

novobanco

MORTGAGE COVERED BONDS

INVESTOR PRESENTATION



Agenda

- 01. At a glance: novobanco**
- 02. Mortgage covered bonds**
- 03. Legal regime of covered bonds**
- 04. Annex**

01.

At a glance: novobanco

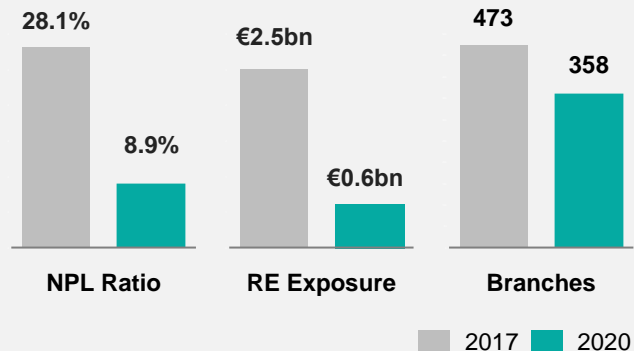
novobanco's successful recovery & restructuring journey...

Restructure

2017-2020

- Sale of Novo Banco to Lone Star (2017)
- Deep operational and balance sheet restructuring
- Exit from all international operations
- Completion of balance sheet clean-up

Deep Balance Sheet Restructuring

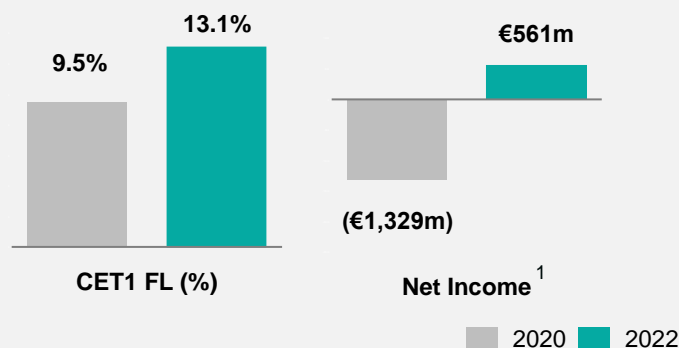


Transform

2021-2022

- Return to profitability with 8 profitable quarters
- Targeted growth in core business
- Significant investment in transformation
- Normalised cost of risk <50 bps achieved
- Strengthening capital position: CET1 FL 13.1%

Reached Comfortable CET1 & Profitability

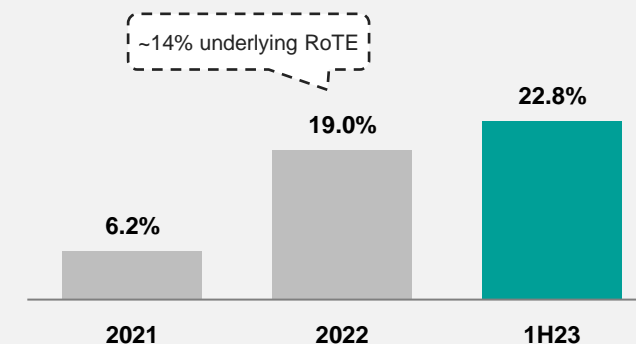


Re-Launch

2023 and beyond

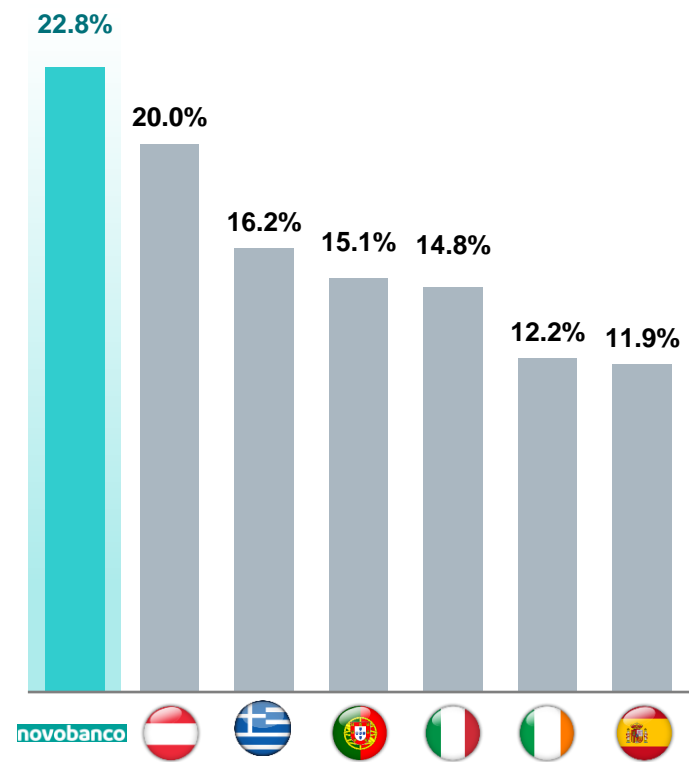
- Substantial top-line growth
- Outstanding capital generation per quarter (+c.100bps) in 2023E
- Best in class levels of efficiency and profitability

