

NOVO BANCO, S.A. informs about the Contingent Capital Agreement

NOVO BANCO, SA (“NOVO BANCO” or the “Bank”) notes that it received on 4 June 2021 an amount of €317.0 million under the Contingent Capital Agreement (“CCA”) with relation to 2020 accounts.

In addition, NOVO BANCO notes the following resolution of the Council of Ministers on 27 May 2021: *“As per the terms of the CCA, the Fundo de Resolução (“FdR”) has determined an amount of €429.012.629,00. Without prejudice to the exercise of all control and verification prerogatives around fulfilment of contractual obligations, a State which abides by the rule of law honors all commitments undertaken, namely with regards to executed contracts. Thus, this resolution hereby creates the conditions for the FdR to proceed with the operationalisation of the bank loan as recourse to its budget, as per nº3 of art.59º of Law nº 151/2015, from 11 September, in its current drafting, and respective payment. This will enable the FdR to fulfil its contractual obligations, thus ensuring the fulfilment of a) of nº2 of art.44º of the referred law.”.*

In accordance with the above, on 31 May 2021, the Bank published its 1Q 2021 with phased-in capital ratios including a CCA receivable of €429.0 million, meaning a Common Equity Tier 1 Ratio (“CET1”) of 11.3% and Total Capital Ratio of 13.3% (annex 1).

There is a difference of €112.0 million between the €429.0 million, that the FdR deemed payable having completed the verification process, and the €317.0 million received by NOVO BANCO.

Despite the resolution of the Council of Ministers referenced above and the conclusion of a comprehensive, independent and transparent process, between NOVO BANCO and the FdR, the Bank was informed that the €112.0 million, has been retained and is subject to a further validation in relation to a matter that was previously considered and concluded by the parties. NOVO BANCO further notes that this matter is not related to 2020 financial year or related financial statements.

Given that this event is a breach of the legal obligations and of the CCA, the Bank will take all legal and other measures and is seeking immediate injunctive relief, and therefore the immediate payment of €112.0 million in order to protect the integrity of the CCA as a capital instrument which is recognised by both regulators and markets.

NOVO BANCO notes that including a CCA of €317.0 million, as of 31 March 2021, phased-in CET 1 and Total Capital Ratio are 10.9% and 12.8%, respectively. Therefore, both 2020 and 1Q 2021 capital ratios are restated in the annex 1.



Announcement

In accordance with the CCA, a maximum total amount of €3.89 billion can be claimed. The total amount of funds received under the CCA, including the €317 million received on 4 June 2021, is €3.29 billion.

This announcement is made in accordance and for the purpose of article 248-A of the Portuguese Securities Code.

Lisbon, 7 June 2021
NOVO BANCO, S.A.

ANNEX 1

- **Capital Ratios: 2020 and 1Q 2021 restated**

		Announced		Restated		SREP Requirement ²	COVID temporary relief
		With €429mn CCA	With €429mn CCA	With €317mn CCA	With €317mn CCA		
CAPITAL RATIOS (CRD IV/CRR)		31-Dec-20 <i>(Phased-in)</i>	31-Mar-21 <i>(Phased-in)</i> ¹	31-Dec-20 <i>(Phased-in)</i>	31-Mar-21 <i>(Phased-in)</i> ¹		
Risk Weighted Assets (€mn)	(A)	26 719	26 660	26 719	26 660		
Own Funds (€mn)							
Common Equity Tier 1	(B)	3 029	3 022	2 902	2 895		
Tier 1	(C)	3 030	3 023	2 904	2 897		
Total Own Funds	(D)	3 541	3 536	3 415	3 409		
Common Equity Tier 1 Ratio	(B/A)	11.3%	11.3%	10.9%	10.9%	8.7%	6.2%
Tier 1 Ratio	(C/A)	11.3%	11.3%	10.9%	10.9%	10.8%	8.3%
Total Capital Ratio	(D/A)	13.3%	13.3%	12.8%	12.8%	13.5%	11.0%

¹ preliminary

² excludes P2G

- **Other relevant information**

NOVO BANCO notes that the difference between the €598.3 million CCA call made in the beginning of April 2021, with relation to 2020 accounts, and the €429.0 million determined by the FdR is related to i) €147.4 million of capital impact from the provisions made for the discontinuation of Spanish operations; ii) €18.0 million related to restructuring funds fair value; iii) €3.9 million from management bonus.

NOVO BANCO further notes that these divergences and legal options available in accordance with the CCA framework are being analysed, including normal arbitration processes related to items it believes are due and should have been paid.

As an instrumental element of NOVO BANCO restructuring plan, the CCA has been the basis for NOVO BANCO's ability to fulfil the commitments on the restructuring plan agreed by the Portuguese State with the European commission and DG Comp.