of such Covered Bonds are made. Such plan shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal is required, simultaneously with the decision to revoke such authorisation, to appoint a Substitute Credit Institution to manage the Cover Pool allocated to the Covered Bonds outstanding and to ensure that payments due to the holders of such Covered Bonds are made.

The fees to be paid to the appointed Substitute Credit Institution shall be determined by the Bank of Portugal at the time of such appointment and shall be paid out of the Cover Pool.

In accordance with Regulatory Notice 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall:

- (a) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (b) perform all acts and operations necessary or convenient for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of Covered Bonds, including, without limitation:

- (i) selling the Mortgage Credits comprised in the Cover Pool;
  - (ii) ensuring the timely collection in respect of the Mortgage Credits comprised in the Cover Pool; and
  - (iii) performing administrative services in connection with such Mortgage Credits and respective borrowers, as well as performing amending, extinguishing and conservative acts relating to guarantees;
- (c) maintain and keep updated a segregated register of the Cover Pool in accordance with the Covered Bonds Law; and
- (d) prepare an annual financial report in relation to the Cover Pool and the outstanding Covered Bonds. This report shall be the subject of an audit report produced by an independent auditor. The independent auditor shall be appointed as Cover Pool Monitor by the Substitute Credit Institution in accordance with Article 34 of the Covered Bonds Law.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall perform all acts and operations necessary or convenient for maintaining the relationship with the borrowers under such Mortgage Credits.

From and including 1 July 2022, the following regime will apply, under the Legal Regime of Covered Bonds, pursuant to Decree-Law 31/2022, of 6 May 2022 (the “**Legal Regime of Covered Bonds**”):

Where a resolution action is taken against the Issuer, CMVM shall cooperate with the Bank of Portugal, as the competent resolution authority, to protect the rights and interests of the holders of Covered Bonds, in particular by verifying the continuity and sound management of the covered bonds’ programme following the resolution action.

The Covered Bonds Law governs, to a certain extent, the impact on the Covered Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Covered Bonds. In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Covered Bonds Law establishes that the Cover Pool shall be segregated from the insolvency estate of the Issuer and will not form part thereof until full payment of any amounts due to the holders of Covered Bonds. The amounts corresponding to payment of interest and repayment of principal of the Mortgage Credits and Other Assets will not form part of the insolvency estate of the Issuer.

The Cover Pool will, in such an event, be separated from the Issuer’s insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds and any other preferred creditors benefiting from the creditor privilege and/or the autonomous estate constituted by the Cover Pool. In this situation, pursuant to the Covered Bonds Law, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds. If an Insolvency Event

occurs in relation to the Issuer, the Bank of Portugal, as the competent resolution authority, shall notify CMVM, as soon as possible, when it applies a resolution measure to the Issuer, informing it, specifically, of the treatment of the Covered Bonds in the resolution action applied. In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal will immediately inform CMVM of the decision to revoke the authorisation of the Issuer.

In case of revocation of the authorisation to act as a credit institution in Portugal and consequent liquidation of the Issuer, CMVM may appoint a special administrator (the “**Special Administrator**”) within 10 business days after the revocation of such authorisation. The roles and responsibilities of the Special Administrator include:

- (a) extinction of liabilities associated with the Covered Bonds;
- (b) the management and settlement of hedging assets, including their transfer to another credit institution that issues covered bonds, together with the liabilities associated with such covered bonds;
- (c) performing all acts and operations necessary for:
  - (i) the adequate administration of the global guarantee;
  - (ii) the continuous monitoring of the coverage of the liabilities associated with the Covered Bonds;  
and
  - (iii) the initiation of the necessary legal actions to reintegrate the assets in the global guarantee and the transfer of the remaining assets, after the extinction of all hedging portfolio liabilities to the insolvent estate (*massa insolvente*) of the Issuer;
- (d) performing all acts and operations necessary for the sound management of the claims and respective guarantees, to ensure the timely payment of all amounts due to the holders of the Covered Bonds, including, but not limited to:
  - (i) selling the Mortgage Credits comprised in the Cover Pool;
  - (ii) ensuring collection services in respect of the Mortgage Credits comprised in the Cover Pool;
  - (iii) administrative services in connection with the such Mortgage Credits and respective borrowers;  
and
  - (iv) amending, extinguishing and conservative acts relating to the guarantees; and
- (e) maintaining and keeping updated a segregated register of the Cover Pool in accordance with the Legal Regime of Covered Bonds.

CMVM may dismiss the Special Administrator, in particular in cases where such Special Administrator fails to fulfil and comply with the duties and responsibilities assigned under the Legal Regime of Covered Bonds. The remuneration of the Special Administrator is set by CMVM and constitutes a charge on the Cover Pool.

Finally, CMVM, the Bank of Portugal, as the competent resolution authority, and (if appointed) the Special Administrator shall coordinate their measures and exchange the necessary information for the performance of their respective functions.

The Special Administrator will prepare, immediately upon being appointed, an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes, as well as an annual report, regarding the Cover Pool. The annual report shall be subject to an audit report, prepared by an independent auditor appointed by the Special Administrator. By the end of the quarter following the end of the relevant financial year, the Special Administrator will share with CMVM the annual report, jointly with the audit report.

## **COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED BONDS**

Bondholders, S.L., with registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain, has been appointed by the Issuer as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law and in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement. The Common Representative is an entity duly authorised to represent the holders of Covered Bonds as per Article 14(3) of the Covered Bonds Law.

The Issuer has appointed the Common Representative to represent the holders of Covered Bonds. According to the Covered Bonds Law 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 Common Representative Appointment Agreement.

The holders of the Covered Bonds may at any time, by means of resolutions passed in accordance with the Terms and Conditions 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 there shall be a Common Representative in Office after such removal.

## **COVER POOL MONITOR**

### **APPOINTMENT OF A COVER POOL MONITOR**

The Covered Bonds Law requires that the Board of Directors of the Issuer appoints a qualified person or entity to be the monitor of the Cover Pool (the “**Cover Pool Monitor**”) who shall be responsible, for the benefit of the holders of Covered Bonds, for monitoring the compliance by the Issuer of the requirements contained in the Covered Bonds Law and the Bank of Portugal Regulatory Notices.

Pursuant to the Covered Bonds Law, the Cover Pool Monitor must be an independent auditor registered with the CMVM. For these purposes, an independent auditor must be an auditor which is not related to or associated with any group of specific interests within the issuing entity and is not in a position that hinders its independent analysis and decision-making process. In particular, such independent auditor shall not (i) hold 2 per cent. or more of the issued share capital of the Issuer, either directly or on behalf of a third party; or (ii) be re-elected for more than two terms, whether or not they are consecutive.

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 4 April 2008, as amended and restated for the last time on or about 25 May 2022, 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 registration number 20161485.

The Cover Pool Monitor Agreement reflects the requirements of the Covered Bonds Law in relation to the appointment of a monitor in respect of the requirements (namely, financial requirements and the requirements set forth in Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*)) concerning the Cover Pool and the Covered Bonds. The Cover Pool Monitor Agreement provides for certain matters such as overcollateralisation (see *Characteristics of the Cover Pool*), valuation of assets comprised in the Cover Pool, the payment of fees and expenses by the Issuer to the Cover Pool Monitor, the resignation of the Cover Pool Monitor and the replacement by the Issuer of the Cover Pool Monitor.

### **DUTIES AND POWERS OF THE COVER POOL MONITOR**

In accordance with the Covered Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer with the financial and prudential requirements established in the Covered Bonds Law and in the Bank of Portugal Regulatory Notices in respect of the Cover Pool. In particular, the Cover Pool Monitor shall be engaged to assess compliance by the Issuer with the requirements set forth in Condition 14 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*).

Pursuant to the Covered Bonds Law and the Bank of Portugal Regulatory Notices, the Cover Pool Monitor is

entitled to be provided with all information required to monitor compliance by the Issuer with the requirements relating to outstanding Covered Bonds and the Cover Pool.

In the performance of its duties, the Cover Pool Monitor must produce an annual report with an assessment of the Issuer's compliance with the requirements established in the Covered Bonds Law and in the Bank of Portugal Regulatory Notices, in particular those requirements relating to the level of collateralisation, the loan-to-value ratios limitations and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor must also prepare reports certifying the statements of the management body of the Issuer, relating to information and documentation filed with the Bank of Portugal.

The Covered Bonds Law empowers the Bank of Portugal to promulgate, by regulatory notice (*Aviso*), after consultation with the CMVM and the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), the requirements applicable to the content and disclosure of the aforementioned annual report. As long as such requirements are not defined by the Bank of Portugal, such content and disclosure will be agreed between the Issuer and the Cover Pool Monitor pursuant to the Cover Pool Monitor Agreement.

If, during the work referred to in the precedent paragraph, any non-compliance with the Covered Bonds Law and/or the requirements of the Cover Pool is identified by the Cover Pool Monitor, it shall notify the Issuer, as soon as reasonably practicable, of such event. If the non-compliance remains unremedied within 10 Business Days after such notification, the Cover Pool Monitor will notify the Common Representative, the Arranger and the relevant Dealers of such 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.

At any time the Issuer may terminate the appointment of the Cover Pool Monitor and the Cover Pool Monitor may retire, upon giving not less than 3 calendar months' notice in writing to the Issuer. Any such termination or retirement shall not become effective until a new cover pool monitor is appointed.

## DESCRIPTION OF THE ISSUER

### Legal and Commercial name of the Issuer

The legal name of the Issuer is Banco Santander Totta, S.A. and its most frequent commercial name is “Santander Totta”.

### Incorporation, registration, legal form, head office and contacts of the Issuer, legislation that governs the Issuer’s activity and website of the Issuer

Banco Santander Totta, 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 EUR 1,391,779,674.00, represented by 1,391,779,674 ordinary shares with a nominal value of EUR 1.00 each, and registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 844 321. BST’s registered address is at Rua Áurea, no. 88, in Lisbon, Portugal, and the telephone number of its registered office is +351 21 326 2031. The Issuer was registered by deed on 19 December 2004. The Issuer is a credit institution whose activities are regulated by the RGICSF and is subject to the Portuguese Companies Code (approved by Decree-Law 262/86, of 2 September 1986, as amended).

The Legal Entity Identifier (LEI) code of the Issuer is 549300URJH9VSI58CS32.

Information contained in the Issuer’s official website ([www.santander.pt](http://www.santander.pt)) or in any other website referred to in this Base Prospectus does not form part of this Base Prospectus and has not been scrutinised or approved by the CMVM unless that information is incorporated by reference into this Base Prospectus and, therefore, the Issuer is not liable, and cannot be held liable, for the information contained on such websites, which, except for the Issuer’s official website ([www.santander.pt](http://www.santander.pt)), have not been reviewed by the Issuer with the purpose of assessing if the information contained therein is complete, true, updated, clear, objective and licit.

### Business overview

BST’s commercial banking business is managed through its retail network. The investment banking and investment funds businesses of BST, formerly managed through Banco Santander de Negócios Portugal, S.A. (“BSN”), are now directly managed by BST, following BST’s merger with BSN in May 2010. The specialised credit business (including leasing, factoring and consumer credit) is also directly managed by BST, following BST’s merger with Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A. on 1 April 2011. The strategy of the BST Group is to position itself as a full service bank offering customers a full range of banking products.

The commercial banking business is divided into four core customer/business areas:

- (i) individuals and self-employed;
- (ii) small and medium-sized businesses;
- (iii) corporate and institutional customers; and
- (iv) high net worth individuals.

As at 31 December 2021, the Issuer had a domestic network of 358 branches (compared to 434 in 31 December 2020). BST has subsidiaries and representative offices abroad, as well as investments in subsidiaries and associated companies.

The Issuer has a long-standing strategy of targeting the university market. It serves this market with branches located either within or near university campuses. In lower traffic sites, the Issuer has small kiosks which offer its customers more limited services and shorter opening hours.

## **Economic and Financial Information in 2021**

### **Consolidated Business**

#### **Introduction**

For the year ending 31 December 2021, the consolidated net income attributable to BST shareholders was EUR 270.5 million, an increase of 4.9 per cent. compared to the EUR 257.7 million registered in the year ending 31 December 2020.

As at 31 December 2021, the efficiency ratio<sup>6</sup> stood at 40.8 per cent., a decrease of 5.3 per cent. since December 2020, resulting from the 3.3 per cent. increase in net income from banking activities and the 8.7 per cent. reduction in operating costs.

Loans and advances to customers (gross) amounted to EUR 43.4 billion as at 31 December 2021, an increase of 1.7 per cent. compared to the same period last year. Loans to individuals grew by 5.6 per cent. and loans to companies decreased by 1.3 per cent. since 31 December 2020. The non-performing exposure ratio stood at 2.3 per cent. as at 31 December 2021, with provisions coverage of 81 per cent.

As at 31 December 2021, customer resources totalled EUR 47.4 billion, an increase of 9 per cent. year-on-year, determined by a 7.4 per cent. increase in deposits and a 16.6 per cent. increase in off-balance sheet resources.

In 2021, the funding obtained from the ECB, in the amount of EUR 7.5 billion, was based entirely on long-term operations, through TLTRO III. Net exposure to the Eurosystem stood at EUR 0.6 billion. Long-term financing also includes EUR 2 billion in covered bonds and EUR 0.5 billion in securitisations.

Short-term funding (repos), either through repurchase agreements or institutional deposits, was nil.

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<sup>6</sup> Efficiency ratio corresponds to the ratio between "Operating costs" and the sum of "Net income from banking activities" and "Cash contributions to resolution funds and deposit guarantee schemes".

The LCR, calculated in accordance with the CRD IV rules, stood at 131.6 per cent., meeting the regulatory requirement on the fully-implemented basis in force in 2021.

## Results

<b>CONSOLIDATED INCOME STATEMENTS</b> (million euro)	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
<b>Net interest income</b>	<b>728.7</b>	<b>785.0</b>	<b>-7.2%</b>
Income from equity instruments	1.5	1.7	-11.4%
Results from associates	4.2	5.6	-24.7%
Net fees	432.1	377.7	+14.4%
Other operating results	9.6	8.4	+15.1%
<b>Commercial revenue</b>	<b>1,176.2</b>	<b>1,178.3</b>	<b>-0.2%</b>
Gain/losses on financial assets	141.3	96.5	+46.4%
<b>Net income from banking activities</b>	<b>1,317.5</b>	<b>1,274.8</b>	<b>+3.3%</b>
Operating costs	(521.9)	(571.4)	-8.7%
Staff expenses	(279.4)	(321.8)	-13.2%
Other administrative expenses	(193.2)	(197.6)	-2.2%
Depreciation	(49.3)	(52.0)	-5.2%
Cash Contributions to resolution funds and deposit guarantee schemes	(37.7)	(35.6)	+5.8%
<b>Net operating Income</b>	<b>757.9</b>	<b>667.7</b>	<b>+13.5%</b>
Impairment, net provisions and other results	(354.8)	(299.2)	+18.6%
<b>Income before taxes and non-controlling interests</b>	<b>403.1</b>	<b>368.5</b>	<b>+9.4%</b>
Taxes	(132.6)	(110.7)	+19.8%
<b>Income after taxes and before non-controlling interests</b>	<b>270.5</b>	<b>257.7</b>	<b>+4.9%</b>
Non-controlling interests	0.0	0.0	-
<b>Consolidated net income attributable to BST shareholders</b>	<b>270.5</b>	<b>257.7</b>	<b>+4.9%</b>

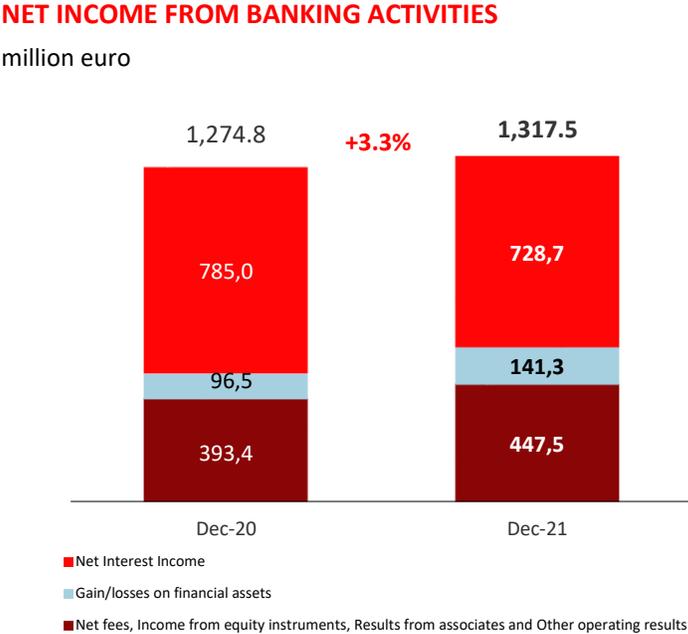
Net interest income amounted to EUR 728.7 million at the end of 2021, a 7.2 per cent. decrease when compared to the preceding year, reflecting the decline in credit spreads, with negative interest rates in the context of a very competitive sector, and the management of the public debt securities portfolio. Results from associates stood at EUR 4.2 million at the end of 2021, a decrease of 24.7 per cent. compared to the EUR 5.6 million registered in the preceding year.

Net fees stood at EUR 432.1 million, an increase of 14.4 per cent. compared to 2020, with special emphasis on the contribution of account commissions, with the offer of bundled accounts including a set of associated services and means of payment, due to the greater volume of transactions (given the progressive reopening of economic activity), of funds and of insurances, reflecting the diversification of customer resources and the strategic focus on the distribution of autonomous insurance and credit, and due to the commercial dynamics of the new

concession. Other operating results amounted to EUR 9.6 million, 15.1 per cent. above the results registered for the same period last year. Commercial revenue, in the amount of EUR 1,176.2 million, decreased 0.2 per cent. in relation to the amount determined in 2020.

As at 31 December 2021, Gain/Losses on financial assets amounted to EUR 141.3 million, compared to EUR 96.5 million in the previous year, an increase of 46.4 per cent. including the income generated in the management of the public debt portfolio.