Significant RoTE² Improvement

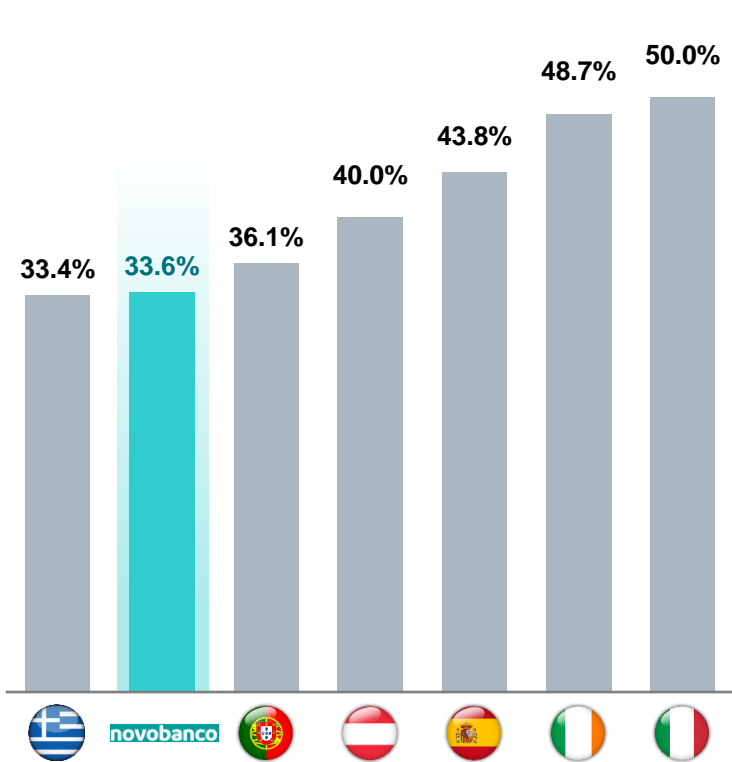


...has led to a very attractive positioning vs. European peers

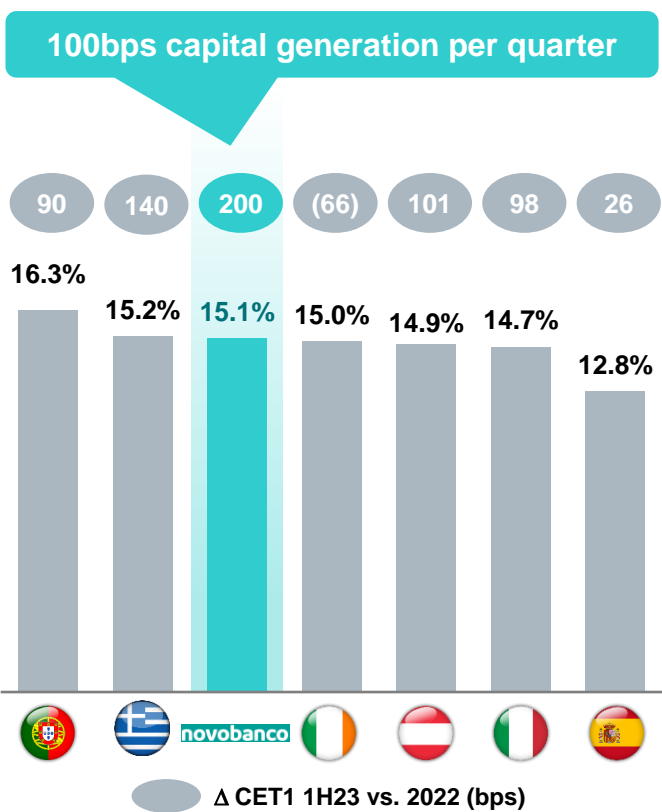
RoTE vs peers
(1H23, %)



C/I vs peers
(1H23, %)



CET1 vs peers
(1H23, %)



Portuguese peers include Santander Totta, Millenium BCP, Banco BPI and CGD; Spanish peers based on domestic listed banks including CaixaBank, Unicaja, Sabadell Spain and Bankinter; Italian peers include BPER Banca, Banco BPM and Banca MPS; Irish peers include AIB, Bank of Ireland and Permanent TSB; Austrian peers include Bawag and Erste Group; Greek peers include Eurobank, Piraeus and National Bank of Greece

Novobanco is a pure-play Portuguese universal bank, with rightsized nation-wide branch footprint...

Focus on strategic pillars...



Customer-centric
1.5mn clients / 292 branches



Simple & efficient
32% C/I (recurrent basis)



People & culture
4,132 employees



Sustainable performance
€500mn green financing²

...together with strong product offering...



Corporate lending
€14.2bn gross loan book



Mortgage lending
€10.1bn gross loan book

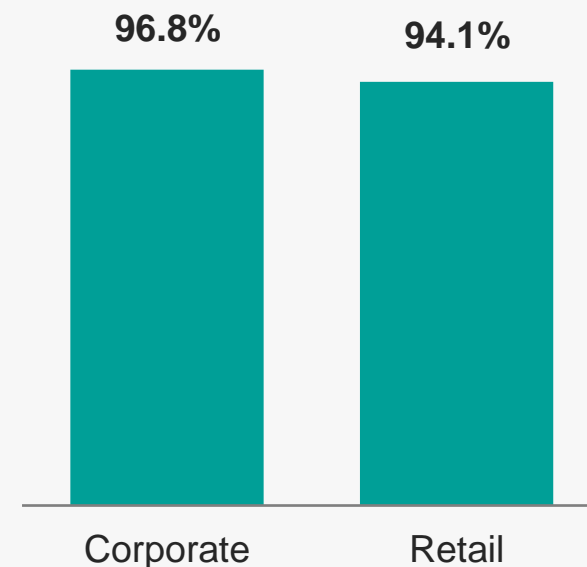


Consumer finance
€1.5bn gross loan book



Product factories ecosystem
Insurance, Payments, AM ...

...leading to an outstanding client satisfaction¹



...supporting families and companies, throughout their lifetime.

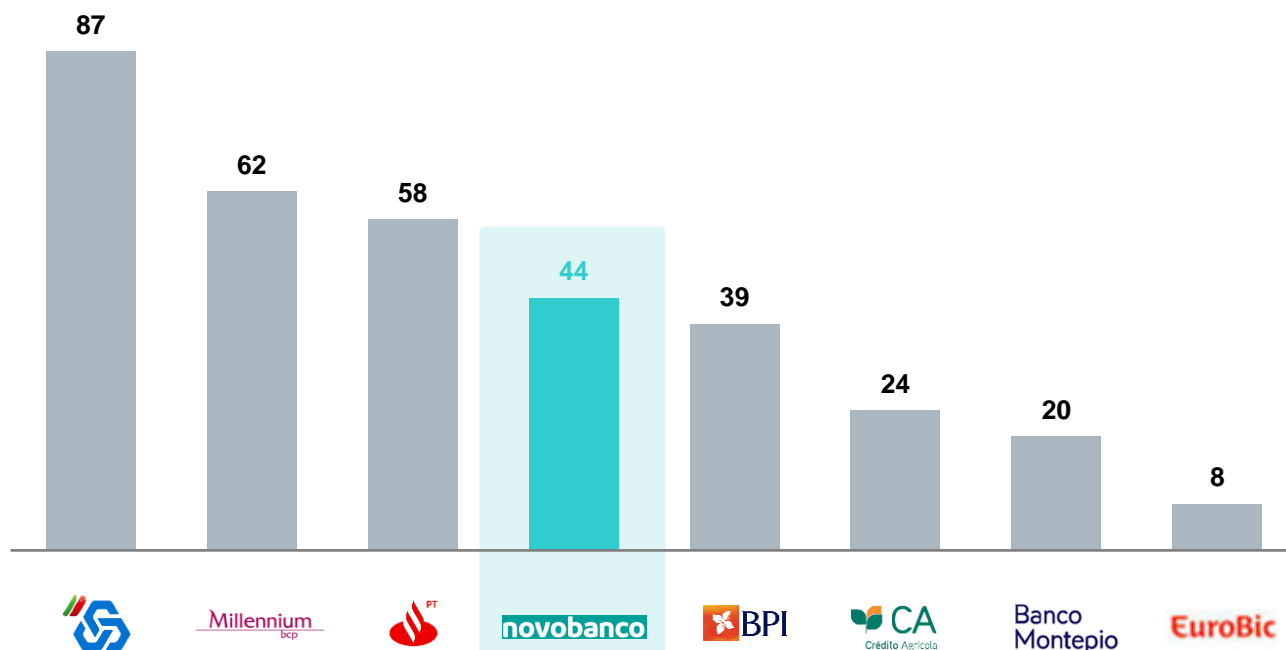
Pure Portuguese domestic player supported by positive tailwinds and uniquely positioned to deliver high profitability



- 1** Leading independent domestic Portuguese bank with exposure to strong macro fundamentals
- 2** Low risk balance sheet well positioned to benefit from the increased interest rates environment
- 3** Improved operating efficiencies and attractive funding mix leading to best-in-class profitability and capital generation

novobanco is a leading independent Portuguese bank with attractive market shares in key segments

novobanco is the 4th largest bank in Portugal...
(Ranking by total assets in Portugal¹, €bn, latest)



...with market leading positions in core areas
(Market share, as of May-23)

Customer Deposits



9.6%
+0.3pp YTD

Corporate Loans



14.7%
+0.2pp YTD

Trade Finance



20.3%
+1.7pp YTD

9.8% Global Market Share
+0.2pp YTD

Stable political environment which continues to deliver fiscal discipline

“ Market recognition

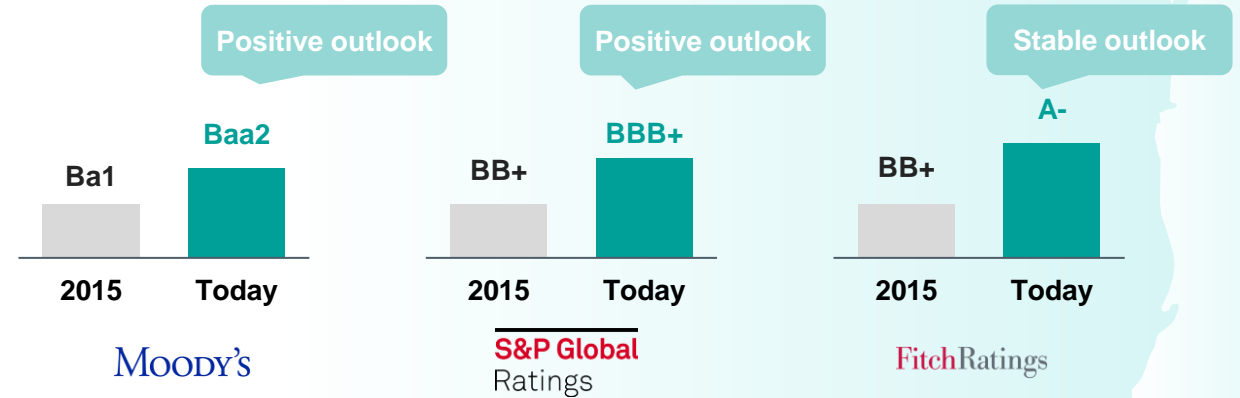
The government's fiscal policy will see net debt to GDP to decline from 99% in 2023 to an expected 87% at end-2026, one of the steepest declines in Europe

S&P, 8 September 2023

novobanco

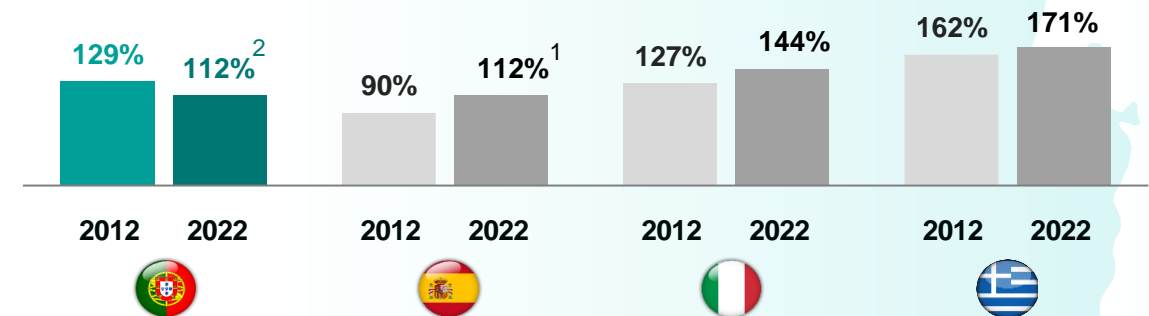


Consistent sovereign debt rating improvement



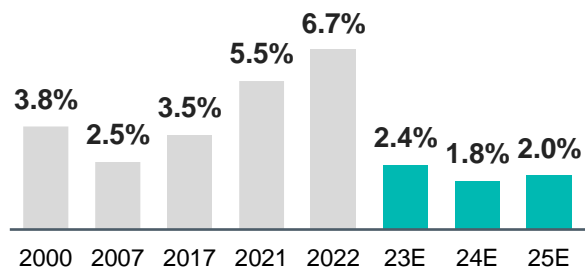
Political stability driving strong fiscal discipline

(% Public Debt to GDP)

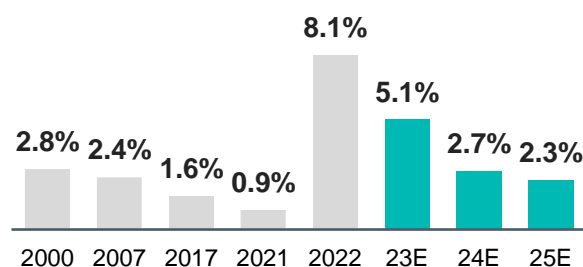


Significant economic improvement expected to last

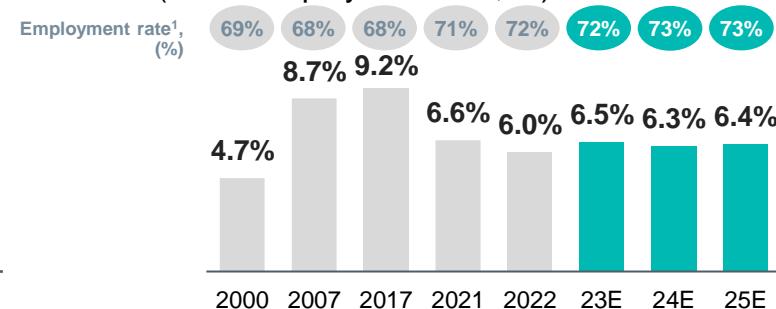
Portugal poised to grow... (PT GDP Growth)



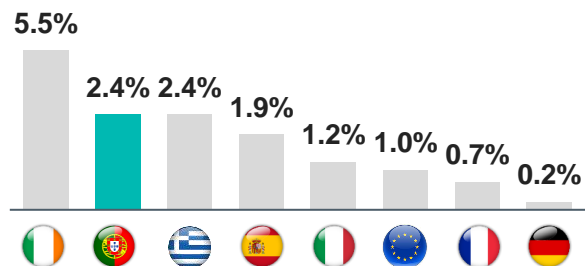
Inflation under control... (PT Inflation, %)



Unemployment near historic lows... (PT Unemployment rate, %)



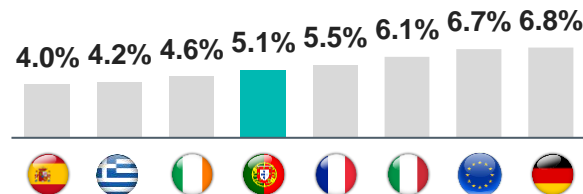
...above European peers (GDP Growth, 2023E)



Electricity prices for households, €/kWh as of 2022



Inflation, % as of 2023



...and funds set to accelerate growth (€bn)

PT 2020
(MFF 2014-20)
Grants €11.2 bn

NextGenEU - Total €22.2bn
RRF: Grants €16.3 bn + Loans €2.9

Multiannual Financial Framework 2021-2027
Grants €33.6 bn

2021 2024 2027 2029

Source: EIU Data, Eurostat and European Commission Spring 2023 forecasts

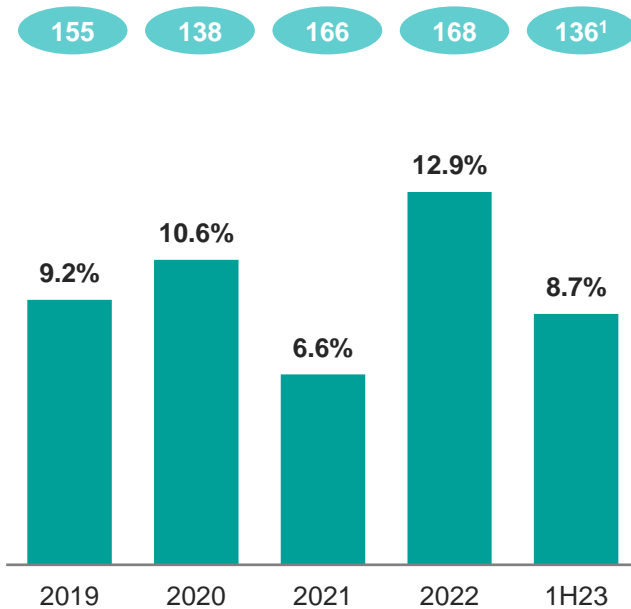
(1) Employment rate calculated as number of employees divided by population within working age

Housing sector transformation driven by strong internal demand and expats

Rising activity and prices...