Net income from banking activities amounted to EUR 1,317.5 million in December 2021, an increase of 3.3 per cent. when compared to the equivalent amount as at the end of December 2020.



Operating costs amounted to EUR 521.9 million in 2021, registering a 8.7 per cent. decrease compared to the previous year.

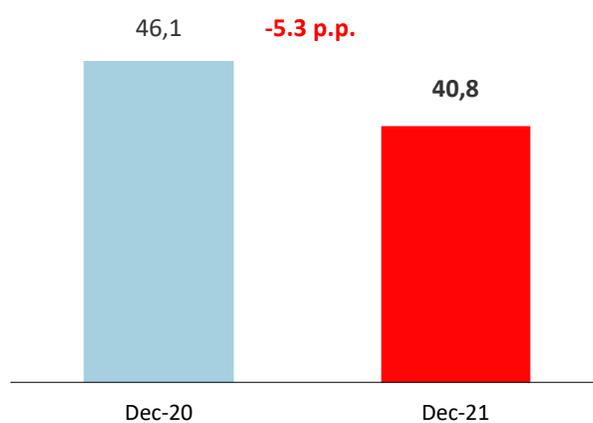
In 2021, the Bank implemented an operational and commercial transformation plan aimed at adapting to the increasingly competitive and digital environment, which involved a significant investment in organisational simplification, process automation and greater technological capacity, with the goal of improving the quality of the Bank’s services and customer satisfaction and loyalty. This led to the closure of 84 branches and downsizing of 1,193 employees. In 2021, staff expenses totalled EUR 279.4 million, representing a 13.2 per cent. decrease compared to the previous year, and other administrative expenses amounted to EUR 193.2 million in 2021, a year-on-year decrease of 2.2 per cent. Depreciation in the year totalled EUR 49.3 million as of 31 December 2021, down by 5.2 per cent. compared to the end of 2020. As regards the operating costs structure in 2021, staff expenses

accounted for 54 per cent. of the total, followed by other administrative expenses at 37 per cent. and depreciation at 9 per cent..

<b>OPERATING COSTS</b> (million euro)	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
Staff expenses	(279.4)	(321.8)	-13.2%
Other Administrative Expenses	(193.2)	(197.6)	-2.2%
Depreciation	(49.3)	(52.0)	-5.2%
<b>Operating costs</b>	<b>(521.9)</b>	<b>(571.4)</b>	<b>-8.7%</b>
<b>Efficiency ratio<sup>7</sup></b>	<b>40.8%</b>	<b>46.1%</b>	<b>-5.3 p.p.</b>

At the end of 2021, the efficiency ratio stood<sup>8</sup> at 40.8 per cent., which corresponds to a decrease of 5.3 p.p. compared to 46.1 per cent. in the previous year, given the 3.3 per cent. increase in net income from banking activities and the 8.7 per cent. decrease in operating costs.

#### **EFFICIENCY RATIO**



<sup>7</sup> Efficiency ratio corresponds to the ratio between “Operating costs” and the sum of “Net income from banking activities” and “Cash contributions to resolution funds and deposit guarantee schemes”.

<sup>8</sup> Efficiency ratio corresponds to the ratio between “Operating costs” and the sum of “Net income from banking activities” and “Cash contributions to resolution funds and deposit guarantee schemes”.

In 2021, the cash contributions made to the resolution funds and deposit guarantee schemes amounted to EUR 37.7 million, an increase of 5.8 per cent. compared to the EUR 35.6 million incurred in the previous year.

Net operating income amounted to EUR 757.9 million in 2021, a 13.5 per cent. year-on-year increase, reflecting the positive evolution of revenues and the decrease in operating costs.

Impairment, net provisions and other results registered a cost of EUR 354.8 million in 2021 compared to EUR 299.2 million in 2020.

In 2021, net impairment of financial assets not measured at fair value through profit or loss totalled EUR 73.5 million, 60.8 per cent. less than the EUR 187.7 million recorded a year earlier, when an additional overlay provision was established following the inclusion of the forward looking component of the macro-economic scenario associated with the COVID-19 pandemic context. The recovery of economic activity and the prudent conduct adopted in the event of a possible degradation of the loan portfolio, allowed for the partial reversal of the overlay provision previously established.

Net provisions and other results include an extraordinary provision in the amount of EUR 235.0 million for the Bank's transformation plan, focused on the optimisation of its branch network and investments in processes, digitalisation and technology. A cost of EUR 22.5 million was also recorded in 2021, which referred to the initial allocation made to the Santander Portugal Foundation, whose mission involves education, employability, ecology, and the social fields of action.

The regulatory cost with the Banking Sector Contribution and Solidarity tax on the banking sector, in the amount of EUR 35.1 million, increased by 1.7 per cent. in 2021, compared to the EUR 34.5 million registered in 2020.

Income before taxes and non-controlling interests amounted to EUR 403.1 million, a 9.4 per cent. increase compared to the amount determined for the same period in 2020.

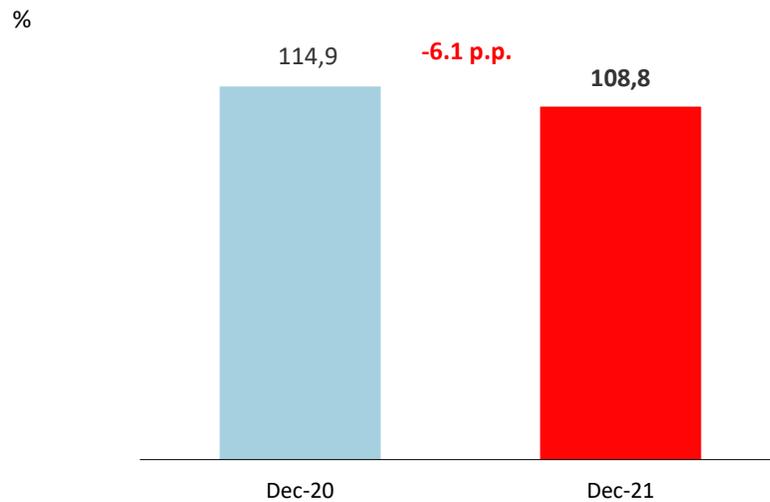
Taxes amounted to EUR 132.6 million in 2021, a year-on-year increase of 19.8 per cent..

Consolidated net income attributable to BST shareholders amounted to EUR 270.5 million in 2021, a 4.9 per cent. year-on-year increase.

### **Balance Sheet and Activity**

At the end of 2021, business volume amounted to EUR 90.9 billion, a 5.4 per cent. increase compared to the amount recorded in 2020, resulting from the 1.7 per cent. increase in loans and advances to customers (gross) and 9 per cent. increase in customers' resources.

The Loans / Deposits ratio measured by the ratio of loans and advances to customers (net) to deposits stood at 108.8 per cent. in December 2021, 6.1 per cent. less than in the same period last year, given the lower growth in credit than in deposits.

**LOAN / DEPOSITS RATIO (Transformation ratio)**

In 2021, loans and advances to customers (gross) amounted to EUR 43.4 billion, up 1.7 per cent. compared to the same period in 2020, reflecting the favourable evolution in the production of mortgage credit, credit facilities guaranteed by the State, and public and private investment projects, within the scope of European funds.

<b>LOANS</b> (million euro)	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
<b>Loans and advances to customers (gross)</b>	<b>43,416</b>	<b>42,681</b>	<b>+1.7%</b>
<i>of which</i>			
Loans to individuals	24,035	22,768	+5.6%
<i>of which</i>			
Mortgage	21,921	20,671	+6.0%
Consumer	1,716	1,681	+2.1%
Loans to corporates	16,159	16,371	-1.3%

Loans to individuals stood at EUR 24 billion, a year-on-year increase of 5.6 per cent. in 2021.

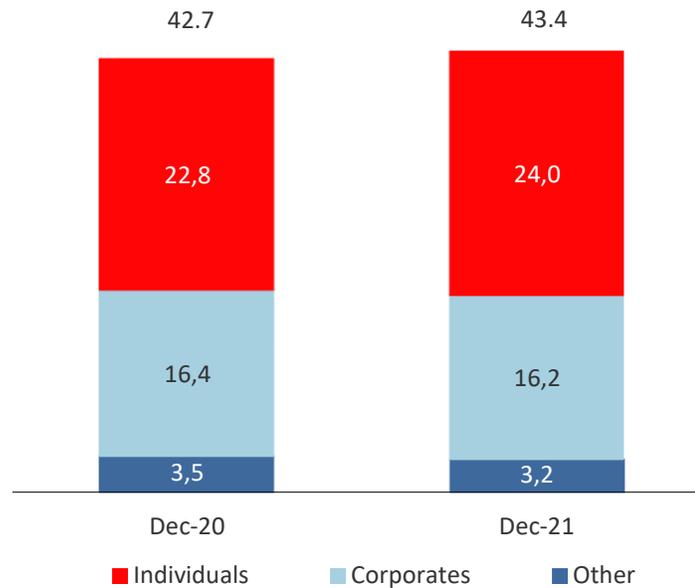
Mortgage loans increased by 6 per cent. in 2021 to EUR 21.9 billion.

Consumer loans increased by 2.1 per cent. in 2021 to EUR 1.7 billion.

Loans to corporates amounted to EUR 16.2 billion as at 31 December 2021, a decrease of 1.3 per cent. compared to 2020 due to the maturity of operations in the large companies segment in the last quarter of the year, in a context of high liquidity.

**LOANS AND ADVANCES TO CUSTOMERS (GROSS)**

billion euro

**+1,7%**

At the end of 2021, the non-performing exposure ratio, in line with the EBA's definition (in relation to balance sheet exposures), stood at 2.3 per cent., a 0.3 per cent. year-on-year decrease, with impairment coverage standing at 81 per cent. (72.3 per cent. in the previous year). The cost of credit stood at 0.17 per cent. in 2021, 0.28 p.p. less than the 0.45 per cent. registered in 2020.

<b>CREDIT RISK RATIOS</b>	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
Non-performing Exposure Ratio	2.3%	2.6%	-0.3p.p.
Non-Performing Exposure coverage Ratio	81%	72.3%	+8.7p.p.
Cost of credit	0.17%	0.45%	-0.28p.p.

Customers' Resources amounted to EUR 47.4 billion at the end of 2021, an increase of 9 per cent. when compared with the amount recorded in 2020, supported by the 7.4 per cent. increase in deposits and the 16.6 per cent. increase in off-balance sheet resources since 2020.

<b>RESOURCES</b> (million euro)	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
<b>Customers' resources</b>	<b>47,438</b>	<b>43,539</b>	<b>+9.0%</b>
On-balance sheet resources	38,959	36,270	+7.4%
Deposits	38,959	36,270	+7.4%
Off-balance sheet resources	8,479	7,269	+16.6%

Investment funds marketed by the Bank	4,340	3,252	+33.4%
Insurance and other resources marketed by the Bank	4,139	4,017	+3.1%

Deposits amounted to EUR 39 billion in 2021, an increase of 7.4 per cent. year-on-year, representing the main source of balance sheet funding and reflecting the increase in families' savings rate, as well as the trust and loyalty of the Bank's customers, in a context of historically low interest rates.

Off-balance sheet resources stood at EUR 8.5 billion at the end of 2021, up 16.6 per cent. in relation to December 2020. Investment funds marketed by the Bank, in the amount of EUR 4.3 billion, increased 33.4 per cent. compared to the previous year and insurance and other resources marketed by the Bank stood at EUR 4.1 billion as at 31 December 2021, registering a 3.1 per cent. year-on-year increase.

### Solvency Ratios

At the end of December 2021, the CET1 ratio, calculated according to CRR/CRD IV, stood at 26.4 per cent. (fully implemented), an increase of 5.6 per cent. compared to the previous year, reflecting the Bank's ability to generate organic capital and manage risk-weighted assets.

In light of recommendation ECB/2020/19 issued by the ECB on 27 March 2020, the Board of Directors of BST decided not to distribute dividends in 2021.

BST has a very high capitalization rate, above the minimum requirements set by the ECB within the scope of the SREP. In 2021, the CET1 ratio was 8.3 per cent., the Tier 1 ratio was 10.1 per cent. and the Total Capital ratio was 12.5 per cent. (fully implemented).

The 29 per cent. MREL ratio was above the fully implemented requirement of 17.8 per cent., required from 1 January 2022.

<b>CAPITAL (million euro)</b>	<b>Dec-21</b>	<b>Dec-20</b>	<b>Var.</b>
<b>Common Equity Tier 1</b>	<b>3,797</b>	<b>3,729</b>	1.8%
Tier 1 Capital	3,797	3,729	+1.8%
Total Capital	4,178	4,138	+1%
<b>Risk Weighted Assets (RWA)</b>	<b>14,408</b>	<b>17,954</b>	-19.8%
CET 1 ratio	26.4%	20.8%	+5.6 p.p.
Tier 1 ratio	26.4%	20.8%	+5.6 p.p.
Total Capital ratio	29%	23.1%	+5.9 p.p.

### Future Outlook

The main risks and uncertainties related to BST's business in Portugal are linked to two major factors.

The first, already underway in the last months of 2021, is the rapid acceleration of inflation, as a result of the surge in raw material prices, especially energy, associated with the tensions in global supply chains caused by the COVID-19 pandemic. The prolonged closure and limitation of activities and the unequal distribution of vaccinations, on

the one hand, and the rapid recovery of demand in advanced economies, on the other, resulted in reductions and delays in the supply of goods and commodities, leading to sharp price surges. In some countries, such as the United States, there were already second-order effects, with salary increases in the context of low unemployment rates.

In the first weeks of 2022, the central banks of the main developed economies started to raise benchmark interest rates. The Bank of England acted swiftly, having already raised the main benchmark interest rate twice, in December 2021 and January 2022, to 0.5 per cent. The US Federal Reserve reinforced its message of withdrawing stimuli by announcing the end of the programme for the acquisition of financial assets and confirming that it would, in March 2022, start raising its reference interest rates. In February 2022, the ECB also expressed its concern about the acceleration of inflation, signalling that in March 2022 it would change its position.

Secondly, in the context of the Russia-Ukraine conflict, the imposition of sanctions on Russia and Belarus, in response to its military offensive, will have economic impacts in Europe, which are still difficult to assess at this stage. Russia is the world's third biggest producer of crude oil and is the biggest supplier of natural gas to Europe, which has consequently caused the prices of raw materials to rise exponentially.

These global developments and their impacts have contributed to increased uncertainty and the reduced purchasing power of families, as a result of higher inflation rates, which could be amplified if the ECB reacts by increasing reference interest rates.

In this context of uncertainty, BST remains focused on pursuing its well defined strategic goals, namely the provision of support to families and companies, with special attention to the adoption of the necessary initiatives, on its part, to mitigate the effects on income and the ability to service debt.

The risks to economic activity are thus biased downwards, with implications for the Bank's activity, and, consequently, its profitability. The Bank's revenues may be affected by a lower demand for credit, while costs may be under upward pressure, with higher inflation. Additionally, the context of uncertainty requires the continued close monitoring of customers' credit quality, with a potential impact on impairments, especially considering that some sectors of activity have not yet fully recovered to pre-pandemic levels.

Notwithstanding these factors, the Bank intends to keep pursuing its digital and commercial transformation path, seeking to further simplify its processes and improve its interaction channels with customers, whose behaviour, in terms of their relationship with banks, was already changing — a trend that was accelerated by the COVID-19 pandemic.

The Bank will continue to develop its strategy and invest in its transformation, essentially based on: i) the continuous optimisation of processes, notably through greater innovation in the Bank's digital channels and the strengthening of its multichannel distribution model, in order to provide a more complete and accessible service to its customers; ii) simplification and the adaptation of its commercial offer to customer needs; iii) organic growth, with a special focus on increasing market shares in segments where adequate remuneration on allocated capital is obtained; iv) strict control over credit quality; and v) maintaining a solid capital and liquidity position, in

line with regulatory requirements.

BST also remains committed to being a responsible bank, by boosting the sustainable and inclusive growth of society, reducing social and economic inequalities, and simultaneously supporting the development of the communities where it is present, namely through the promotion of sustainable consumption through products such as the Santander Sustainable Fund and the financing of renewable energies and green technologies, thus supporting the transition to a low carbon economy.

## **Business Areas Overview**

### ***Individuals and Business, Companies and Institutional***

2021 was a particularly challenging year for everyone and, in particular, for the commercial areas.

The Bank's strategy in the Individuals area was focused on simplifying processes, consolidating new service models, and improving customer experience. The commercial activity results in this segment were in line with the goals for the year, with emphasis on the reinforcement of leadership in Mortgage Credit, increased productivity in the Protection, Savings and Payments areas, and improvements in the Bank's customers' level of satisfaction ("**NPS**"). These results were clearly leveraged by the Bank's digital transformation process, along with the restructuring of its commercial and process areas.

In 2021, Insurance Protection activity was focused on expanding the customer base and the level of protection for each customer.

With regard to Autonomous Insurance, new products were launched with optimised journeys and differentiating characteristics (for example, one-click quote) such as Auto Insurance, Corporate Liability Insurance and Corporate Health Insurance. Packages were made available for the combined sale of insurance with advantageous conditions, and the Bank's offer on digital channels was reinforced (with its weight in the placement of new policies having doubled).

With regard to Credit-Associated Insurance, the Bank conducted a review of the entire simulation and contracting process, which is now far simpler and more intuitive, for both Mortgage and Personal Credit. The offer was also strengthened with the introduction of a new coverage for orphans who have lost both parents and the availability of the House Pack. The possibility of renewing Life Insurance with a Single Premium and contracting insurance for Personal Credits in progress (previously it was only possible to protect one's credit at the time of contracting) was also introduced.

Additionally, the Bank maintained in force the exceptional measures taken in the context of the COVID-19 pandemic, which included eliminating the pandemic exclusion in Health, Life and Wage.