(YoY Price Change, %)

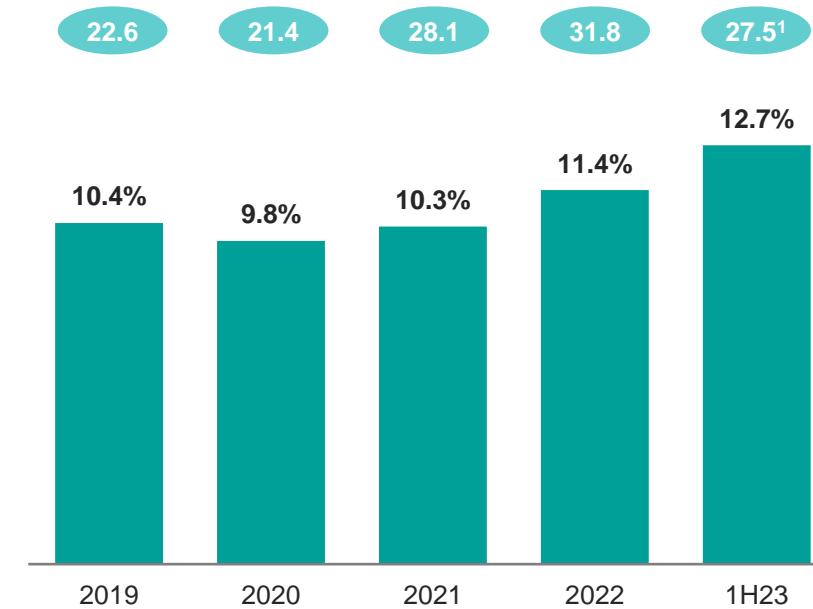
Thousands house transactions (#)



...fuelled by increasing international demand...

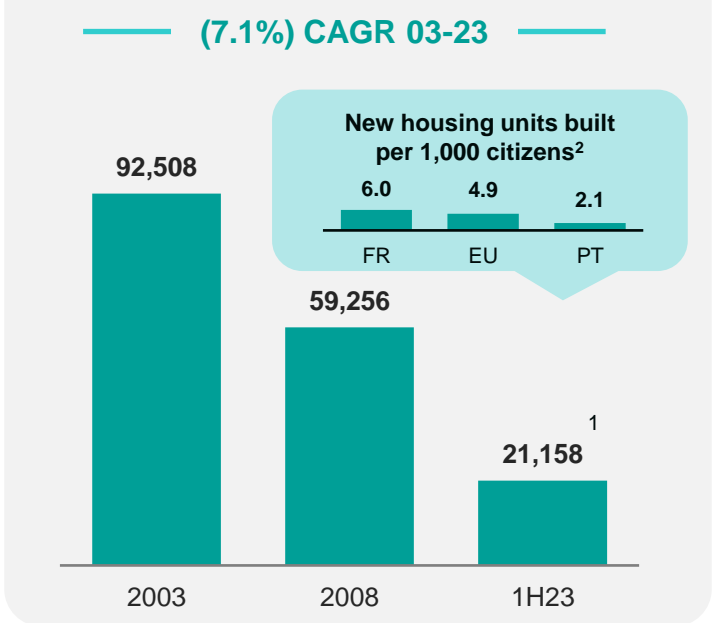
(€ invested in houses by international buyers, % total)

Total Investments in houses (€bn)



...and scarcity of new housing supply

(New housing units built, #)

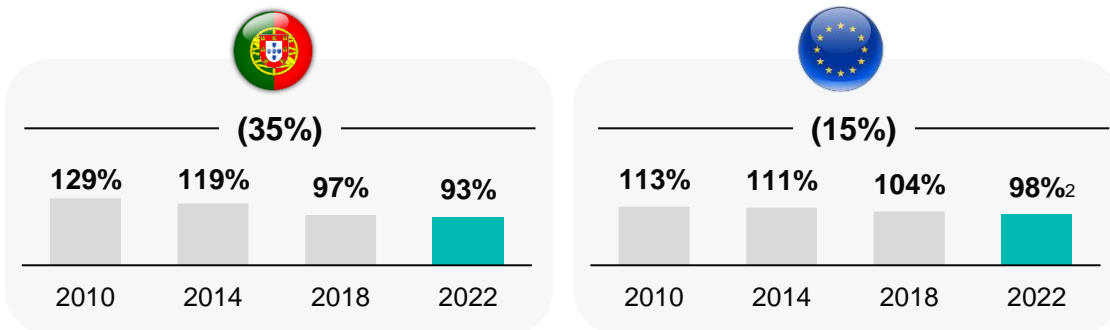


Novobanco benefits from a resilient Portuguese housing sector with increasing prices driven by strong demand and low new housing supply compared to European average

Healthy levels of savings and efforts to deleverage in a recovering economy

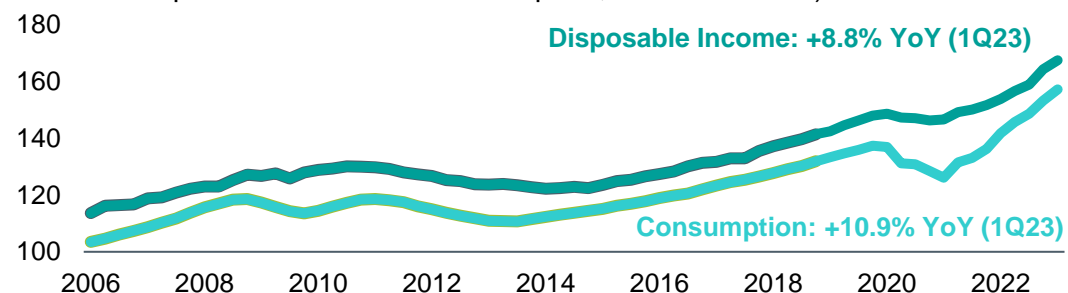
Portuguese households have demonstrated financial discipline

(Household debt as % of disposable income²)



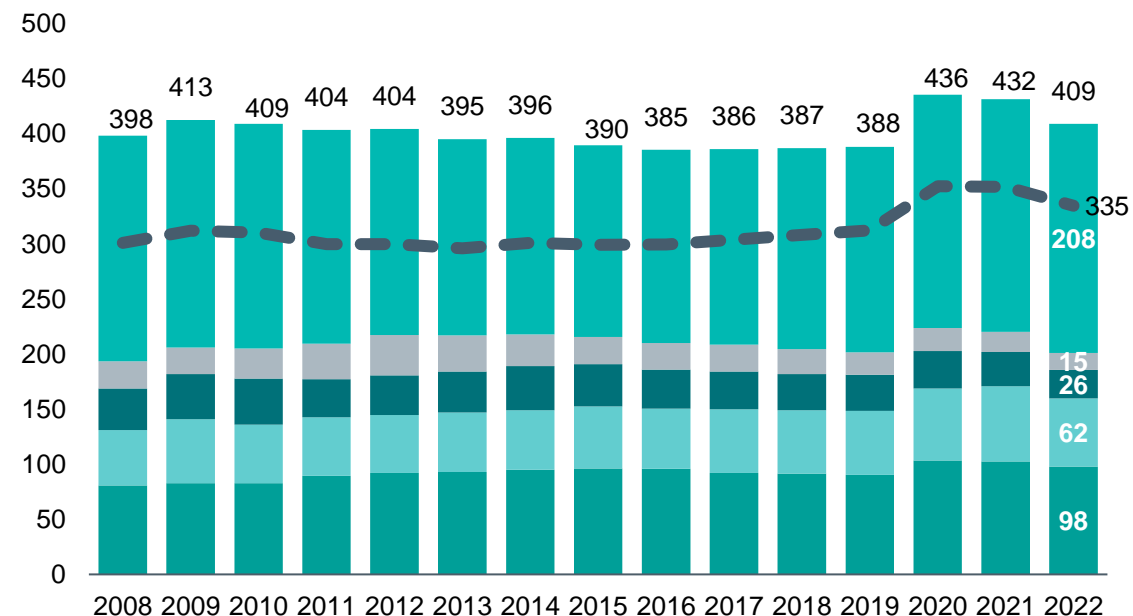
Portuguese households' disposable income

(Household disposable income vs. consumption, % nominal YoY)



Household wealth (% GDP)

Currency and deposits
 Life insurance and pension funds
 Housing
 Shares and other securities
 Other financial assets
 Net total wealth



Households benefited from “pandemic savings” and a rise in disposable income (mainly through higher wage growth).

Portugal has an attractive banking system...

Normalised margins

(Net Interest income⁴ / average customer loans, %)

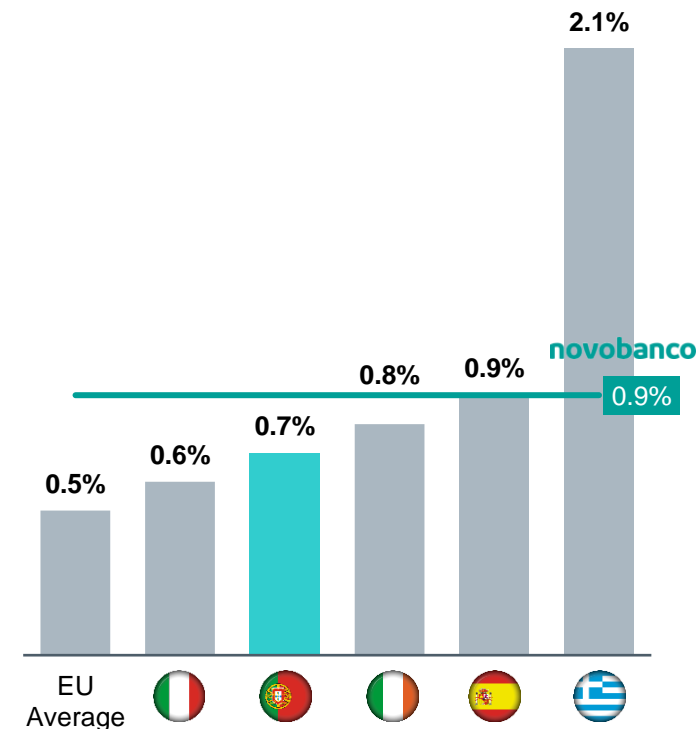
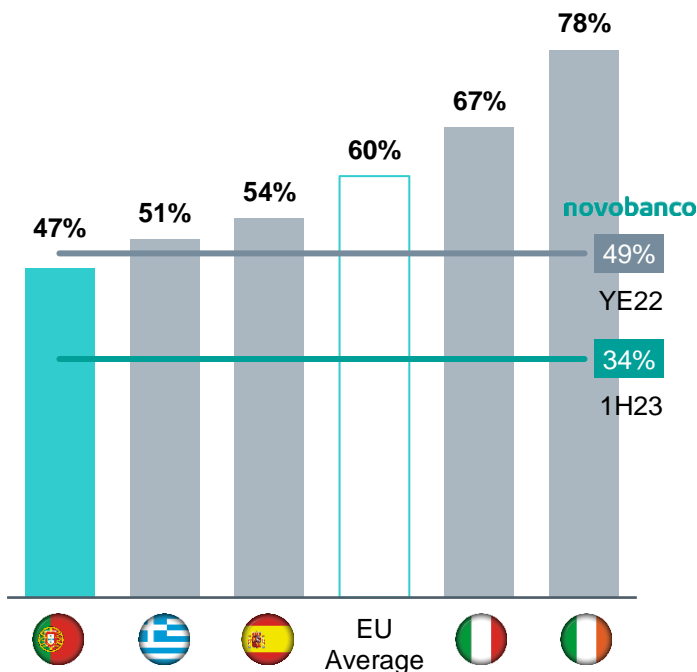
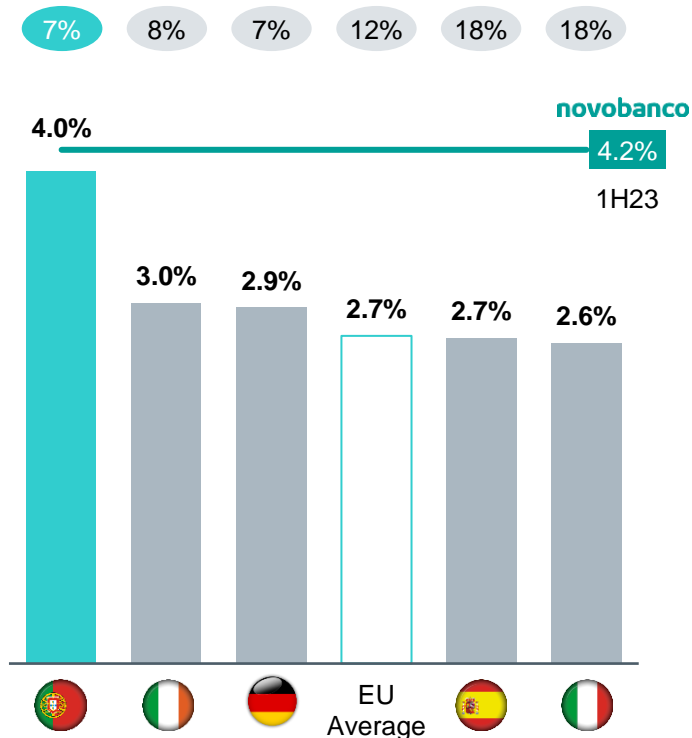
Compelling cost profile

(Cost-to-income², %)

Clean balance sheet

(Net NPL ratios³, %)

Blended
deposit
beta¹



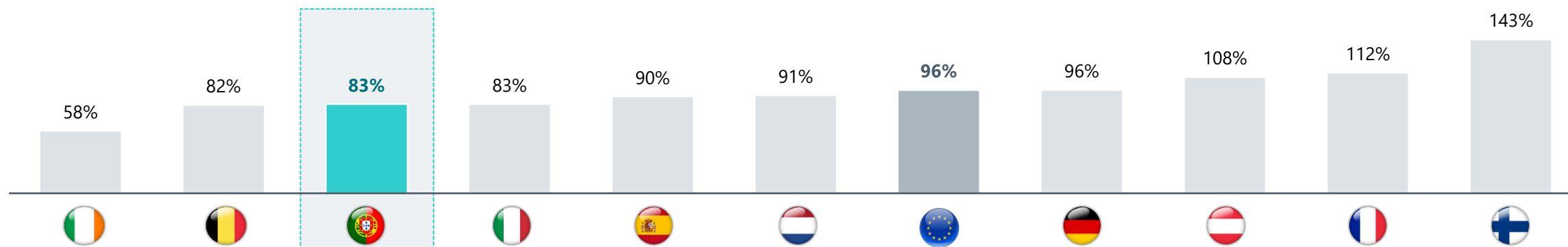
Source: Company information, Research analysis, ECB, Associação Portuguesa de Bancos