The after-sales activity of Protection Insurance recorded significant progress in terms of both renewal of policies and claim management. The Bank started to measure the NPS of the after-sales journeys for various insurances, helping it to identify and correct opportunities for improvement in its customer service.

In terms of Savings, there was an increase in the diversification of off-balance sheet investments, mainly in

investment funds and retirement savings — a process significantly helped by the fact that markets had a very positive 2021. 2021 was also a year in which the Bank continued focused on its digitalisation path, through the conclusion of several technological projects with a view to improving customer experience.

In terms of Payments, the goal is still to place Santander as the bank of choice for digital payments. Thus, within the scope of the Bank's digital transformation plan and the launch of the "One App", various digital payment features were made available in 2021 to make the Bank's customers' day-to-day life much easier. Within the scope of digital payments, customers continued to digitise their cards on wallets (Apple, Garmin, Fitbit and Santander) and on electronic platforms for online trade.

As regards corporate customers' transactions, the Bank promoted the marketing of products that help simplify their day-to-day management, such as the commercial promotion of the Dedicated IBANs Product (a solution that facilitates the process of reconciling their bank charges) and the launch of payment for services by batch in XML format (a solution that allows companies to make payments in an aggregated way).

Additionally, with regard to Points of Sale ("POS") terminals, the Bank focused on developing this service and differentiating payment solutions, namely through digital contracting and the development of new equipment, such as SmartPOS, having ensured sustained growth throughout 2021. The pandemic context kept the focus on online services. Thus, the promotion and dissemination of the payment gateway, which allows for the acceptance of cards, payments for services, and MB Way on a single platform, resulted in an increased number of merchants compared to the previous year.

Lastly, with regard to regulatory compliance with Directive (EU) 2015/2366, more than two million cards were enabled to carry out strong authentication of online purchases through the Santander mobile App. Additionally, there were further developments in terms of open banking, namely expansion of the offer of entities that customers can aggregate through the Bank's channels, which, in addition to the main national banks, now also include Revolut, Cetelem, and Universo accounts. In this way, Santander customers can consult all their accounts without leaving Santander, and can initiate transfers from any bank. Also, in respect of open banking, and within the scope of "Collections", the Bank now allows its customers to initiate transfers from other banks through the Banks's channels, in order to any settle debts they may have with Santander.

As far as Personal and Housing Credit is concerned, despite the pandemic context, the accumulated production of housing credit grew by about 20 per cent. compared to 2020, placing the Bank's production market share above 20 per cent..

The production of personal loans amounted to €415 million (10 per cent. more than in 2020), with an emphasis on the Bank's evolution towards a fully digital, omnichannel (available on all channels), end-to-end solution, making contracting much easier. The contracting of personal credit online represented 54 per cent. of all personal credit granted.

The Daily Banking area continued its work managing the Bank's day-to-day banking offer for customers, whose strategic priority is to provide a simple, secure and accessible payment experience through any channel. Despite

the pandemic situation, 2021 was characterised by a positive evolution in the number of customers who use the Bank to organise their daily lives, namely for their purchases, payments, transfers, withdrawals and direct debits.

2021 saw a positive evolution in the number of World 1|2|3 private customers who enjoy an ecosystem of advantages and cashbacks when using their credit card. About 80 per cent. of these customers have Santander as their first bank and in 2021, the Bank returned cashback benefits to about 85 per cent. of these customers, amounting to approximately €15.9 million.

With the aim of improving customer experience, several initiatives were implemented, such as: a more simplified card offer, in line with the image at European level; sending the digital PIN of cards by SMS at the time of activation; the possibility of breaking down purchases made with a credit card at the POS into 3, 6 or 12 months; the possibility of requesting a prepaid card through digital channels; cost exemption when using MB Way on any platform; and exemption from purchase and withdrawal costs in foreign currencies of up to €1,000 on debit cards.

The Bank also reinforced its commitment to security. In online purchases, payment validation through the Santander App (3D Secure) became mandatory, and in situations of transactions refused by security blockages, a notification is now sent to the customer, helping him/her complete their transactions.

In terms of Responsible Banking, cards are now issued in biodegradable material, with the “Carbon Neutral” quality seal, in order to reduce the Bank’s environmental footprint. The Bank has also implemented a recycling process for expired cards, which will be used to produce street furniture, and for each kilo of cards collected, a tree will be planted in a protected area, with the guarantee that it will be taken care of for 5 years.

Furthermore, the Santander Boutique (Marketplace) celebrated one year of activity. It currently has 16 partners and offers credit solutions (personal credit and credit card) with the possibility of customers splitting their purchases up to 36 months.

2021 was also a very important year in terms of the Bank’s digital transformation.

The launch of a new mobile App in Portugal was a milestone in the Bank’s digital transformation plan. Its aim is to better serve customers and to facilitate the Bank’s interaction with them, through a mobile banking experience model common to the various European markets. The new App was based on the structure of the App launched in Spain, which was recognised as the Best Digital Bank in Western Europe by Euromoney.

In addition, the Bank focused on consolidating the Digilosofia brand, both internally, by launching various initiatives to boost commercial and internal communication, and externally, through the implementation of a strong communication plan for customers.

This transformation strongly contributed to the continued growth in the number of digital customers and, above all, to the deepening of the bank-customer digital relationship. At the end of 2021, BST surpassed the landmark of one million digital customers, an increase of 7.5 per cent. compared to the same period last year (70,000 more customers). This figure represents a global digital penetration rate (over active customers) of about 60 per cent.

The Bank also registered solid qualitative growth. In 2021, the number of customers with a mobile App grew by

almost 20 per cent. compared to the previous year and the number of customers with a mobile wallet grew by more than 75 per cent.

With regard to the transformation of branches and the simplification of processes, the banking sector has been experiencing major challenges due to changing behaviours in the use of banking services, with customers seeking swifter response times and tailored services. In response to this demand, the Bank has adapted its service models, either by promoting the availability of its products and services in omnichannel, or by further developing its physical service channels.

This transformation was carried out based on a significant investment in simplified procedures. At branch level, three new service concepts were developed at every branch. The Advanced Teller Post Model, implemented in more than 70 per cent. of the Bank's branches, aims to promote a comprehensive customer service whenever it is used, not differentiating between commercial activity and transactional activity. This solution also allows the branches to better manage the flow of customers according to their needs.

The Dedicated Corporate Teller Model, implemented in 20 branches, considerably improves the experience of any corporate customer wanting to carry out transactions such as deposits, payments and withdrawals, as it is equipped with more sophisticated equipment that complements the customer's activity. An exclusive and specialized service point was also made available for companies' transactions.

The Bank has invested in more sophisticated self-banking machines for coin deposits and withdrawals, in addition to the usual banknote and check deposits, in self-service areas, which are available 24/7. These machines constitute an alternative way through which the Bank's customers can carry out their transactions, when most convenient for them, and they will be subject to software developments allowing for new functionalities in the near future. In 2021, 29 virtual teller machines were installed and the ongoing reinforcement of this equipment has already been planned.

The Bank's main processes, with an impact on customers, underwent a deep restructuring to respond to customers' needs in a simpler, closer and fairer way. This profound transformation was developed on new IT platforms, modernising and digitising all of the Bank's processes.

In the Business, Corporate, and Institutional segment, the Bank maintains its strong commitment to support the Portuguese business community, providing a network of experienced and qualified professionals to help companies find the solutions that best suit their needs at any given moment, as well as a vast financial and non-financial offer that supports corporate customers in boosting their resources and in the transition towards a more efficient and sustainable economy.

In a year still marked by the pandemic and its adverse impacts on economic activity, the Bank remained focused on ensuring that the initiatives promoted by the Portuguese government (e.g. credit facilities with state guarantee) reached the target companies and also focused on supporting public and private investment projects within the scope of European funds. For this purpose, Santander created a webpage dedicated to European funds on its public website, providing information on the various programmes, investment agendas and active

application notices in an organised and systematic manner, thus helping identify and clarify relevant opportunities.

Throughout 2021, BST developed, and will continue to develop, initiatives supporting companies in their transition to a more sustainable, socially and environmentally responsible economy, where innovation plays a key role. In this context, in the second quarter of 2021, for example, the Bank launched the Agriculture Equipment Renewal Plan, aimed at promoting and accelerating the digitalisation and sustainability of Portuguese agriculture by enabling investment in equipment with precision techniques and others.

The Bank maintains its commitment to the improvement of internal procedures and processes in order to guarantee the availability of liquidity to companies in a swift and timely manner, and subsequently the fulfilment of their commitments to third parties, namely employees, suppliers, and the Portuguese State. In 2021, the Bank also reinforced its omnichannel approach, in addition to the service provided by its physical network, with a strong investment in digital channels, which has greatly contributed to increasing the degree of customer autonomy, satisfaction and loyalty. This positioning based on service quality and proximity has promoted sustained growth in the Corporate segment.

With regard to International Business, the Bank has the capacity to provide teams of trade finance specialists, plus resources and tools (such as Trade Club and Trade Markets) to help companies develop coordinated work, find partners and successfully complete their global expansion process. The Bank's new offer to Portuguese companies, swift GPI, enables the traceability of international transfers, both issued and received, with real time validation and tracking of international payments, as well as verification of the status of transfers received from abroad.

BST also maintains its commitment to customers in the Institutional Banking segment, both public entities (with a strong presence in the autonomous regions and municipalities) and private entities (with a special focus on religious institutions and social economy institutions, which have played a key role in supporting families with less resources).

### ***Wealth management and Insurance***

The year 2021 ended as it had started, conditioned by news on the ongoing pandemic and by fears that the inflationary pressures seen in the last half of 2021 would prove to be structural rather than short-term. The shock on the demand side, combined with logistic and distribution constraints, caused a general inflation peak, reaching 7 per cent. in the United States and 5 per cent. in Europe. However, these factors did not prevent the main stock indices from closing with very positive performances: S&P 500 with valuations close to 30 per cent. and Eurostoxx 50 above 25 per cent., based on expectations of robust economic growth and the normalisation of distribution chains (and of expected inflation levels).

Consequently, for most of BST's Private Banking business indicators, 2021 proved to be a very positive year, registering a 9 per cent. growth in assets under management, as well as a 29 per cent. growth in off-balance sheet resources (funds, insurance and discretionary portfolio management).

The Bank's Private Banking customer base registered strong growth, fuelled by dynamic external prospecting activity and tremendous collaboration and support from the branch network and corporate centres. Initiatives aimed at improving the commercial effectiveness of Private Banking managers in 2021 yielded the expected results, freeing up more time for the provision of tailored advisory services to Private Banking customers.

In recognition of its customer service and care of excellence, at the beginning of 2021, BST's Private Banking was named the best Private Banking service operating in Portugal, for the 10th consecutive year, according to Euromoney magazine. Towards the end of the year, it was awarded the same distinction, for the 7th consecutive year, by the Global Finance magazine. These awards recognise and reinforce the quality of the Bank's teams and of the investment solutions provided by Santander's Private Banking, and encourage BST to continue developing and improving its customer service and value proposition.

2021 was also marked by a general rise in the stock markets as global equity markets appreciated by about 20 per cent. This behaviour was justified by the economic growth recorded in this period, following the start of vaccine distribution against COVID-19 at the end of 2020, and the expansionary monetary and fiscal policies implemented by most central banks and governments. In this context, there was an upward movement in the main yield curves and a resulting devaluation of bonds issued by governments and companies.

Santander Asset Management sought to manage its securities investment funds in an active manner, with the aim of maximising returns for all participants. Numerous initiatives were carried out throughout 2021, in particular, changes to the investment policies of the mixed and bond funds, with a view to their more flexible and global management, and the merging of the popular global range funds into the Santander Select funds. In addition, two new innovative funds were launched, Santander Global Investment and Santander Multi-Strategy. The year was marked by strong demand for investment funds, which ended with assets worth €4.6 billion, registering a growth of €1 billion.

Retirement solutions were a very important focus of the Bank's commercial business, bearing in mind the growing challenges faced by families in this area. Retirement products grew by €183 million, benefiting from the rebranding carried out for this type of product.

The Financial Insurance area recorded strong dynamics in open financial insurance, both in the Individuals and Businesses Network, and in the Private Banking segment, closing with global assets worth €3.7 billion. During 2021, the Insurance range was complemented by the launch of Santander Future Wealth, an innovative product that provides access to major future trends: technology, sustainability and health. These various initiatives helped mitigate the volume of maturities that occurred within the period, in the amount of circa €315 million.

Throughout 2021, the Bank continued promoting initiatives aimed at improving the quality of service and customer experience, such as its implementation of a paperless contracting process. Various training initiatives

were also developed, mostly in the format of internal webinars, but also including webinars for customers, with the aim of promoting greater knowledge of financial markets and product positioning.

### ***Corporate and Investment Banking***

In 2021, the Bank reinforced its proximity to customers and improved its digital platforms, promoting more useful and effective communication. Resilience, commitment and innovation were differentiating factors in the Bank's relationship with its customers.

In the Corporate & Investment Banking area, the focus remained mostly on customers and on offering solutions best suited to their needs. One of the main highlights in 2021 was the offer of ESG (Environmental, Social and Governance) products and the Bank's focus on digital channels, including the digital exchange contracting platform (via NetBanco Corporate).

The loan portfolio recorded a decrease of 1.7 per cent., justified by the recovery of economic activity, which led to increased customer liquidity.

Operating income increased by 1 per cent. compared to 2020 due to the good performance of recurring business.

Net interest income grew by 3 per cent. compared to 2020 and, as far as commissions are concerned, there was a recovery in transactional items, in particular automated teller machines and POSs, after a sharp drop in 2020.

The Bank was also named "Best Investment Bank Portugal 2021" by Euromoney.

In the Global Debt Financing area, 2021 was marked by BST's participation, as bookrunner, in the following debt issuances in the Portuguese market:

- EDP – Energias de Portugal, S.A.: issuance of two new green hybrid bonds, in the amount of €750 million and €1,250 million, respectively. These were the third and fourth issuances of this kind for EDP, with BST participating as bookrunner in all four operations.
- REN – Redes Energéticas Nacionais, SGPS, S.A.: issuance of a new green bond, with an 8-year maturity, in the amount of €300 million.

With regard to the structured financing business, 2021 was marked by the working capital financing operation for Medway Portugal, intended for the acquisition of new locomotives to enable the company's expansion in the Iberian Peninsula, in the amount of €122 million, of which Santander ensured about €77 million.

During this period, several relevant financing operations were also concluded in a wide range of sectors, particularly in the renewable energy sector and the real estate sector (development of student residences). Financing agreements were also concluded in the retail, telecommunications infrastructure and hospital infrastructure sectors.

In 2021, the Corporate Finance area continued to undergo intense activity in Mergers & Acquisitions and Equity Capital Markets operations, highlighted by the successful completion of the following financial advisory operations:

- Advising Atlantia on the announced sale of the 17.2 per cent. stake held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation;
- Acting as Joint Bookrunner in the initial public offering (“IPO”) of Greenvolt;
- Advising Teak Capital and Tangor Capital in the acquisition of Cerealis;
- Advising FSI/Finerge on the acquisition of shares held by EDF Renewables in two wind portfolios in Portugal with 507 MW (193 MW net); and
- Acting as Global Coordinator in the capital increase / IPO for Ibersol’s shares.

With regards to Treasury, particularly in the Corporate and Commercial Banking area, 2021 marked the consolidation of an alternative customer follow-up model, which was designed, tested and correctly implemented throughout 2020.

With the return to "normality" of most economic activities, and after the balance of activity in 2021 was reached, it was concluded that the constraints in connecting with customers caused by the pandemic had been overcome with great success, with the Bank having managed to promote effective proximity in its presentation of solutions for the needs of companies supported by BST.

With regards to Exchange and Interest Rate operations, activity grew quite smoothly in 2021, following in line with the previous year’s trend, supported by consolidation of BST’s business model and recognition among its customers.

The Foreign Exchange area maintained a growth trajectory in 2021, based on the alternative contracting channels made available to all customers.

In 2021, there was an increase in the number of active customers in foreign exchange operations in the various segments (Companies, Private and Individuals); growth in the number of customers who use digital channels (the foreign exchange contracting platform available through NetBanco); growth in trading volume; and growth in the volume traded with customers with direct access to the Trading Room.

After the state of emergency lockdown periods that kept many BST customers working from their homes, all means for contracting foreign exchange operations were made permanently available in 2021. A team was permanently present in the Trading Room, the commercial teams and commercial departments were available at the branches, and, via the electronic platform, also available through NetBanco Corporate, ensuring an adequate response to all customer needs.

Regarding interest rate risk management, the search for fixed-rate credit solutions heightened, namely with regards to State-guaranteed facilities made available throughout 2021 (such as the European Investment Fund facility), whose formalisation has mostly taken place in the form of a flat rate.

The increased volatility seen in most financial markets, in a context of macro-economic uncertainty, has justified greater proximity to companies when renewing their financing or contracting new credit operations.

The escalation of the inflation rate already observed in some of the main world economies, the sharp increase in the value of commodities (with Brent in the spotlight) and the uncertainty surrounding the policies to be followed by the central banks, gave rise to a greater need for interest rate risk coverage, both for new financings and for those already in progress.

In this context, in 2021, BST witnessed a significant growth in formalised fixed-rate credit operations, with this modality representing a very significant percentage of all financing granted to companies.

In the Retail Structured Products area, after a long period of adaptation to the new reality of negative interest rates, activity resumed in 2021, namely with the sale of five structured notes for a total of €40.4 million. The first two notes were green notes (Santander 360.<sup>o</sup> Sustainable, where all parties involved are 100 per cent. Santander – issuer, index, investor and sustainable asset). The capital of these notes was used to finance sustainable projects managed by Santander, in accordance with ESG criteria, and their yield is indexed to the Eurostoxx<sup>®</sup> 50 ESG –X.

### ***Foreign Customers and Residents Abroad***

With regard to Residents Abroad and Foreigners, Portugal continues to be a country with an attractive legal framework for foreigners interested in investing in Portugal or wanting to live in Portugal permanently or with regular residence. On the other hand, the community of Portuguese emigrants residing abroad also has great significance.

Attentive to these two segments, the Bank has a team whose main objective is the establishment of strong commercial ties and close proximity to the communities of Portuguese and Portuguese descendants living abroad, as well as the promotion and attraction of foreign customers who choose Portugal to invest and/or to establish their residence.

BST has a remote service dedicated to customers residing abroad — Santander Próximo International. It is a digital branch providing an innovative customer service, equipped with all the technology necessary for remote monitoring, plus a team fully dedicated to these customers.

With this solution, any customer residing abroad will be able to interact with the Bank remotely, in the same way as a customer living in Portugal.

In view of the Bank's commitment to digital transformation, there has been a decrease in the need for physical contact, reflected in the gradual reduction in the Bank's physical presence, which saw the closure of its representative offices in Germany, France, and Switzerland, countries where customers are already being closely serviced through this digital, remote service model.

### ***Digital Development***

In 2021, Santander continued to strengthen its digital transformation process. This process, boosted by the COVID-19 pandemic, has the main objective of bringing the Bank closer to its customers and simplifying processes through digital solutions.

This strategy has consolidated the growth trend registered in the number of digital customers.

At the end of the second half of 2021, the Bank had 1 million digital customers, a 7 per cent. increase compared to the previous year (70,000 more customers).

### ***Individual Channels***

The new Santander App was launched in October 2021. This represented a significant milestone in the Bank's digital transformation plan, in line with its strategy of building a common mobile banking experience model for the Bank's various geographies in Europe.

With regard to the adoption of digital channels, the number of digital customers continued to grow throughout 2021. The App registered 19 per cent. growth in the number of users compared to the end of 2020 (an addition of 110,000 customers). Approximately 683,000 customers typically use the App at least once a month. As far as the web channel is concerned, the number of users remained stable in 2021 compared to the previous year, having closed the year with 448,000 users of NetBanco Private with logins in the last 30 days.

Regarding the intensity of use, the average number of monthly logins per user was 8 logins for NetBanco and 22 logins for the App. These figures are in line with those recorded at the end of 2020 for the NetBanco channel, but represent a slight reduction in the App channel, reflecting the growing adoption of this channel by customers characterised by less intensive use.

The penetration of digital sales in private channels reached 56 per cent. in the last semester of 2021, representing a significant increase of 13 p.p. compared to the end of 2020.

With regard to satisfaction indicators, the NPS – Net Promoter Score for Private Digital Channels maintained its positive trajectory for NetBanco, having recorded a slight reduction in the App. Compared to the closing figures for 2020, NetBanco's NPS grew by 18 p.p., while the App's NPS dropped by 4 p.p. This reduction is also a reflection of the divestment in the old App and it is expected that, following the launch of the new App in October 2021, the level of satisfaction with this channel will increase again in 2022.

In 2021, Private Digital Channels had three main goals:

- Increase the coverage of products and services offered through digital channels;
- Reduce the risks and impacts of non-compliance through the implementation of new "promise-to-pay" digital journeys and other recovery use cases; and
- Develop features, improvements and initiatives that contribute to increased satisfaction in the use of these channels.

The Bank thus continued to modernise NetBanco, with an emphasis on renewal of the card pages, the consultation and contracting of deposits, the top-up functionality, the consultation and creation of direct debits, the consultation of loans and the portal for prepaid and meal subsidy cards. The improvements implemented reflect not only a more modern interface, but also a new information architecture, optimised for BST's customers' current needs.

The increased offer of products through the Bank's channels included the launch of SafeCare Health. NetBanco customers can now also make term deposits in different currencies, contract pre-paid cards, subscribe to funds and retirement savings plans on a timely and periodic basis, as well as contract overdrafts on their account.

In the Late Payments area, customers can now pay the minimum amount, as well as settle their debt through external accounts, with the open banking capabilities available in both channels.

Since 2021, private customers have been able to update their personal, professional and contact data on NetBanco through the digital mobile key. In addition, the descriptions of transactions have been improved and optimised, with a coverage of almost 90 per cent. of the volume of transactions already worked, revised and made available to the customer.

The launch of the Bank's structural solution for opening a digital account, using the digital mobile key or through a video call, was also a highlight of 2021 and this solution has been made available on the Bank's public website and on the App.

### ***Corporate Channels***

In 2021, BST strengthened its relationship with its Corporate customers through its digital channels by improving and updating their existing functionalities.

In December 2021, NetBanco Corporate registered 117,000 users with logins in the last 30 days, with an increase of 3,000 users compared to the end of 2020 (a 3 per cent. increase).

The Corporate App showed a 30 per cent. growth in its number of users (an addition of 10,000 users compared to the end of 2020), reaching a total of 41,000 users at the end of 2021.

Regarding intensity of use, the average number of monthly logins per user was 20 logins for NetBanco Corporate and 21 logins for the Corporate App. These figures represent an increase of one and three average monthly logins on both channels, respectively.

On NetBanco Corporate, customers can view new and improved pages on loans, escrow accounts, and guarantees. After having been allowed to view commission statements at the beginning of 2021, improvements were also made to the digital document pages and the possibility of viewing leasing invoices was also included.

In addition, since March 2021, corporate customers can contract their Santander Business credit card through NetBanco Corporate, as well as manage their card limits completely online.

Furthermore, a renewed login page was made available on NetBanco Corporate, allowing for the recovery of usernames and passwords in an autonomous way.

Through the Corporate App, BST's customers can view their digital documents, such as account statements and tax returns, and obtain proofs of their transfers and the details of account movements.

It is now also possible to authenticate online purchases by using corporate customer cards through push notifications, providing simplified access to cardholders who do not typically use the channels.

Features such as credit card payments, card cancellation requests and smartphone top-ups, as well as other services, such as the possibility of scheduling periodic transfers, were also introduced in the App in 2021.

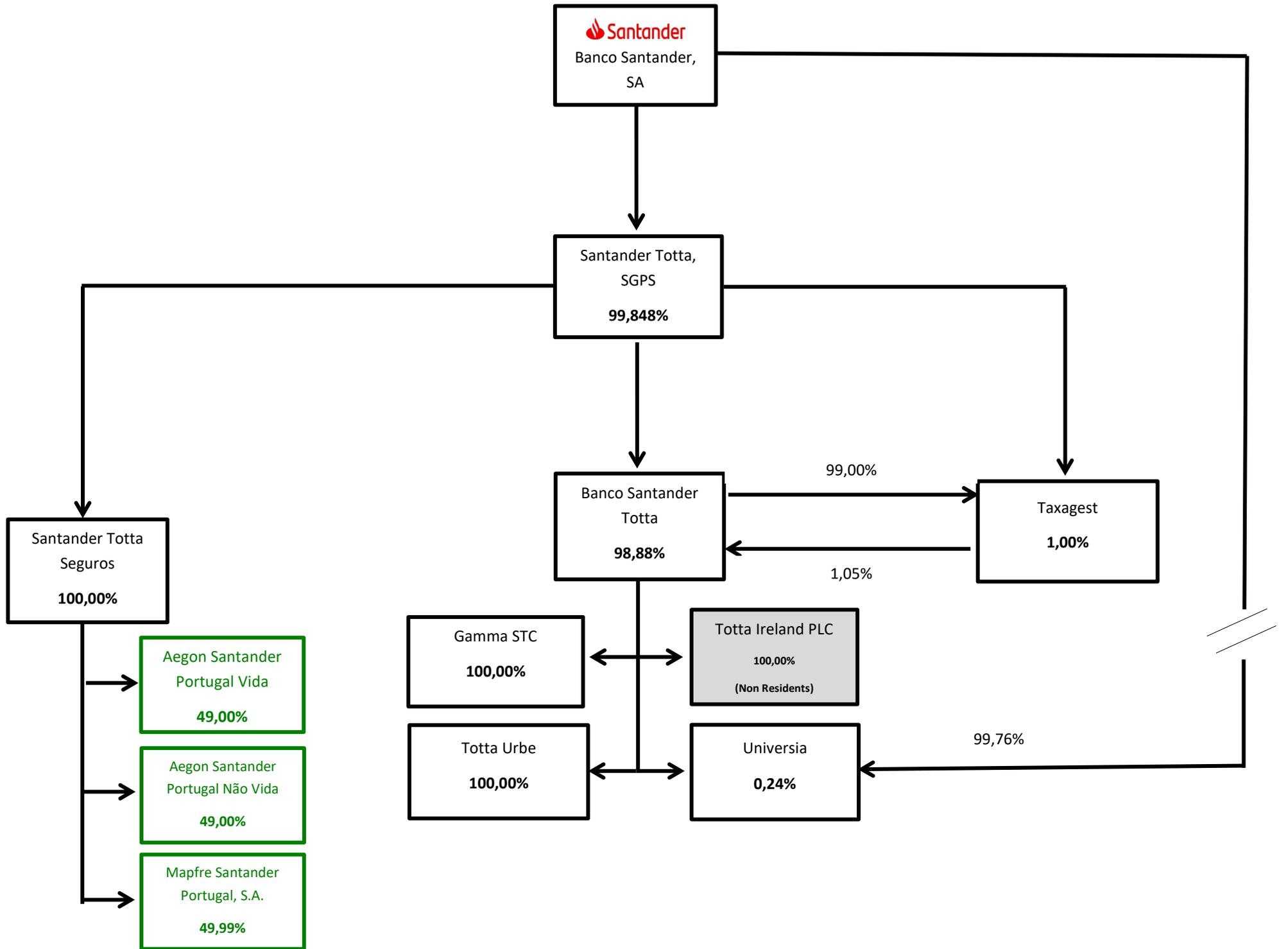
## **Organisational Structure**

### *BST Group*

The BST Group is a global financial group focusing its operation on two main business areas: commercial retail banking and investment banking. The BST Group provides a full range of products and services to individuals, companies and institutional investors in Portugal. In addition, following the incorporation of BSN and Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A. by the Issuer, the BST Group comprises the investment bank networks of the Issuer and the related group of operating companies which are controlled by Santander Totta, SGPS, S.A..

The holding company in Portugal, Santander Totta, SGPS, S.A., separates the activities of the participating companies and the investment bank business from the activities of the Issuer. The aim of this corporate structuring, whereby all the banks and operating companies of the BST Group are controlled by Santander Totta, SGPS, S.A., is essentially to increase the BST Group's strength and solvency, as well as to provide transparency to the market and allow for adequate supervision on a consolidated basis.

The diagram on the next page shows the structure of the BST Group as at the date of this Base Prospectus.



## History of BST

Following an agreement entered into on 7 April 2000 between Banco Santander Central Hispano (“**BSCH**”), Mr. António Champalimaud (the former controlling shareholder of Banco Totta & Açores (“**BTA**”)) and CGD, the Issuer acquired a controlling interest of 94.68 per cent. in BTA and 70.66 per cent. in Crédito Predial Português (“**CPP**”). In June 2000, through its associate Santusa Holding, S.L (“**Santusa, BSCH**”), the Issuer made a public acquisition offer for all of the outstanding shares of BTA and CPP. In December 2000, following a capital increase of BTA and the restructuring of the investments of the BST Group in Portugal, BTA became the head of the BTA Group, which, in addition to CPP, comprised Banco Santander Portugal (“**BSP**”) and BSN. The first complete year under the BST Group structure was 2001.

The Issuer was established following a corporate restructuring process completed in December 2004, which merged the commercial banks within the BST Group in Portugal (namely, BTA, CPP and BSP) into a single legal entity. The outcome was a holding company (Santander Totta, SGPS, S.A.), holding the commercial bank, the Issuer and the investment bank BSN. The restructuring process was approved by the Bank of Portugal and at the Shareholders’ General Meetings of BTA, CPP and BSP on 15 October 2004, with the granting and filing of the deed completed on 19 December 2004.

The restructuring was an internal reorganisation of the BST Group in Portugal and resulted in BTA transferring, by operation of the merger, all of its assets into the Issuer, which assumed all the obligations of BTA by operation of law.

In May 2010, BSN was incorporated into the Issuer following a merger process that was initiated in 2009 and, as a result, the share capital of the Issuer increased from EUR 589,810,510.00 to EUR 620,104,983.00. In August 2010, the Issuer announced its intention to carry out a merger with Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A., thus concentrating in the Issuer all lending activity currently developed by the merging entities. A preliminary project of the acquisition of the shares and the alluded merger was presented to the Bank of Portugal in the terms set forth in the law.

In this context, and following a shareholders resolution, on 18 March 2011, the Issuer announced the decision to increase its share capital to EUR 656,723,284.00, by means of contributions in kind (*entradas em espécie*), which would be performed by Santander Totta, SGPS, S.A. through the transfer of 5,750,322 shares representing the share capital of Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A., to which it attributed the global value of EUR 66,304,973.91. To complete this transaction, 36,618,301 new shares representing the share capital of the Issuer, with the nominal amount of EUR 1 each and with an issue premium per share of EUR 0.8107059066, corresponding to the relevant share capital increase, were issued. In addition, the holders of the notes issued by the Issuer, having met to decide about the aforementioned merger, decided not to oppose such merger on 21 March 2011. The filing of the share capital increase with the Commercial Registry Office occurred on 24 March 2011 and the completion of the merger in the terms described above took place on 1 April 2011.

On 20 December 2015, following the resolution measure applied to Banif by the Bank of Portugal, the Issuer acquired a set of rights and obligations, comprised of assets, liabilities, off balance sheet items and assets under

the management of Banif, as listed in the resolution passed by the Bank of Portugal in that respect, for the amount of EUR 150 million.

On 8 January 2016 and 28 March 2016, the Issuer registered with the competent commercial registry its share capital increase by EUR 300,000,000 on each such date, from EUR 656,723,284.00 to EUR 956,723,284.00 and from EUR 956,723,284.00 to EUR 1,256,723,284.00, respectively, through the issue of ordinary book-entry and nominative shares with the nominal amount of EUR 1 each. These share capital increases were reserved to BST's shareholders and resulted in a total increase of BST's share capital to EUR 1,256,723,284.00.

On 30 December 2016, BST completed the acquisition of Gamma – Sociedade de Titularização de Créditos, S.A., a securitisation company registered with the CMVM under number 9152, after submitting this transaction to the competent authorities and obtaining the necessary authorisations.

On 24 May 2022, the Issuer registered with the competent commercial registry its share capital increase by EUR 135,056,390.00, from EUR 1,256,723,284.00 to EUR 1,391,779,674.00.

The Issuer is the parent company to various subsidiaries and its financial results are affected by the cashflows and dividends of its subsidiaries.

As at the date of this Base Prospectus, the majority shareholders of the Issuer were:

<b>Shareholder</b>	<b>Nº of shares</b>	<b>%</b>
Santander Totta, SGPS, S.A.	1,376,219,267	98.88%
Taxagest - SGPS, S.A.	14,593,315	1.05%

Santander Totta, SGPS, S.A. directly holds approximately 98.88 per cent. of the Issuer.

Santander Totta, SGPS, S.A. is fully owned directly by Banco Santander, S.A. and TaxaGest SGPS, S.A. is fully owned indirectly by Banco Santander, S.A.. Therefore, the Issuer is indirectly owned by Banco Santander, S.A.

There are no specific mechanisms in place to ensure that control over the Issuer is not abusively exercised. Risk of abusive control is, in any case, mitigated by the existence of an Audit Committee and an Auditor, as described herein, in the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2020 and 31 December 2021 by the legal and regulatory provisions and supervision of the Issuer by the CMVM and the Bank of Portugal.

The Issuer, being (i) a credit institution and (ii) a financial intermediary (i.e. an entity which provides investment services/activities and ancillary services) and an issuer of securities admitted to trading on a Portuguese regulated market, is subject to the supervision of, respectively, (i) the Bank of Portugal and (ii) the CMVM, which, among other regulatory areas, supervise the acquisition and disposition of substantial holdings in the Issuer.

The Issuer is managed by a Board of Directors (*Conselho de Administração*) elected at the General Shareholders' Meeting for a three-year period and each of its members is bound by duties of care and loyalty in order to optimise the interests of all relevant stakeholders (in accordance with the Portuguese Commercial Companies Code – Article 64 – and the RGICSF – Article 75). The business address for each of the members of the Management and

Statutory Bodies is Banco Santander Totta, S.A., Rua Áurea, no. 88, 1100-063 Lisbon, Portugal.

### **Governing bodies of Banco Santander Totta, S.A. for the 2022-2024 term office**

On 23 November 2021, the General Meeting of shareholders approved the election of corporate officers for the 2022-2024 term of office.

The Governing bodies of Banco Santander Totta, S.A., for the 2022-2024 term of office, are:

#### **Board of the General Meeting**

Chairman	António Maria Pinto Leite
Deputy-chairman	Ricardo Andrade Amaro
Secretary	Bruno Miguel dos Santos de Jesus

#### **Board of Directors**

Chairman	José Carlos Brito Sítima
Deputy-chairman	Pedro Aires Coruche Castro e Almeida
Members	Amílcar da Silva Lourenço
	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	Daniel Abel Monteiro Palhares Traça
	João Pedro Tavares
	Isabel Cristina da Silva Guerreiro
	Manuel António Amaral Franco Preto
	Manuel Maria de Olazábal Albuquerque
	Maria Manuela Machado Farelo Ataíde Marques
	Miguel Belo de Carvalho
	Remédios Ruiz Maciá
	Ricardo Lopes da Costa Jorge

### Audit Committee

Chairman	Ana Isabel Abranches Pereira de Carvalho Morais
Members	Daniel Abel Monteiro Palhares Traça João Pedro Tavares Manuel Maria de Olazábal Albuquerque Maria Manuela Machado Farelo Ataíde Marques

### Auditors

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. represented by José Manuel Henriques Bernardo.