(1) Calculated as the change in the blended deposit cost for Retail and Corporate (across overnight / redeemable / term) over 200bps, i.e. the change in ECB rates from Jul 22 to May 23. NIM as of 1H23; (2) Peers data as of YE2022, Defined as Operating Cost divided by Commercial Banking Income; Commercial Banking Income being equal to Net Interest Margin plus Fees and Commissions; (3) Source ECB / novobanco analysis; being calculated as gross NPLs minus accumulated loans loss provisions over gross exposure implied by reported NPL ratio ; Peers figures as of Sep/22, novobanco as of Jun/23; (4) As reported as of 1H23. Portugal excludes Novobanco. Based on peer set for each country as per page 29. EU average based on average of all peers

...with lower loan-to-deposit ratios and deposit betas than European peers

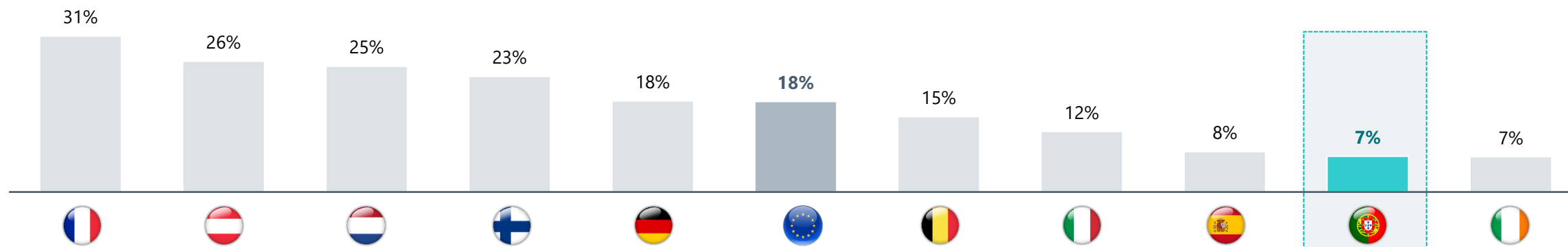
Portuguese banking system benefits from significant liquidity...

(Loan to deposit ratio: PT vs. EU peers as of 2022, %)



...limiting funding cost increases

(Blended deposit beta as of May-23², %)

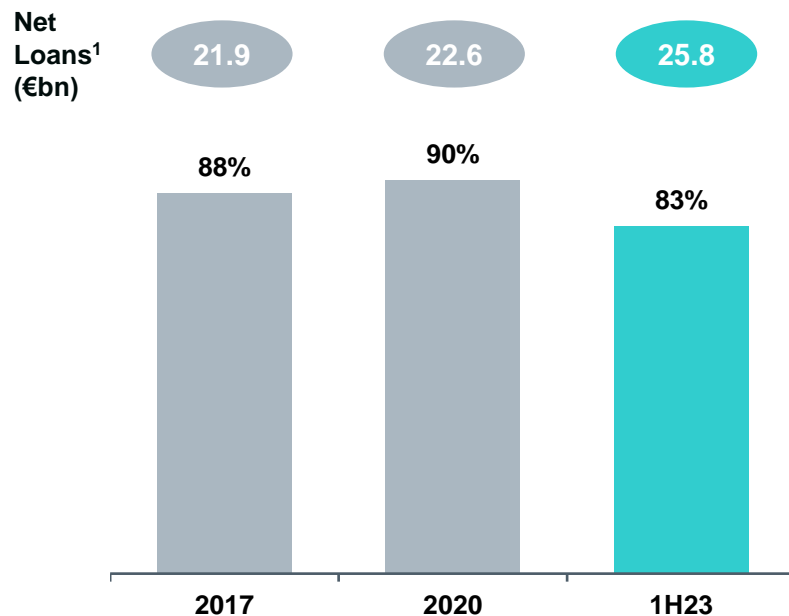


2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

Simple balance sheet with a low risk profile...

Increased focus on core business

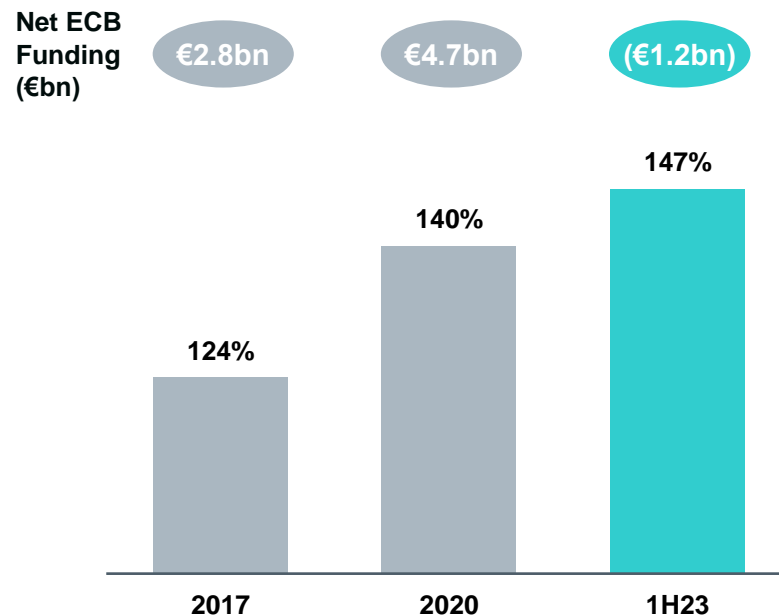
(LtD, %)



Straightforward balance sheet
funded through customer deposits

Strong liquidity improvement

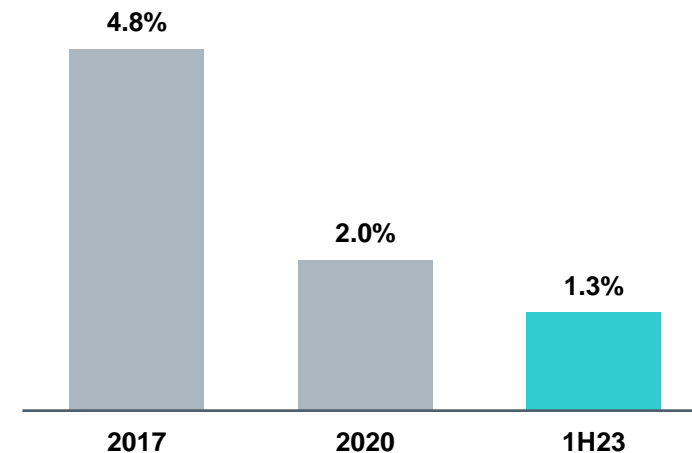
(LCR, %)



Improvement despite TLTRO repayments

Reduced real estate exposure

(Real Estate as % total assets, %)



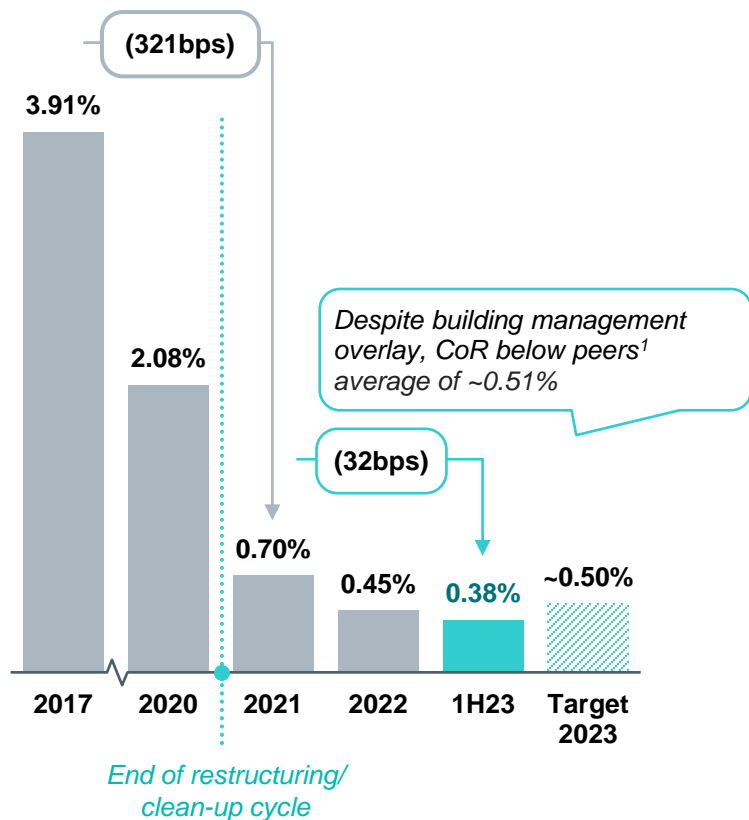
Well-provisioned exposure
leading to recurrent gains on sales

2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

...driven by significant asset quality strengthening...