### Executive Committee

Chairman	Pedro Aires Coruche Castro e Almeida
Deputy-chairman	Manuel António Amaral Franco Preto
Members	Amílcar da Silva Lourenço Isabel Cristina da Silva Guerreiro Miguel Belo de Carvalho Ricardo Lopes da Costa Jorge

### Company Secretary

Full Secretary	Bruno Miguel dos Santos de Jesus
Alternate Secretaries	Marta Maria Appleton de Serpa Pimentel Marques

### Risk Committee

Chairman	Manuel Maria de Olazábal Albuquerque
Members	Daniel Abel Monteiro Palhares Traça João Pedro Cabral Tavares Maria Manuela Machado Costa Farelo Ataíde Marques

Remedios Ruiz Maciá

### Remuneration Committee

Chairman	João Pedro Cabral Tavares
Members	Daniel Abel Monteiro Palhares Traça Remedios Ruiz Maciá Manuel Maria de Olazábal Albuquerque Maria Manuela Machado Farelo Ataíde Marques

### Appointment Committee

Chairman	Daniel Abel Monteiro Palhares Traça
Members	Ana Isabel Abranches Pereira de Carvalho Morais Cristina Alvarez Alvarez João Pedro Cabral Tavares Manuel Maria de Olazábal Albuquerque

### Salaries Committee

Chairman	Jaime Pérez Renovales
Member	Maria Alexandra Teixeira Peres Brandão Palma Cavaco

### Relevant activities of directors outside BST

	Within the consolidation perimeter	Outside the consolidation perimeter
Amilcar da Silva Lourenço	-	-
José Carlos Brito Sítima	Santander Totta SGPS (Deputy Chairman of the Board of Directors)	Câmara Comércio Luso Espanhola (Deputy Chairman)

Ana Isabel Abranches Pereira de Carvalho Morais	-	Instituto Superior de Economia e Gestão (Associate Dean); EPAL, Empresa Portuguesa das Águas Livres (Chairwoman of the Supervisory Board); Águas do Vale do Tejo, S.A. (Chairwoman of the Supervisory Board)
Manuel António Amaral Franco Preto	Santander Totta SGPS (Executive Board Member); Taxagest (Chairman)	-
Manuel Maria de Olazábal Albuquerque	-	Fulham Consulting S.L. (Managing Partner)
Pedro Aires Coruche Castro e Almeida	Santander Totta SGPS (Deputy Chairman of the Board of Directors; Chairman of the ExCo (CEO))	ACEGE (Strategy Council); Centro Paroquial São Francisco de Paula (Non-Executive Director); ISEG (Advisory Council Member); Fundação Alfredo de Sousa (Board of Trustees Member); Associação Portuguesa de Bancos (Member of the Board, on behalf of Banco Santander Totta, S.A.)
Isabel Cristina da Silva Guerreiro	Banco Santander S.A. (Head of Digital Europe)	Santander Bank Polska, S.A. (Supervisory Board Non-Executive Member)
Maria Manuela Machado Costa Farello Ataíde Marques	-	Católica Lisbon School of Business & Economics (Assistant Professor); Gerefinaça - Consultores de Gestão, Lda (Manager); European Money Markets Institute (Non-Executive Board Member   Supervisory and Risk Board Member)
Miguel Belo de Carvalho	Santander SGPS (Board Member)	Fundação Económicas Fundação Para o Desenvolvimento das Ciências Económicas, Financeiras e

		Empresariais (Non-Executive Board Member, on behalf of Banco Santander Totta, S.A.); Universidade Lusíada – Faculdade de Ciências da Economia e da Empresa (Advisory Council Member)
Daniel Abel Monteiro Palhares Traça		Nova School of Business and Economics (Dean); Casa de Investimento – Gestão de Património e Fundos de Investimento – SGOIC, S.A. (Chairman General Meeting); Fundação Alfredo de Sousa (Non-Executive Board Member, on behalf of NovaSBE)
Remedios Ruiz Maciá	Banco Santander, S.A. (Global Head EWRM)	UCI SA (Non-Executive Board Member, Audit and Risk Committee Member, on behalf of Banco Santander Totta, S.A.); UCI, SA, EFC (Non-Executive Board Member); Tresmares Capital Corporate SL (Non-Executive Board Member, on behalf of Banco Santander Totta, S.A.); Deva Capital Holding Company, SL   Deva Capital Management Company, SL (Non-Executive Board Member); Servicios de Cobranza, Recuperación y Seguimiento, SA de CV (SECORSE) (Non-Executive Board Member, on behalf of Deva Capital Servicer Company, S.L.U.)
Cristina Alvarez Alvarez	Banco Santander, S.A. (Head of T&O Europe e Espanã)	Open Bank, S.A. (Non-Executive Board Member, on behalf of Banco Santander, S.A.); ADEDAS HOMES (Non-Executive Board Member, Member of the Nomination and Remuneration Committee and

		Chairwoman of the Technology, Innovation and Cybersecurity Committee)
João Pedro Tavares	-	AGEGE – Associação Cristã de Empresários e Gestores (Non-Executive Chairman); IES – Social Business School (Non-Executive Chairman); Fundação Gaudium Magnum – Maria e João Cortez de Lobão (Non-Executive Board Member); Fundação Calouste Gulbenkian (Advisor to the Board of Directors)
Ricardo Lopes da Costa Jorge	-	Católica Lisbon School of Business & Economics, Universidade Católica Portuguesa (Guest Professor)

## Employees

In Portugal, certain terms and conditions of employment in the banking sector are negotiated with trade unions and wage negotiations occur on an industry-wide basis. The Issuer has not experienced any material labour problems and it believes that its relations with its employees are generally satisfactory. The major objectives of the BST Group's staff management programme are directed at creating and improving team spirit through, among other measures, recruitment, a training plan and early retirement schemes.

## Material Contracts

As at the date of this Base Prospectus, there are no material contracts that are reasonably likely to have a material effect on this Base Prospectus.

## Conflicts of Interest

The members of the Board of Directors, the Executive Committee, the General Meeting or the Audit Board of BST do not have any conflicts, or any potential conflicts, between their duties to BST and their private interests or other duties.

## Recent Developments

On 10 February 2022, BST informed the market that it had been notified of the ECB's decision regarding minimum prudential requirements, to be fulfilled in 2022 on a consolidated basis by Santander Totta - SGPS, S.A., based on

the results of SREP. Additionally, BST informed the market that the Bank of Portugal confirmed the O-SII buffer to be fulfilled by Santander Totta, SGPS, S.A., and that the minimum own funds requirements to be observed from the referred date, calculated as a ratio of total RWA, are as follows:

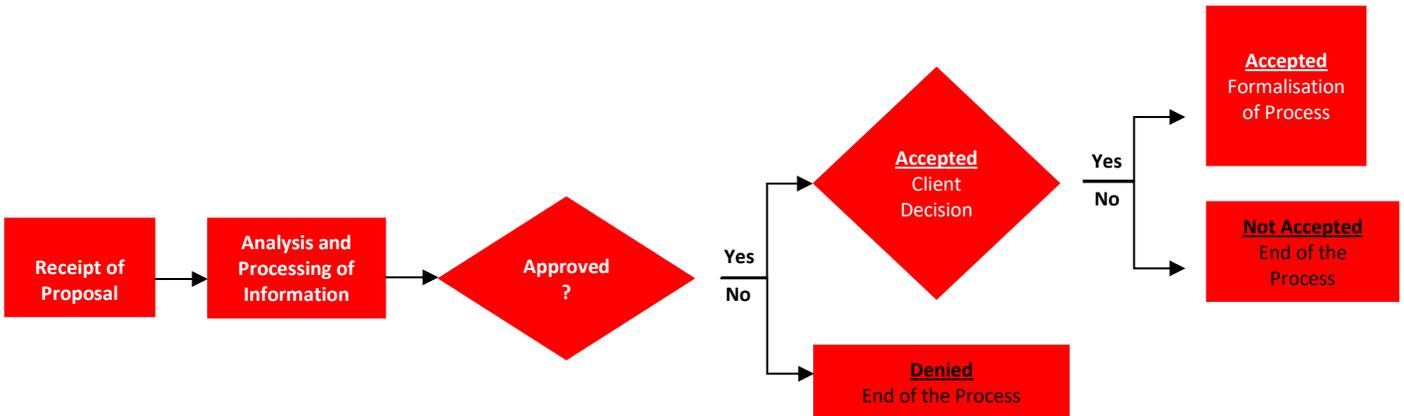
	2022	Pillar 1	Pillar 2	Buffers	Ratios 31-Dec-21
<b>CET1</b>	8.344%	4.500%	0.844%	3.000%	25.16%
<b>T1</b>	10.125%	6.000%	1.125%	3.000%	27.80%
<b>Total</b>	12.500%	8.000%	1.500%	3.000%	28.23%

The buffers include the capital conservation buffer (2.5 per cent.) and the O-SII buffer (0.5 per cent.). The Pillar 2 requirement, in 2022, defined under SREP, is 1.5 per cent. Considering the capital ratios calculated as of 31 December 2021, Santander Totta, SGPS, S.A., complies with the new minimum capital requirements for CET1, Tier 1 and total ratios.

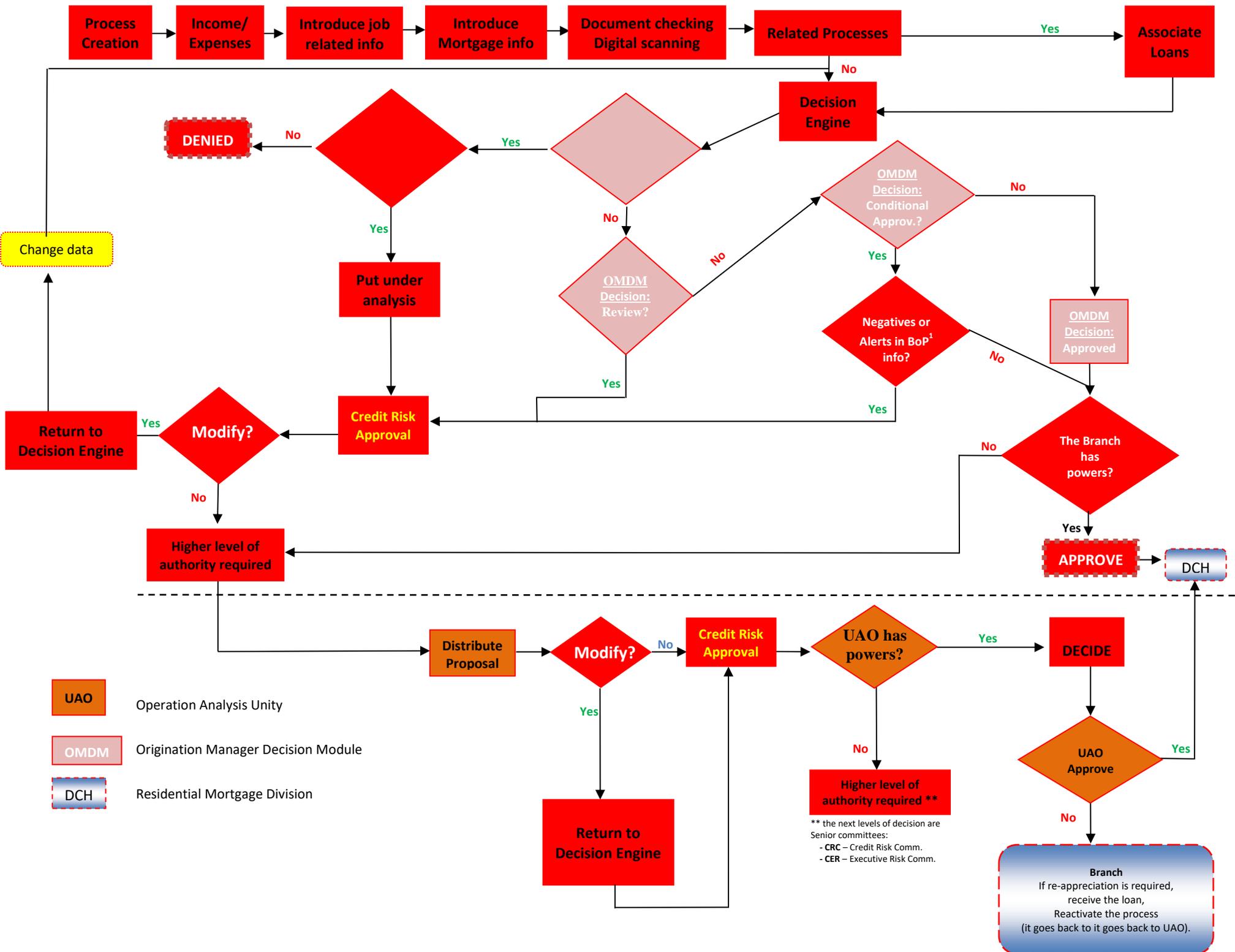
## ISSUER'S STANDARD BUSINESS PRACTICES

The internal procedure for approval of an application for a mortgage-backed loan involves: (i) the creation of an application by the relevant branch within the internal financial system; and (ii) the receipt of the relevant documentation (either the originals or authenticated copies) from the potential borrower. For each mortgage loan application, the internal decision process is based on the collection of information needed (financial information; relation between income and expenses; warranty; maturity; etc.) for each customer. With this information, the engine admission system calculates the admission scoring or the behaviour score that gives the probability of default of the credit proposal / customer at the time of evaluation. Depending on the amount on the credit proposal and the risk indicated, the application could be decided automatically by the engine decision or by a risk analyst.

Once an application has been accepted, the branch and customer begin the contractual process. This process may be summarised as follows:



On a broader scale, the entire process may be summarised as follows:



- UAO    Operation Analysis Unit
- OMDM    Origination Manager Decision Module
- DCH    Residential Mortgage Division

\*\* the next levels of decision are Senior committees:  
 - CRC – Credit Risk Comm.  
 - CER – Executive Risk Comm.

**Branch**  
 If re-appreciation is required, receive the loan, Reactivate the process (it goes back to it goes back to UAO).

## **Valuation**

Valuations of mortgaged houses are carried out by several valuation companies which are all certified by the CMVM. The valuation company is randomly selected by the system based on quotes defined by BST. The appraisers of these valuation companies make an internal and external visit to the property in question and carry out the evaluation report according Law no. 153/2015 and other legal requirements. Each of these valuation companies has a central department that validates the valuations carried out. The results are subsequently uploaded on the internal website of BST. BST has a technical department with a group of qualified and independent engineers who audit and monitor the quality of these valuations using appropriate valuation samples.

## **Monitoring process**

The monitoring process is comprised of three stages: (i) the branch level; (ii) the call centre level; and (iii) the pre-non-performing loan level. These are applicable depending on the number of days by which the borrower is in default.

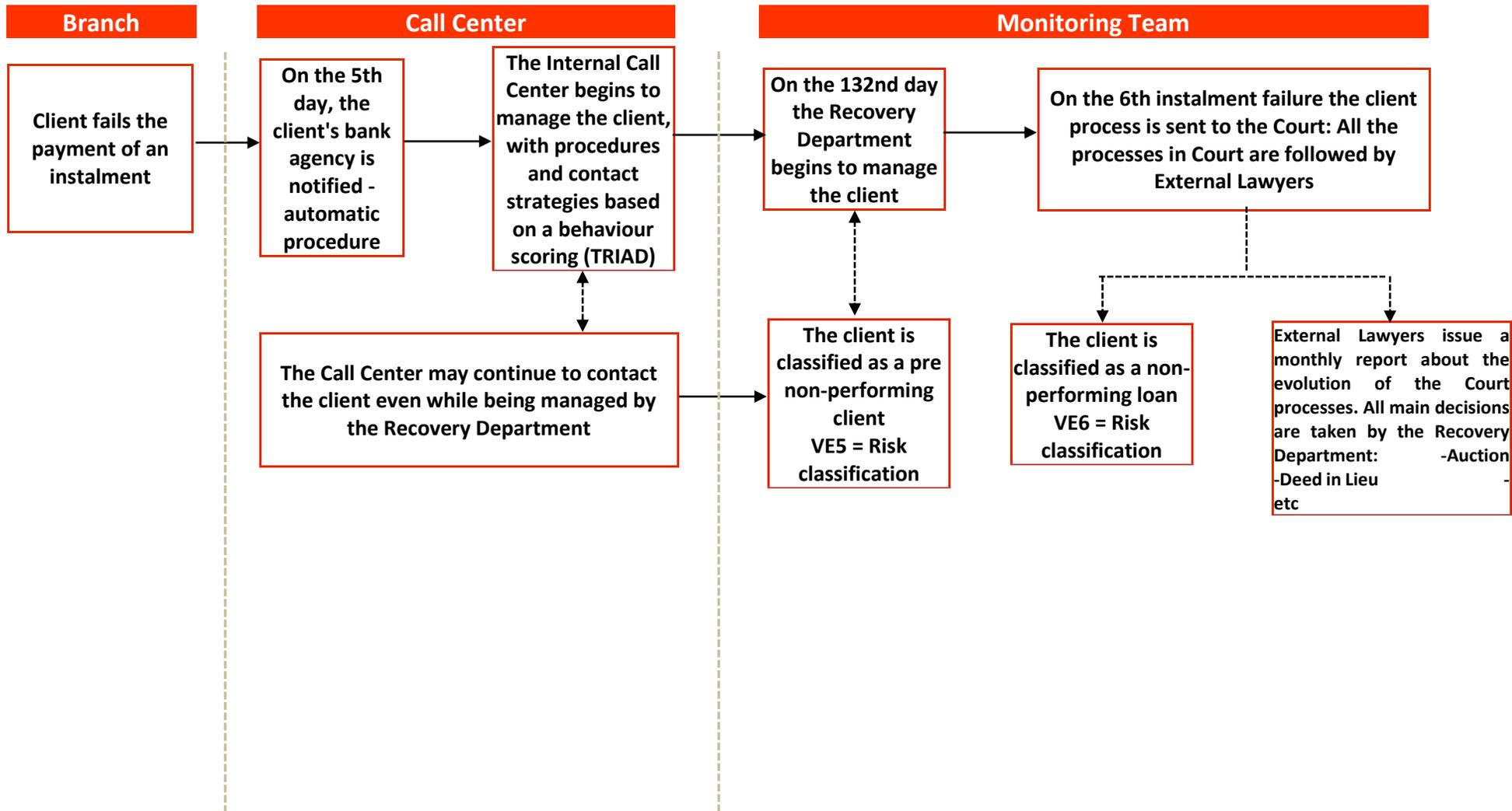
At the branch level, during the first seven to 12 days of arrears, the relevant branch will contact the borrower in an informal way so as to arrange for the default to be remedied.