CoR below peer levels...

(Cost of risk evolution, %)



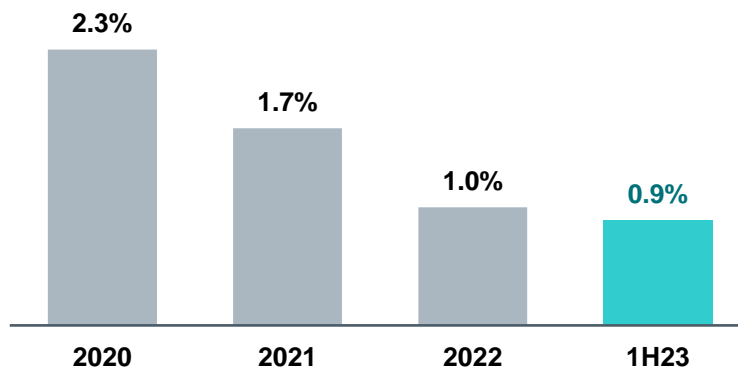
...with high asset quality...

(Net NPL Ratio², %)

New NPL entries as % of performing loans (%)

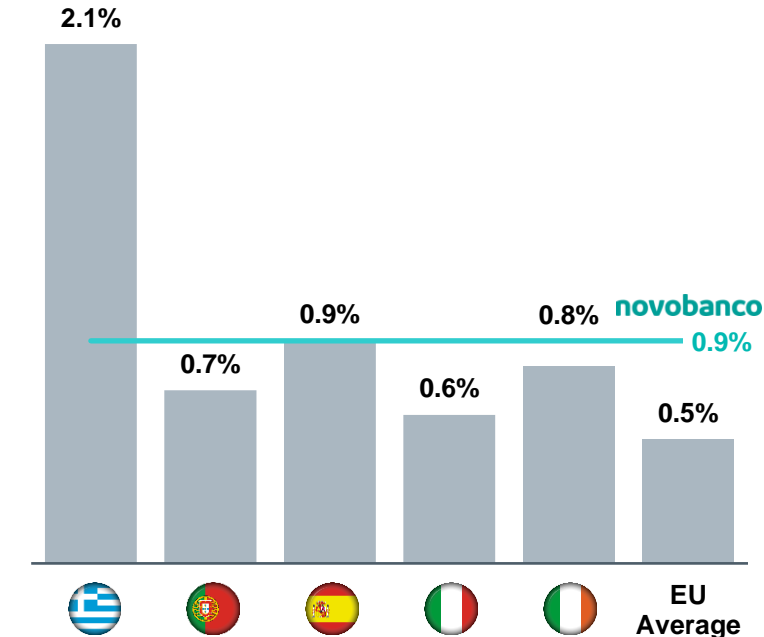


NPL Coverage (%)



...in line with European Peers³

(Net NPL ratio, %)

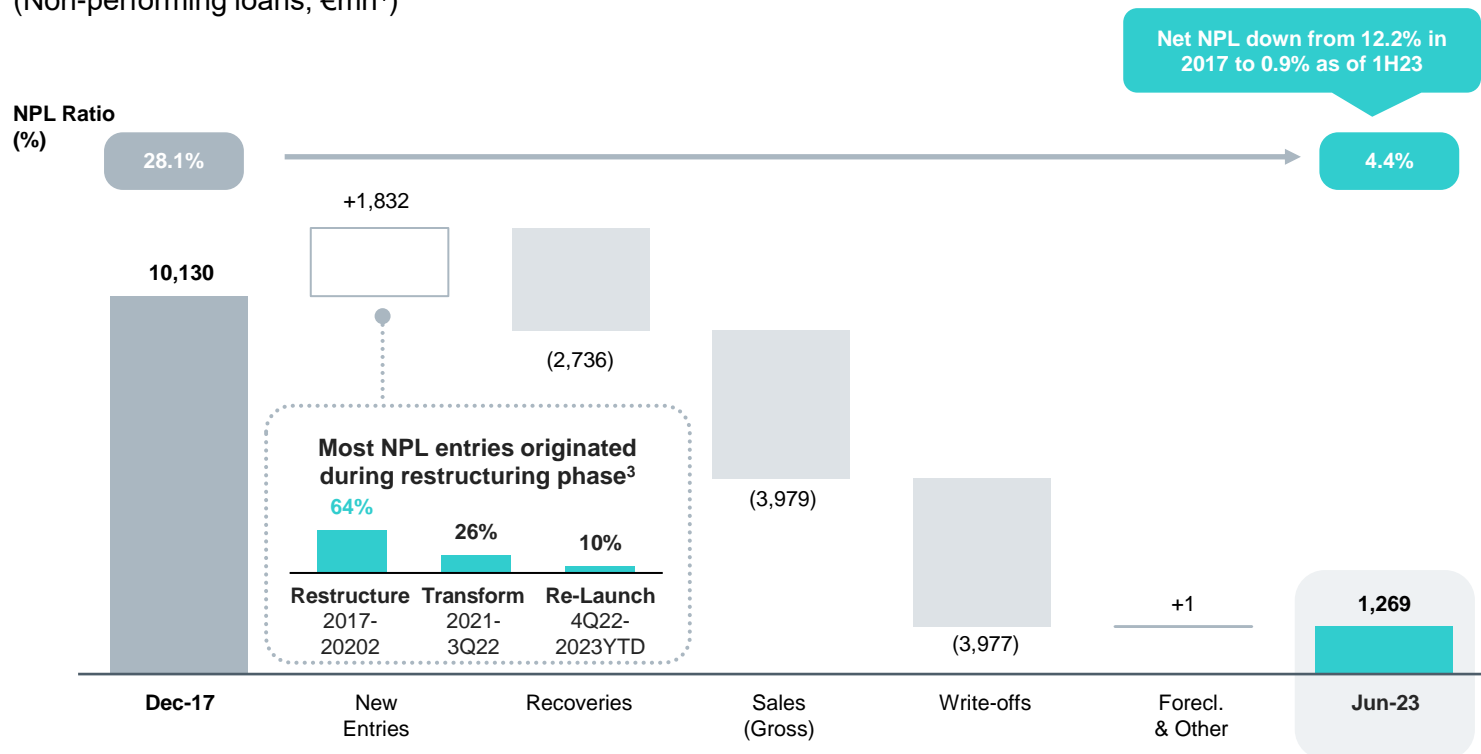


2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

...as well as a conservative provisioning and de-risking approach

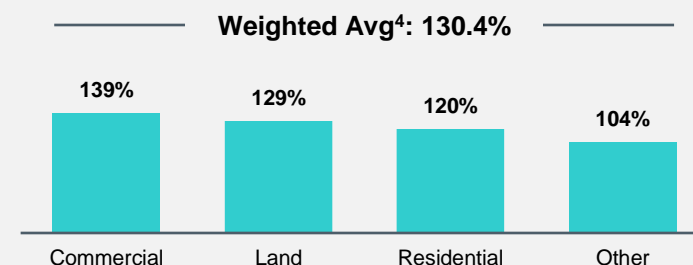
Strong balance-sheet de-risking

(Non-performing loans, €mn¹)



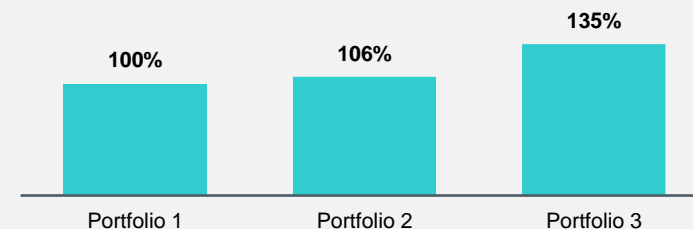
Conservative provisioning approach reflected in above par RE asset disposals historically...