The call centre level enters into action after seven to 12 days of arrears, contacting the borrower on a regular basis to reach an agreement. The call centre follows standardised procedures and all action taken is registered.

Credit recovery organisational model:

Non Performing Residential Loans - Recovery Procedures

Flowchart



## **USE OF PROCEEDS**

The net proceeds resulting from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## THE COVERED BONDS LAW

### FRAMEWORK

The Covered Bonds Law introduced a framework for the issuance of asset covered debt securities into Portuguese law.

The Covered Bonds Law has been supplemented by secondary legislation issued by the Bank of Portugal Regulatory Notices, which comprises both regulatory notices (*Avisos*) and instructions (*Instruções*). The Bank of Portugal Regulatory Notices address matters such as the segregation of cover pool assets from the insolvent estate of the issuer in the event of insolvency, the compliance with asset and liability matching requirements and the methodology for valuation of mortgages and properties.

On 6 May 2022, Decree-Law 31/2022, of 6 May 2022, approving the new Legal Regime of Covered Bonds and transposing the CBD, was published in the Portuguese Official Gazette. Without prejudice to some transitory provisions, this new regime enters into force on 1 July 2022. In accordance with the CBD, Decree-Law 31/2022, of 6 May 2022 provides for permanent grandfathering with respect to certain requirements of the new regime for Article 52(4) UCITS Directive-compliant covered bonds issued before 8 July 2022 and includes an option for EU Member States to allow tap issues of grandfathered covered bonds (for up to 24 months after 8 July 2022, which Portugal has elected for under the new legislation), provided that such issues comply with certain prescribed requirements. Such grandfathered covered bonds will continue to be governed by the Covered Bonds Law in conjunction with certain provisions of the Legal Regime of Covered Bonds (e.g. provisions relating to insolvency of the issuer). The supervision of grandfathered covered bonds will be transferred from the Bank of Portugal to CMVM from 1 July 2022. The Decree-Law also provides that the regulations issued by the Bank of Portugal will remain in force until CMVM has issued replacement regulations.

### ISSUERS OF COVERED BONDS

Mortgage covered bonds (*obrigações hipotecárias*) may only be issued by credit institutions (“**Institutions**”) legally authorised to grant credit guaranteed by mortgages over property and having own funds amounting to no less than EUR 7,500,000. Institutions can either be universal credit institutions (“**Credit Institutions**”) or special credit institutions incorporated under the Covered Bonds Law specialising in the issuance of covered bonds (“**Mortgage Credit Institutions**”).

If the issuer of covered bonds is a Credit Institution, there are no restrictions to its banking activities and it may issue covered bonds directly, maintaining the underlying cover pool on its balance sheet.

If the issuer of covered bonds is a Mortgage Credit Institution, its authorised banking activity is restricted to granting, acquiring and selling (i) credits guaranteed by mortgages in order to issue covered bonds and (ii) credits to, or guaranteed by, the central public administration, regional or local authorities of any EU Member State in order to issue public sector bonds. Mortgage Credit Institutions may thus issue covered bonds backed by credits originated by itself or otherwise acquired from third party originators.

If covered bonds are issued by a Mortgage Credit Institution backed by credits acquired from a third party originator, the cover assets must be transferred to the Mortgage Credit Institution and, if such Mortgage Credit Institution is wholly-owned by such originator, the assets and liabilities relating to the relevant issue of covered bonds and the related cover pool will be consolidated with such originator. However, it is also possible for a Mortgage Credit Institution to have multiple owners, in which case the issues of covered bonds and the allocated cover pool may or may not be consolidated with the originator of the relevant credits.

An Institution must manage its cover pool as well as any properties that it may acquire as a result of the enforcement of delinquent mortgage credits. Institutions may also obtain additional liquidity.

In the event of insolvency, winding-up and dissolution of an Institution, the cover pool over which the holders of covered bonds have a special creditor privilege will be segregated from the insolvent estate of such Institution and will form an autonomous pool of assets managed in favour and to the benefit of the holders of covered bonds and other preferred creditors as specified in the Covered Bonds Law. In this respect, the Covered Bonds Law establishes a special regime which prevails over general Portuguese insolvency regulations.

If the cover assets are insufficient to meet interest and principal payments due on the covered bonds of the insolvent Institution, the holders of covered bonds will also rank *pari passu* with unsecured creditors of the Institution in relation to the remaining assets of the insolvent Institution.

#### **COVER ASSETS**

The following assets are eligible to collateralise issues of covered bonds made by an Institution in accordance with the Covered Bonds Law:

- Pecuniary credit receivables secured by a Mortgage and/or any Additional Security which are not yet matured and which are neither subject to conditions nor encumbered, judicially seized or apprehended and which are secured by:
  - first ranking mortgages over residential or commercial real estate located in an EU Member State; or
  - junior mortgages but where all mortgage credits ranking senior thereto are held by the Issuer and are also allocated to the Cover Pool; or
  - a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.
- Other assets (up to 20 per cent. of the aggregate cover pool), such as:
  - 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);
  - current or term account deposits with credit institutions (which are not in a control or group

relationship with the Issuer) having a rating of at least “A-” or equivalent (without prejudice to this legal requirement, the Issuer will only make current or term account deposits with credit institutions having a rating equal to or higher than the minimum rating defined for this purpose in the Terms and Conditions); and

- other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

The geographical scope of eligible assets is restricted to credits guaranteed by first ranking mortgages on property located in the EU or loans granted to central governments and regional or local authorities located in an EU Member State.

Hedging contracts may also be included in the cover pool for hedging purposes, notably to hedge interest rate, exchange rate and liquidity risks. The Bank of Portugal Regulatory Notices contain certain rules governing the limits and conditions for the use of these hedging contracts.

The cover pool is of a dynamic nature. Accordingly, the Institution may be required, or may otherwise decide, to include new assets in such cover pool or substitute assets in case the existing ones no longer comply with the applicable financial and prudential requirements.

Furthermore, an Institution is required by the Covered Bonds Law to maintain a register of all the assets comprised in the cover pool, including hedging contracts.

#### **VALUATION AND LOAN TO VALUE CRITERIA**

Institutions are required to conduct valuations of mortgage properties and periodic updates of such valuations in accordance with the rules defined by the Bank of Portugal (in particular, pursuant to Regulatory Notice 5/2006, which establishes rules on the methods and frequency of the valuations of the properties).

The maximum Loan to Value ratio for residential mortgages is 80 per cent. and 60 per cent. for commercial mortgages loans.

In accordance with Article 2(1) of Regulatory Notice 5/2006, the value of each property securing a mortgage credit comprised in a cover pool corresponds to the commercial value of such property, determined in accordance with a criteria of prudence and taking into consideration: (i) the sustainable long term characteristics of such property, (ii) the standard conditions of the local market, (iii) the current use of the relevant property, and (iv) any alternative uses of each such property.

Pursuant to the requirements of Article 2(2) of Regulatory Notice 5/2006, the commercial value awarded by an issuer of covered bonds to each of the properties securing mortgage credits comprised in a cover pool may not be higher than the market value of the relevant properties. For these purposes, the market value of each property corresponds to the price for which such property can be purchased by a third party purchaser on the date of the valuation of such property, assuming that (i) the property is publicly put on sale, (ii) the market conditions allow for a regular transfer of the property and (iii) there is a normal period of time to negotiate the corresponding

purchase and sale, considering the nature of the property.

Regulatory Notice 5/2006 contains detailed provisions regarding valuation of properties securing mortgage credits included in a cover pool (including subsequent valuations), the methods and frequency for such valuations, the appointment, remuneration and role of the real estate valuation experts and transitional provisions concerning valuations made prior to the enactment of the Bank of Portugal Regulatory Notices.

#### **ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS**

The Covered Bonds Law and the Bank of Portugal Regulatory Notices establish the following asset and liabilities matching requirements:

- the global nominal value of the outstanding mortgage covered bonds cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (i.e., a mandatory overcollateralisation of 5.2632 per cent.);
- the average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds;
- the total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any time, the amount of interest to be collected from the mortgage credits and other assets comprised in the corresponding cover pool – this means, therefore, that under the Covered Bonds Law cash flows from the cover pool must at all times be sufficient to meet all scheduled payments due to the holders of covered bonds; and
- the net present value of the liabilities arising from issues of covered bonds pursuant to the Covered Bonds Law cannot exceed the net present value of the cover pool allocated to such covered bonds, including any hedging contracts also comprised in the cover pool. This ratio must also be met for 200 basis points parallel shifts in the yield curve.

For the purposes of the calculation of the level of overcollateralisation, as well as of the remaining financial and prudential requirements, Institutions are required to use the following criteria:

- the mortgage credits shall be accounted for the nominal value of their outstanding principal, including any accrued but unpaid interest;
- the covered bonds shall be accounted according to the nominal value of outstanding principal, including accrued but unpaid interest; and
- in relation to any other assets:
  - deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and

- securities eligible for Eurosystem credit transactions shall be accounted for under margin valuation rules laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

If the relevant covered bonds are denominated in any currency other than euro, the Institution must use the exchange rates published by the ECB as a reference.

The Covered Bonds Law also contains rules regarding the management of the cover pool allocated to one or more issues of covered bonds, allowing the Institution, *inter alia*, to assign new mortgage credits to the cover pool. The Institution may also enter into irrevocable credit facilities for the provision of liquidity in connection with the liabilities arising under the covered bonds. The credit facility counterparty must have a minimum credit rating of "A-" or equivalent.

An Institution is entitled to enter into derivatives contracts to hedge interest, exchange rate and liquidity risks. These derivatives contracts are also included in the cover pool and the derivative counterparties (who also benefit from the special creditor privilege) have to be rated "A-" or above. If a particular issue of covered bonds is denominated in a currency other than the currency of the cover pool, the Institution must enter into adequate hedging contracts for the purpose of hedging the relevant currency exchange risk.

If the limits and requirements established in the Covered Bonds Law are exceeded, the issuer is required to remedy the situation immediately by (i) allocating new mortgage credits, with or without substitution of those already allocated to the covered bonds, (ii) purchasing outstanding covered bonds in the secondary market and/or (iii) allocating other eligible assets.

Mortgage credits that become delinquent after being allocated to the cover pool may still remain in such cover pool provided that the delinquency period is not equal to or higher than 90 days, in which case such mortgage credits must be removed from the cover pool by the Institution and, if necessary to comply with the prudential requirements established in the Covered Bonds Law and the Bank of Portugal Regulatory Notices, substituted by new mortgage credits.

Mortgage credits underlying covered bonds may only be sold or encumbered if the Institution allocates new mortgage credits to the covered bonds sufficient to maintain compliance with the financial and prudential requirements set forth in the Covered Bonds Law.

Instruction 13/2006 contains rules to be followed in respect of notices to the Bank of Portugal regarding the issue of covered bonds under the Covered Bonds Law. Prior to a first issuance of covered bonds, and on each subsequent issuance, an Institution is required to provide the Bank of Portugal with certain documentation and information, including a chart showing the detailed composition of the autonomous pool of assets allocated to the covered bonds. On a monthly basis, the Institution is required to provide the Bank of Portugal with information on the number and amount of covered bonds outstanding and on any new issues of covered bonds and any redemptions occurred.

## **COVER POOL MONITOR, COMMON REPRESENTATIVE AND BANKING SUPERVISION**

The Board of Directors of the Institution is required to appoint an independent auditor registered with the CMVM for the purposes of monitoring the compliance by such Institution of the financial and prudential requirements established in the Covered Bonds Law.

Pursuant to the Covered Bonds Law, the independent auditor is required to issue an annual report covering the compliance by the issuer with the applicable legal and regulatory requirements.

Also, a common representative of the holders of the covered bonds – common to all mortgage or public covered bond issues – must be appointed by the Board of Directors of the Institution in order to represent the interests of the holders of covered bonds.

The Bank of Portugal and the CMVM carry out banking and capital markets supervision respectively.

## **SEGREGATION OF COVER ASSETS AND INSOLVENCY REMOTENESS**

### *Asset segregation*

The assets and hedging contracts allocated by the Institution to the issues of covered bonds will remain and be registered in separate accounts of the Institution. The register will be maintained in codified form and the code key will be deposited with the Bank of Portugal. This information will be deposited with the Bank of Portugal in the form of a code key. Pursuant to Article 4(5) of the Covered Bonds Law and Regulatory Notice 8/2006, if, following a default in payment of interest or capital on the covered bonds, the holders of such covered bonds decide to accelerate the relevant covered bonds, the common representative of such holders shall request the Bank of Portugal to disclose the information associated with such code key.

The assets included in the register maintained by the Institution will form a segregated estate over which the holders of the covered bonds will have a special creditor privilege (*privilégio creditório*), in particular in case of winding-up and dissolution of the Institution.

In the event of insolvency of the Institution, the assets allocated to one or more issues of covered bonds will be segregated from the corresponding insolvent estate and will be managed autonomously by a third party until full payment of the amounts due to the holders of covered bonds. In any case, and even if the Institution is declared insolvent, the Covered Bonds Law determines that timely payments of interest and reimbursements under the covered bonds shall continue to be carried out.

Until (and including) 30 June 2022, the following regime will apply under the Covered Bonds Law:

In the case of voluntary dissolution of an Institution, the plan for such dissolution and winding-up, which shall be submitted to the Bank of Portugal pursuant to Article 35-A of the RGICSF, shall identify a Substitute Credit Institution appointed to (i) manage the relevant cover pool allocated to the covered bonds outstanding, and (ii) ensure that the payments of any amounts due to the holders of such covered bonds are made. Such plan shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

If the authorisation of an Institution to act as a credit institution in Portugal is revoked, the Bank of Portugal shall, simultaneously with the decision to revoke such authorisation, also appoint a Substitute Credit Institution to manage the relevant cover pool allocated to the covered bonds outstanding and to ensure that payments due to the holders of such covered bonds are made.

In accordance with Regulatory Notice 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by the corresponding explanatory notes; (ii) perform all acts and operations necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the mortgage credits comprised in the cover pool; ensuring the timely collection in respect of the mortgage assets comprised in the cover pool; and performing all other acts and administrative services in connection with such mortgage assets and related mortgages and additional security; (iii) maintain and keep updated a segregated register of the cover pool in accordance with the Covered Bonds Law; and (iv) prepare an annual financial report in relation to the cover pool and the outstanding covered bonds. This report shall be the subject of an auditing report produced by an independent auditor who shall be appointed as cover pool monitor by the Substitute Credit Institution.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following the insolvency of an Institution shall perform all acts and operations necessary or convenient for maintaining the relationship with the borrowers under the mortgage credits comprised in the relevant cover pool.

However, from and including 1 July 2022, the following regime will apply under the Legal Regime of Covered Bonds:

Where a resolution action is taken against the Issuer, CMVM shall cooperate with the Bank of Portugal, as the competent resolution authority, to protect the rights and interests of the holders of Covered Bonds, in particular by verifying the continuity and sound management of the covered bonds programme following the resolution action.

If an Insolvency Event occurs in relation to the Issuer, the Bank of Portugal, as the competent resolution authority, shall notify CMVM, as soon as possible, when it applies a resolution measure to the Issuer, informing it, specifically, of the treatment of the covered bonds in the resolution action applied. In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal will immediately inform CMVM of the decision to revoke the authorisation of the Issuer.

In case of revocation of the authorisation to act as a credit institution in Portugal and consequent liquidation of the Issuer, CMVM may appoint a Special Administrator, within 10 business days after the revocation of such authorisation. The roles and responsibilities of the Special Administrator include:

- (a) extinction of liabilities associated with the Covered Bonds;
- (b) the management and settlement of hedging assets, including their transfer to another credit institution that issues covered bonds, together with the liabilities associated with such covered bonds;

- (c) performing all acts and operations necessary for:
  - (i) the adequate administration of the global guarantee;
  - (ii) the continuous monitoring of the coverage of the liabilities associated with the Covered Bonds; and
  - (iii) the initiation of the necessary legal actions to reintegrate the assets in the global guarantee and the transfer of the remaining assets, after the extinction of all hedging portfolio liabilities to the insolvent estate (*massa insolvente*) of the Issuer;
- (d) performing all acts and operations necessary for the sound management of the claims and respective guarantees, to ensure the timely payment of all amounts due to the holders of the Covered Bonds, including, but not limited to:
  - (i) selling the Mortgage Credits comprised in the Cover Pool;
  - (ii) ensuring collection services in respect of the Mortgage Credits comprised in the Cover Pool;
  - (iii) administrative services in connection with the such Mortgage Credits and respective borrowers; and
  - (iv) amending and extinguishing conservative acts relating to the guarantees; and
- (e) maintaining and keeping updated a segregated register of the Cover Pool in accordance with the Legal Regime of Covered Bonds.

CMVM may dismiss the Special Administrator, in particular in cases where such Special Administrator fails to fulfil and comply with the duties and responsibilities assigned under the Legal Regime of Covered Bonds. The remuneration of the Special Administrator is fixed by CMVM and constitutes a charge on the Cover Pool.

Finally, CMVM, the Bank of Portugal, as the competent resolution authority, and (if appointed) the Special Administrator shall coordinate their measures and exchange the necessary information for the performance of their respective functions.

The Special Administrator will prepare, immediately upon being appointed, an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes, as well as an annual report, regarding the Cover Pool. The annual report shall be subject to an audit report, prepared by an independent auditor appointed by the Special Administrator. By the end of the quarter following the end of the relevant financial year, the Special Administrator will share with CMVM the annual report, jointly with the audit report.

#### *Preferential status for covered bonds holders*

Pursuant to the Covered Bonds Law, holders of covered bonds benefit from a special creditor privilege 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.

From and including 1 July 2022, Article 5 (*Dual Recourse*) of the Legal Regime of Covered Bonds will apply, which, while continuing to apply the same regime as above, specifies further detail thereto, confirming that the holders of covered bonds and the hedging counterparties have: (a) a claim against the credit institution issuing the covered bonds; (b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a special creditor privilege on the cover assets in the amount of the principal and any accrued and future interest; (c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the privileged credit referred in (b) cannot be fully satisfied, a claim against the insolvency estate of that credit institution, which ranks *pari passu* with the claims of the credit institution's ordinary unsecured creditors of the credit institution. It is further specified that the entitlements under (a) to (c) above are limited to the total payment obligations under the covered bonds and that the above dual recourse and special creditor privilege also applies in case of maturity extension of those covered bonds subject to automatic maturity extension, pursuant to the Legal Regime of Covered Bonds.

Pursuant to the Covered Bonds Law, in the case of dissolution and winding-up of an Institution, a meeting of holders of all Series of covered bonds then outstanding may decide, by a 2/3 (two thirds) majority vote, to accelerate the covered bonds, in which case the administrator shall provide for the settlement of the estate allocated to the relevant issue in accordance with the provisions defined in the Covered Bonds Law and in the relevant terms and conditions that govern such issue.

#### **HARMONISATION OF THE EU COVERED BOND FRAMEWORK**

The CBD was published in the Official Journal on 18 December 2019 and came into effect on 7 January 2020, establishing a revised common base-line for the issue of covered bonds for EU regulatory purposes and has been transposed into Portuguese national legislation by Decree-Law 31/2022, of 6 May 2022, entering into force on 1 July 2022, which approved the Legal Regime of Covered Bonds.

In accordance with the transitional provisions of Decree-Law 31/2022, of 6 May 2022, an issuer of covered bonds under the Covered Bonds Law may apply to CMVM, as supervisory authority, to convert its existing covered bonds programme, under the Covered Bonds Law, to a covered bonds programme compliant with the Legal Regime of Covered Bonds, by submitting the application to CMVM together with the adjusted programme documentation and other applicable supporting documents and information. If CMVM authorises such conversion, the covered

bonds issued under the Covered Bonds Law will become subject to the Legal Regime of Covered Bonds and the terms of such compliant covered bonds programme. Until authorisation from the CMVM is provided, the existing covered bonds programme does not fulfil the legal requirements to be considered compliant with the Legal Regime of Covered Bonds.

## TAXATION

### Portugal

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. 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 or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of 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 disposition of Covered Bonds, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents. The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take into account any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law.

Economic benefits derived from interest, accrued interest, amortisation and reimbursement premiums and other instances of remuneration arising in respect of Covered Bonds are designated as investment income for Portuguese tax purposes.

Gains obtained with the repayment of Covered Bonds are classified as capital gains for Portuguese tax purposes.

#### **1. Covered Bonds not held through a centralised control system**

##### *Individuals resident in Portugal*

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to personal income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include it in his taxable income, subject to tax at progressive rates of up to 48 per cent. In the latter case, an additional income tax rate will be due on the part of the taxable income exceeding EUR 80,000 as follows: (i) 2.5 per cent. on the part of the taxable income up to EUR 250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at a rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Capital gains taxation of 28 per cent., applicable to Portuguese resident individuals, will apply on the positive difference between the capital gains and capital losses arising from the transfer of the Covered Bonds, unless the

individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 48 per cent. In the latter case, an additional income tax rate will be due on the part of the taxable income exceeding EUR 80,000 as follows: (i) 2.5 per cent. on the part of the taxable income up to EUR 250,000, and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000.

*Legal entities resident in Portugal and non-residents with a permanent establishment to which income derived from the Covered Bonds is attributable to*

Interest and other types of investment income derived from the Covered Bonds and capital gains and losses realised by legal entities resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the interest or capital gains or losses are attributable to are included in their taxable income and are subject to corporate income tax rate at a rate of (i) 21 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law 372/2007, of 6 November 2007, 17 per cent. for taxable profits up to EUR 25,000 and 21 per cent. on profits in excess thereof to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than EUR 1,500,000 are also subject to a State surcharge (*derrama estadual*) of (i) 3 per cent. on the part of its taxable profits exceeding EUR 1,500,000 up to EUR 7,500,000, (ii) 5 per cent. on the part of the taxable profits that exceeds EUR 7,500,000 up to EUR 35,000,000, and (iii) 9 per cent. on the part of the taxable profits that exceeds EUR 35,000,000.

Withholding tax on interest and other investment income at a rate of 25 per cent. applies, which is deemed as a payment on account of the final tax due.

Portuguese financial institutions, pension funds, retirement and/or education savings funds, venture capital funds and collective investment undertakings incorporated under the laws of Portugal and some exempt entities are not subject to withholding tax.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at a rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

*Non-resident individuals and legal persons with no permanent establishment to which income derived from the Covered Bonds is attributable to*

Notwithstanding the special debt securities tax regime as described below, the general tax regime on debt securities applicable to non-resident entities is the following.

Interest and other types of investment income obtained by non-resident beneficial owners (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable to are subject to withholding tax at a rate of 28 per cent. (in the case of individuals) or at a rate of 25 per cent. (in the case of legal persons), which is the final tax on that income. Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Base Prospectus, the above withholding tax rates may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including

certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of excess tax.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities are subject to a final withholding tax at a rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Withholding tax at a rate of 35 per cent. applies in case of investment income payments to individuals or companies domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial Order (*Portaria*) no. 150/2004, of 13 February 2004, as amended from time to time (the “**Ministerial Order**”).

Under domestic law, the responsibility to withhold taxes arising from interest payments of the Covered Bonds issued by resident entities for tax purposes belong to the registry or depository entity, as the case may be.

Capital gains obtained on the transfer of Covered Bonds by non-resident individuals without a permanent establishment in Portugal to which gains are attributable to are exempt from Portuguese capital gains taxation unless the individual is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by the Ministerial Order. Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 28 per cent. flat rate. Accrued interest does not qualify as capital gains for tax purposes. Under the tax treaties entered into by Portugal, Portugal is usually not allowed to tax such gains, but the applicable rules should be confirmed on a case by case basis.

Regarding 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 to are exempt from Portuguese capital gains taxation, unless the share capital of the non-resident entity is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by the Ministerial Order. This 25 per cent. threshold will not be applicable when the following cumulative requirements are met by the seller: (i) the seller is an entity resident in the EU or in an EEA State which is bound to cooperate with Portugal under an administrative cooperation agreement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or in any country with which Portugal has a double tax treaty in force that foresees the exchange of information; (ii) such entity is subject and not exempt from a tax referred to in Article 2 of the Council Directive 2011/96/EU, of 30 November 2011, or a tax of similar nature with a rate not lower than 60 per cent. of the Portuguese corporate income tax rate; (iii) it holds at least 10 per cent. of the share capital or voting rights regarding the entity subject to disposal for at least one year uninterruptedly; and (iv) is not intervenient in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage. Although the abovementioned cumulative requirements are in full force and effect since 31 March 2016 and apply to securities in general, the law is not clear on the application thereof for holders of debt representative securities, as some of the alluded requirements appear not to apply to debt representative

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, Portugal is usually not allowed to tax such gains, but the applicable rules should be confirmed on a case by case basis.

#### *Acquisition of Covered Bonds through gift or inheritance*

Stamp tax at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Covered Bonds by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents.

The acquisition of Covered Bonds through gift or inheritance by legal entities resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal is subject to corporate income tax rate at a rate of (i) 21 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law 372/2007, of 6 November 2007, 17 per cent. for taxable profits up to EUR 25,000 and 21 per cent. on profits in excess thereof, to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than EUR 1,500,000 are also subject to a State surcharge (*derrama estadual*) of (i) 3 per cent. on the part of its taxable profits exceeding EUR 1,500,000 up to EUR 7,500,000, (ii) 5 per cent. on the part of the taxable profits exceeding EUR 7,500,000 up to EUR 35,000,000, and (iii) 9 per cent. on the part of the taxable profits exceeding EUR 35,000,000.

No stamp tax applies to the acquisition through gift and inheritance of Covered Bonds by an individual who is not domiciled in Portugal. The acquisition of Covered Bonds through gift or inheritance 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 or estate tax in Portugal related to Covered Bonds.

## **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 Bonds.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law 193/2005, of 7 November 2005, as amended ("**the special regime approved by Decree-Law 193/2005**"), investment income and capital gains on the disposal of debt securities issued by Portuguese resident entities, such as Covered Bonds obtained by non-resident beneficial owners, are exempt from Portuguese income tax provided that the debt securities are integrated in a centralised system for securities managed by a resident entity or by an international clearing system managing entity established in another EU Member State or in an EEA Member State (in this last case, provided it is bound by an administrative cooperation in tax matters similar to the one established within the EU) and that the beneficial owners are:

1. central banks and / or governmental agencies; or
2. international bodies recognised by the Portuguese State; or
3. entities resident in countries with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or
4. other entities without headquarters, effective management or a permanent establishment in Portuguese territory to which the relevant income is attributable which are not domiciled in a low tax jurisdiction as set out in the Ministerial Order.

The special regime approved by Decree-Law 193/2005 sets out the detailed rules and procedures to be followed on the evidence of non-residence by the beneficial owners of the bonds to which it applies. Under these rules, the direct register entity (i.e. the entity affiliated to the centralised system where the Covered Bonds are integrated), will be under the obligation (i) to withhold tax on the interest payments arising from the Covered Bonds, if necessary, or to (ii) 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 evidence of non-residence status should be provided to, and received by, the direct registration entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Covered Bonds), and prior to the transfer of Covered Bonds date, as the case may be. The relevant direct registration entity shall withhold the relevant tax if the requirements for a withholding tax exemption are not met.

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.

- **Domestically Cleared Covered Bonds**

The beneficial owner of Covered Bonds must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

- (1) If the beneficial owner of Covered Bonds is a central bank, an international organisation or a public law entity and respective agencies, a declaration issued by the beneficial owner of Covered Bonds itself duly signed and authenticated, or proof of non-residence pursuant to (4) below. The respective proof of non-residence in Portugal is provided just once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change on the requirement conditions that may prevent the tax exemption from applying;
- (2) 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, certification shall be made by means of the following: (A) its tax identification official form; or (B) a certificate issued by the entity responsible for such supervision or registration, or by tax authorities, confirming the legal existence of the beneficial owner of Covered Bonds and its domicile; or (C) proof of non-residence pursuant to (4) below. The respective proof of non-

residence in Portugal is provided just once, its periodical renewal not being necessary and the beneficial owner should inform the register entity immediately of any change on the requirement conditions that may prevent the tax exemption from applying;

- (3) 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 in force a double tax treaty or a tax information exchange agreement, 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, the law of incorporation and domicile; or (B) proof of non-residence pursuant to (4) below. The respective proof of non-residence in Portugal is provided just once, its periodical renewal not being necessary and the beneficial owner should inform the register entity immediately of any change on the requirement conditions that may prevent the tax exemption from applying; and
- (4) 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.

There are rules regarding the authenticity and validity of the documents mentioned in paragraph (4) above, in particular that the beneficial owner 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 beginning from the date such document is produced. The beneficial owner of Covered Bonds must inform the register entity immediately of any change on the requirement conditions that may prevent the tax exemption to apply.

- **Internationally Cleared Covered Bonds**

If the Covered Bonds are registered in an account held by an international clearing system, pursuant to the requirements set forth in this tax regime, the identification and quantity of securities, as well as the amount of income, and, when applicable, the amount of tax withheld, shall be transmitted on each interest payment dates, segregated by the following categories of beneficiaries:

- (i) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable in Portugal, non-exempt and subject to withholding;
- (ii) Entities with residence in a country, territory or region with a clearly more favourable regime, included in the Portuguese “blacklist” (countries and territories listed in the Ministerial Order), non-exempt and subject to withholding;
- (iii) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable in Portugal, exempt or non-subject to withholding; and

- (iv) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income would be imputable in Portugal.

In each interest payment date and each relevant redemption date, the following elements, regarding each one of the beneficiaries mentioned in (i), (ii) and (iii) above, should be transmitted:

- (a) Name and address;
- (b) Tax identification number, if applicable;
- (c) Identification and quantity of the securities held; and
- (d) Amount of income.

The information referred above is transmitted by the international clearing system to the direct registration entity or to its representative, and should refer to the universe of accounts under its management.

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 complied with. Accordingly, the general Portuguese tax provisions shall apply as described above. This will be the case whenever the Covered Bonds are not integrated in a centralised system for securities managed by a resident entity or by an international clearing system managing entity established in another EU Member State or in an EEA Member State (in this last case, provided it is bound by administrative cooperation in tax matters similar to the one established within the EU).

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005. 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. A special tax form for these purposes was approved by Order (*Despacho*) 2937/2014, published in the Portuguese official gazette, second series, no. 37, of 21 February 2014 issued by the Secretary of State of Tax Affairs (*Secretário de Estado dos Assuntos Fiscais*), which is available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

The refund of withholding tax in other circumstances or after the above 6 months period is to be claimed from the Portuguese tax authorities and within 2 years from the end of the year in which tax was withheld.

#### **Administrative cooperation in the field of taxation**

Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts in accordance with the Global Standard released by the Organization for Economic Co-operation and Development in July 2014 (the “**Common Reporting Standard**”).

Portugal has implemented Directive 2011/16/EU through Decree-Law 61/2013, of 10 May, as amended by Decree-Law 64/2016, of 11 October 2016, Law no. 98/2017, of 24 August 2017, and Law no. 17/2019, of 14 February. Council Directive 2014/107/EU of 9 December 2014 regarding the mandatory automatic exchange of information

in the field of taxation was also transposed into the Portuguese Law through the Decree-Law 64/2016, of 11 October. Under such law, the Issuer is required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities – which, in turn, will report such information to the relevant Tax Authorities of EU Member States or third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Under Council Directive 2014/107/EU, of 9 December 2014, financial institutions are required to report to the Tax Authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the account and the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

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

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions (including Portugal) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding were required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which

final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is 6 months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for the purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer).

However, if additional Covered Bonds (as described under Condition 15 (*Further Issues*) in the “Terms and Conditions of the Covered Bonds”) that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Portugal signed an IGA with the United States on 6 August 2015, and has implemented through Law no. 82-B/2014, of 31 December 2014 (as amended), the legal framework based on the reciprocal exchange of information with the United States on financial accounts subject to disclosure. The IGA entered into force on 10 August 2016, and through Decree-Law 64/2016, of 11 October 2016, which was amended by Law no. 98/2017, of 24 August 2017, and Law no. 17/2019, of 14 February 2019, the Portuguese government approved the complementary regulation required to comply with FATCA. Under this legislation, the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese tax authorities, which, in turn, will report such information to the U.S. Inland Revenue Service. The exchange of information shall be made by 31 July of each year comprising the information gathered respecting the previous year.

Holders of Covered Bonds should consult their own tax advisers on how these rules may apply to their investment in Covered Bonds.

#### **Covered Bonds may be subject to Financial transactions tax (“FTT”)**

The EC has published a proposal for a Directive for a common financial transaction tax (“FTT”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement, represented and agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds.

Any such agreement will extend to those matters stated under “*Form of the Covered Bonds Interbolsa*” and “*Terms and Conditions of the 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.

The following restrictions may be amended or supplemented in the relevant Final Terms.

### United States

The Covered Bonds have not been and will not be registered under the US Securities Act or the securities 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 pursuant to an exemption from or in a transaction not subject to the registration requirements of the US Securities Act. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S under the US Securities Act. Terms used in this paragraph and the following paragraph have the meanings given to them by Regulation S under the US Securities Act.

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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Covered Bonds of the Tranche of which such Covered Bonds are a part, except in accordance with Rule 903 of Regulation S under the US Securities Act. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Covered Bonds, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Covered Bonds covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**US Securities Act**”) or the securities 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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds and except in either case in accordance with Regulation S under the US Securities Act. Terms used above have the meanings given to them by Regulation S.”

In addition, until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

## **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, accordingly, 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, a resident of Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Covered Bonds specify the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering and listing 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:

- (1) the expression “**retail investor**” means a person who is one (or more) of the following:
  - a. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (as amended, “**MiFID II**”); or
  - b. 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 from time to time), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - c. not a qualified investor as defined in the Prospectus Regulation; and
- (2) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

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 and listing contemplated in 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:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) 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
- (c) 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 (a) to (c) 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.

## **United Kingdom**

### *Prohibition of Sales to UK Retail Investors*

Unless the Final Terms in respect of any Covered Bonds specify the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering and listing 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:

- (1) 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 UK 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 Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it

forms part of UK domestic law by virtue of the EUWA; or

c. not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(2) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specify “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering and listing contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the UK, except that it may make an offer of such Covered Bonds to the public in the UK:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression an “offer of Covered Bonds to the public” in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and
- the expression “UK Prospectus Regulation” when used herein means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

#### *Other regulatory restrictions*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Covered Bonds in

circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving, the UK.

### **Belgium**

Other than in respect of Covered Bonds for which “Prohibition of Sales to Belgian Consumers” is specified as “Not Applicable” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Covered Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the “**MAS**”). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as amended or modified from time to time, the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Covered Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

**Notification under Section 309B(1)(c) of the SFA** – Unless otherwise stated in the Final Terms in respect of any Covered Bonds, all Covered Bonds issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **Switzerland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Covered Bonds and the Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been taken in any jurisdiction that would permit a public offering of any of the Covered Bonds, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities

laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

### **Secondary Market Arrangements**

The Issuer may enter into agreements with Dealers or other persons in relation to a Tranche or Series of Covered Bonds whereby such Dealers may agree to provide liquidity in those Covered Bonds through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to quote bid and offer prices for the relevant Covered Bonds at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Covered Bonds under the Programme will benefit from such agreements. A description of the main terms of any such agreements and the names and addresses of the relevant Dealers or other persons who are party to such will be disclosed in the applicable Final Terms for the relevant Covered Bonds.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme was duly authorised on 9 January 2008 by a resolution of the Executive Committee of the Board of Directors of the Issuer and the Programme has been subsequently updated under the authorisation of the Issuer's relevant management body, the last update having been authorised by a resolution of the Executive Committee of the Board of Directors of the Issuer dated 20 April 2022, in accordance with the provisions of the Covered Bonds Law.

### Listing

In respect of Covered Bonds which are intended to be listed, application will be made to Euronext, or such other stock exchange or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer, for the admission to trading of the Covered Bonds issued under the Programme on the regulated market of Euronext Lisbon or such other stock exchange or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer.

### Registration and Settlement

The Covered Bonds have been accepted for registration and settlement through Interbolsa, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Covered Bonds will be specified in the relevant Final Terms.

### Significant or material change

There has been no significant change in the financial performance or financial position of the Issuer since 31 December 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2021.

### Legal and Arbitration Proceedings

There are no, nor have there been any governmental, legal or arbitration proceedings (including any such pending or threatened proceedings of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus, which may or have had a significant effect on the Issuer's financial position or profitability.

### Independent Auditors

The auditor of the Issuer for the financial years ended 31 December 2020 and 31 December 2021 was PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., which is a member (number 183) of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) and is registered with the CMVM under number 20161485, with registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3rd, 1069-316 Lisbon, Portugal, and represented by Aurélio Adriano Rangel Amado for the period ended 31 December 2020 and José Manuel Henriques Bernardo for the period ended 31 December 2021.

The financial statements of the Issuer for the financial years ended 31 December 2020 and 31 December 2021 are

incorporated by reference in this Base Prospectus. The financial statements of the Issuer for the financial year ended 31 December 2021 were approved by the competent bodies and by the General Meeting of Shareholders held on 4 May 2022.

BST's consolidated financial statements were prepared on a going concern basis from its books and accounting records, which are maintained in accordance with the accounting principles set forth in the International Financial Reporting Standards (IAS/IFRS) as adopted by the EU, Regulation (EC) 1606/2002 of 19 July 2002 of the European Parliament and the Council, as amended, implemented in Portugal by Decree-Law 35/2005, of 17 February 2005, amended by Decree-Law 158/2009, of 13 July 2009 and Bank of Portugal Regulation 1/2005 of 21 February 2005, as amended.<sup>9</sup> Where BST Group companies use different accounting principles, the appropriate adjustments were made.

The financial statements of the Issuer for the financial years ended 31 December 2020 and 31 December 2021 were audited in accordance with the generally accepted auditing standards issued by the Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement.

#### **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.santander.pt/pt\\_PT/Investor-Relations.html](https://www.santander.pt/pt_PT/Investor-Relations.html):

- (a) the bylaws of the Issuer (Portuguese and English versions);
- (b) the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2020 and 31 December 2021 (English and Portuguese versions), in each case with the audit reports prepared in connection therewith;
- (c) the Set of Agency Procedures, both dated 4 April 2008, as amended and restated;
- (d) the Common Representative Appointment Agreement dated 9 December 2020, as amended and restated;
- (e) this Base Prospectus; and
- (f) any offering circulars, information memoranda and supplements, including the Final Terms (other than

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<sup>9</sup> Bank of Portugal Regulation 1/2005 of 21 February was revoked by Bank of Portugal Regulation 5/2015 of 30 December 2015, which entered into force on 1 January 2016.

the Final Terms relating to Covered Bonds which are not listed on any stock exchange), to this Base Prospectus and any other documents incorporated herein or therein by reference.

In relation to the documents referred to in (a) and (b) above, the Issuer confirms that the corresponding translations are true and accurate; however, in case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

### **Electronic copies**

Electronic copies of this Base Prospectus (and any supplements thereto, and Final Terms pertaining to Covered Bonds traded on Euronext Lisbon) and of the documents referred to in item (f) above (other than those referred to in item (a)) are available on the official website of the CMVM ([www.cmvm.pt](http://www.cmvm.pt)) and of the Issuer ([www.santander.pt](http://www.santander.pt)). 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. Copies of the documents referred to in items (a) to (f) above may be obtained from the Issuer's website.

### **Validity of base prospectus and base prospectus supplements**

For the avoidance of doubt, the Issuer is under no 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](http://www.cmvm.pt).

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 <https://www.santander.pt/institucional/investor-relations/santander-totta-sa/emissao-de-divida>.

### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future

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

## DEFINITIONS

In this Base Prospectus, the following defined terms have the meanings set out below:

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

**“Additional Security”** means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit.

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

**“Agent”** means Banco Santander Totta, S.A., in its capacity as Agent, with head office at Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, and any successor or additional Agent appointed from time to time by the Issuer in connection with the Covered Bonds and under the Set of Agency Procedures.

**“Arranger”** means Barclays Bank Ireland PLC and any other entity appointed as an arranger for the Programme and references in this Agreement to the Arranger shall be references to the relevant Arranger.

**“Banif”** means Banif – Banco Internacional do Funchal, S.A.

**“Bank”** means Banco Santander Totta, S.A.

**“Bank of Portugal Regulatory Notices”** means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, namely Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006, Regulatory Notice 8/2006 and any applicable Regulatory Notices which may be issued in the future.

**“Base Prospectus”** means this base prospectus dated 25 May 2022, as supplemented, prepared in connection with the Programme.

**“BPI Group”** means Banco BPI, S.A. together with its consolidated subsidiaries.

**“BRRD”** means the Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended.

**“BST”** means Banco Santander Totta, S.A.

**“BST Group”** means the Issuer together with its consolidated subsidiaries.

**“Business Day”** means a day which is both: (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial

banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars shall be Sydney or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

“**CGD**” means Caixa Geral de Depósitos, S.A.

“**Calculation Agent**” except if and where defined otherwise in this Base Prospectus, has the meaning ascribed to it in the Final Terms.

“**Central de Valores Mobiliários**” means the Portuguese Centralised System of Registration of Securities.

“**CET1**” means Common Equity Tier 1.

“**Clearing System**” means Interbolsa.

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

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

“**Common Representative**” means Bondholders, S.L., in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Avenida de Francia, 17, A, 1, 46023 Valencia, Spain.

“**Common Representative Appointment Agreement**” means the agreement dated 25 May 2022 entered into between the Issuer and the Common Representative and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative, as amended and restated.

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

“**Cover Pool Monitor**” means PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) under number 183, registered with the CMVM with registration number 20161485, with its registered office at Palácio Sotomayor, Rua Sousa Martins, no 1, 3rd, 1069-316 Lisbon, Portugal.

“**Cover Pool Monitor Agreement**” means the agreement dated 4 April 2008 and currently entered into between the Issuer and the Cover Pool Monitor, as amended and restated.

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

“**Covered Bonds Law**” means the Portuguese legal framework applicable to the issuance of covered bonds,

enacted by Decree-Law 59/2006, of 20 March 2006, as amended.

“**CRA Regulation**” means Regulation (EC) no. 1060/2009 of the European Parliament and of the Council, of 16 September 2009, as amended.

“**CRD IV**” means the Directive 2013/36/EU, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended.

“**CRD IV/CRR**” means, taken together, the CRD IV and CRR, any future regulation thereto and any implementing legislation in Portugal.

“**CRR**” means Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012, as amended.

“**CSD**” means a central securities depository.

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

“**DBRS**” means DBRS Ratings GmbH, or any of its affiliates or successor.

“**Dealers**” means Banco Santander, S.A., Banco Santander Totta, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Credit Suisse Bank (Europe), S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, Morgan Stanley Europe SE, Natixis, Société Générale, UBS Europe SE, UniCredit Bank AG and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement.

“**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).

“**Directive 2013/36/EU**” means Directive no. 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended).

“**EBA**” means the European Banking Authority.

“**EC**” means the European Commission.

“**ECB**” means the European Central Bank.

“**EEA**” means the European Economic Area.

“**ESMA**” means the European Securities and Markets Authority.

“**EU**” means the European Union.

“**EU Banking Reforms**” means the CRD V Directive, BRRD II, CRR II and the SRM Regulation II.

“**EURIBOR**” means the Euro Interbank Offered Rate.

“**EUR**”, “**€**” or “**Euro**” or “**euro**” means the lawful currency of Member States of the EU that adopt the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty.

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

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

“**Euronext Lisbon**” means Euronext Lisbon, a regulated market managed by Euronext.

“**Eurosystem**” means the central banking system for the euro.

“**Final Terms**” means the final terms issued in relation to each Tranche of Covered Bonds and giving details of that Tranche of Covered Bonds and, in relation to any particular Tranche of Covered Bonds, applicable Final Terms means the Final Terms applicable to that Tranche of Covered Bonds.

“**Fitch**” means Fitch Ratings Ireland Limited, or any of its affiliates or successor.

“**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.

“**GDP**” means gross domestic product.

“**Green Bonds**” means bonds issued specifically towards environmentally sustainable projects, eligible in accordance with criteria aligned with those recognised by Green Bond Principles.

“**Green Bond Principles**” means a set of voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuance of Green Bonds, administered by the International Capital Market Association, as amended from time to time.

“**Hedge Counterparties**” means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

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

“**IMF**” means the International Monetary Fund.

“**INE**” means the Statistics Portugal.

“**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, 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).

“**Instruction 13/2006**” means the regulatory instruction (*Instrução*) 13/2006 issued by the Bank of Portugal and published on 15 November 2006, relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

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

“**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*).

“**ISDA**” means the International Swaps and Derivatives Association Inc.

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

“**Issuer**” means Banco Santander Totta, S.A.

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

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

“**Millennium BCP Group**” means Banco Comercial Português, S.A. together with its consolidated subsidiaries.

“**Moody’s**” means Moody's Investors Service España, S.A., or any of its affiliates or successor.

“**Mortgage**” means, in respect of any Mortgage Credit, the charge by way of voluntary mortgage over the relevant Property the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

“**Mortgage Credit**” means a credit receivable granted by the Issuer secured by a Mortgage and/or any Additional Security, which is registered as being comprised in the Cover Pool for the amount and with the characteristics required to be indicated pursuant to the Covered Bonds Law and which complies with the following eligibility criteria established in the Covered Bonds Law:

- (a) it is a pecuniary receivable not yet matured, which is neither subject to conditions nor encumbered, judicially seized or apprehended and which is secured by a first ranking mortgage over residential or commercial real estate located in an EU Member State;
- (b) notwithstanding (a) above, it is a pecuniary receivable secured by a junior mortgage but where all mortgage credits ranking senior thereto are held by the Issuer and also allocated to the Cover Pool;
- (c) it is a receivable secured by (i) a personal guarantee granted by a credit institution, or (ii) an appropriate

insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

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

- (a) is in the course of being foreclosed or otherwise enforced; or
- (b) has one or more payments of principal or interest payable on the related credit in arrears and those payments refer to a period of 90 days or more.

**“Novo Banco Group”** means Novo Banco, S.A. together with its consolidated subsidiaries.

**“OECD”** means the Organisation for Economic Co-operation and Development.

**“O-SIIs”** means Other Systemically Important Institutions identified by the Bank of Portugal pursuant to the Framework of Credit Institutions and Financial Companies and within the scope of the exercise of its powers as macro-prudential authority.

**“Other Assets”** means all assets other than Mortgage Credits and Hedging Contracts which are included in the Cover Pool as specified in the Register, which comply with the following criteria:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the ECB and the national central banks of the Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a minimum long term rating at least equal to “A2” or “A” or equivalent and a minimum short term rating at least equal to “A-1,” “P-1” or “F1” or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedging Contracts.

**“Other Preferred Creditors”** means the Common Representative (or any successor thereof) and Hedge Counterparties.

**“Overcollateralisation Percentage”** means 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 14 (*Overcollateralisation, Valuation of Cover Pool 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.

**“Paying Agents”** means Banco Santander Totta, S.A., in its capacity as Paying Agent, with head office at Rua Áurea, no. 88, 1100-063 Lisbon, Portugal, and any successor or additional Paying Agent appointed from time to time by

the Issuer in connection with the Covered Bonds and under the Set of Agency Procedures.

**“Portuguese Companies Code”** means the commercial companies code approved by Decree-Law 262/86, of 2 September 1986, as amended.

**“Portuguese Resolution Fund”** means the Portuguese resolution fund, as created by Decree-Law 31-A/2012, of 10 February 2012.

**“Portuguese Securities Code”** means Decree-Law 486/99, of 13 November 1999, as amended.

**“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 EUR 12,500,000,000 covered bonds programme established on 4 April 2008 for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus, and as updated from time to time.

**“Programme Agreement”** means the agreement dated 4 April 2008 entered into between the Issuer and the Dealers, as amended and restated.

**“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:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulatory Notice 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognised indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 5/2006.

**“Prospectus Delegated Regulations”** means Commission Delegated Regulation (EU) no. 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, as amended, 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.

**“Rating”** means the then current rating of rated Covered Bonds given by the relevant Rating Agency and **“Ratings”** means all of such Ratings.

**“Rating Agencies”** means DBRS, Fitch and Moody’s, which are established in the EEA and registered under the CRA Regulation and are, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation.

**“recast DGSD”** means Directive 2014/49/EU of the European Parliament and of the Council, of 16 April 2016, on guarantee schemes.

**“Reference Banks”** means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page or, if applicable, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

**“Register”** means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Bank of Portugal Regulatory Notices.

**“Regulation (EU) 575/2013”** means Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, as may be amended from time to time.

**“Regulatory Notice 5/2006”** means the regulatory notice (*Aviso*) 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 6/2006”** means the regulatory notice (*Aviso*) 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

**“Regulatory Notice 8/2006”** means the regulatory notice (*Aviso*) 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which

has issued covered bonds issued in accordance with the Covered Bonds Law.

**“Regulation S”** means Regulation S under the US 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 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 Condition 12(C)(ii) of the Terms and Conditions.

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

**“S&P”** means S&P Global Ratings Europe Limited, which is established in the EEA and registered under the CRA Regulation and is, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation, or any of its affiliates or successor.

**“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 dated 4 April 2008 (as amended and restated) and made and agreed by Banco Santander Totta, S.A., in its capacity as Agent, Paying Agent and the Issuer and agreed to by any subsequent agent, paying agent, transfer agent and/or agent bank appointed by the Issuer.

**“Single Resolution Board”** means resolution authority within the Banking Union established by the SRM Regulation.

**“Single Resolution Mechanism”** means the central institution for bank resolution in the EU, which is the second pillar of the banking union and which applies to banks covered by the Single Supervisory Mechanism.

**“SRM Regulation”** means Regulation (EU) no. 806/2014, of 15 July 2014 of the European Parliament and of the

Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time (including by SRM Regulation II).

“**SRM Regulation II**” means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

“**Stabilisation Manager**” means the Dealer or Dealers (if any) named as the stabilisation manager(s) for a particular Tranche of Covered Bonds.

“**Stock Exchange**” means Euronext Lisbon or any other or further stock exchange(s) where Covered Bonds may, from time to time, be listed as per the relevant Final Terms and references in this Base Prospectus to the **relevant Stock Exchange** shall, in relation to any Covered Bonds, be references to the stock exchange or stock exchanges on which such Covered Bonds are from time to time, or are intended to be, listed.

“**Substitute Credit Institution**” means the credit institution appointed in case of an Insolvency Event to manage the Cover Pool allocated to the outstanding Covered Bonds and to ensure the payments of the amounts due to the holders of such Covered Bonds.

“**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.

“**TARGET2 System**” means the Trans-European Automated Real-time Gross Settlement Express Transfer Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2).

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

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including the Irish Revenue Commissioners and H.M. Revenue and Customs.

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

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

“**Tranche**” means Covered Bonds which are identical in all respects (including as to listing).

“**Treaty**” means the treaty on the Functioning of the EU, as amended.

**“US”** means the United States of America.

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

**“U.S.\$”, “USD” or “U.S. dollars”** means United States dollars, the lawful currency of the United States of America.

**“Value”** means:

- (a) in relation to a Mortgage Credit:
  - (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and
  - (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- (b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register; and
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

**REGISTERED OFFICE OF THE ISSUER**

**Banco Santander Totta, S.A.**

Rua Áurea, no. 88  
1100-063 Lisbon  
Portugal

**ARRANGER**

**Barclays Bank Ireland PLC**

One Molesworth Street  
Dublin 2, D02 RF29  
Ireland

**COVER POOL MONITOR**

**PricewaterhouseCoopers & Associados –  
Sociedade de Revisores Oficiais de Contas, Lda.**  
Palácio SottoMayor, Rua Sousa Martins, no. 1, 3rd  
1069-316 Lisbon  
Portugal

**DEALERS**

**Banco Santander, S.A.**

Calle Juan Ignacio Luca de Tena, 11  
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**Banco Santander Totta, S.A.**

Rua do Ouro, 88  
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**Barclays Bank Ireland PLC**

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**BNP Paribas**

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75009 Paris  
France

**BofA Securities Europe SA**

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75008 Paris  
France

**Credit Suisse Bank (Europe), S.A.**

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28001 Madrid  
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**Deutsche Bank Aktiengesellschaft**

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Frankfurt am Main  
Germany

**Goldman Sachs Bank Europe SE**

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D-60329 Frankfurt am Main  
Germany

**HSBC Continental Europe**

38, avenue Kléber  
75116 Paris  
France

**Morgan Stanley Europe SE**

Grosse Gallusstrasse 18  
60312 Frankfurt-am-Main  
Germany

**Natixis**  
30, avenue Pierre Mendès France  
75013 Paris  
France

**Société Générale**  
29 Boulevard Haussmann  
75009 Paris  
France

**UBS Europe SE**  
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**UniCredit Bank AG**  
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D-81925 Munich  
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**COMMON REPRESENTATIVE**

**Bondholders, S.L.**  
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**AGENT AND PAYING AGENT**

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**AUDITORS**

**PricewaterhouseCoopers & Associados –  
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*as to Portuguese law*

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**LEGAL ADVISERS TO THE ARRANGER AND THE DEALERS**

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