(Real Estate disposal price since 2020, % NBV²)



...as well as in more recent NPL disposals despite current rate environment

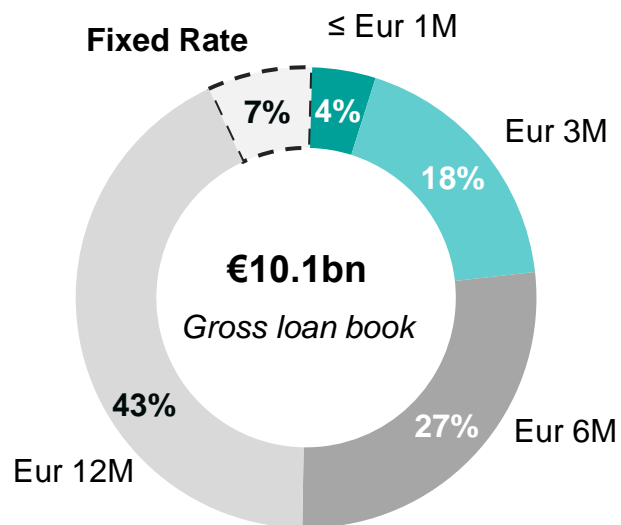
(Recent granular portfolio⁵ sales price, % NBV)



Strong balance sheet de-risking benefited from CCA dynamics limiting capital ratio impacts

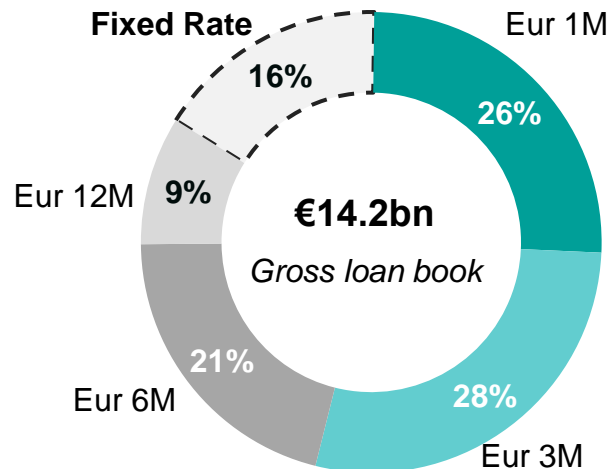
Further upside expected from current rates repricing

Mortgage loan book by rate type
(Jun-23, %)



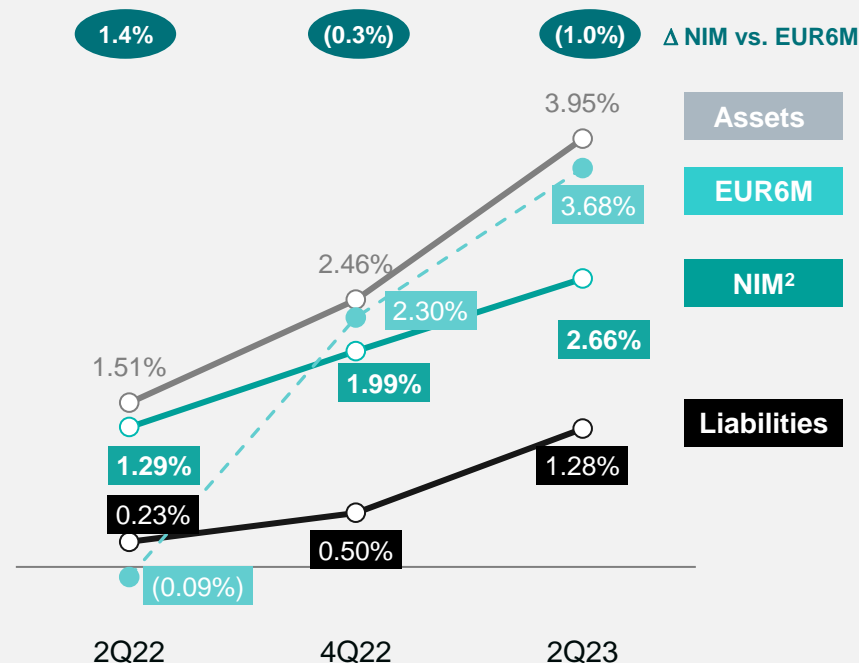
Stock avg ticket outstanding of ~€50k
YTD origination ticket of ~€120k
70% book hedged at 2.9%

Corporate loan book by rate type
(Jun-23, %)



~90% of book is floating (incl. hedges)
Majority with Euribor 0% floor

NIM Evolution quarterly trend
(%)



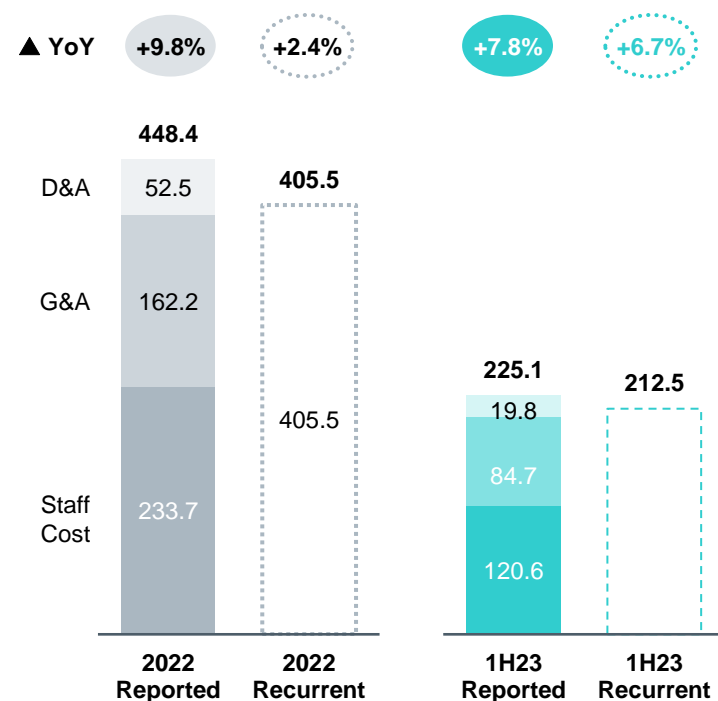
Benefiting from repricing at current rate environment, with NIM stabilizing at higher levels while downside rates risk being actively managed through hedging
(~8% NII impact for -100bps decrease)¹

3. IMPROVED OPERATING EFFICIENCIES AND ATTRACTIVE FUNDING MIX LEADING TO BEST-IN-CLASS PROFITABILITY AND CAPITAL GENERATION

Cost efficiency and investments towards streamlined operations...

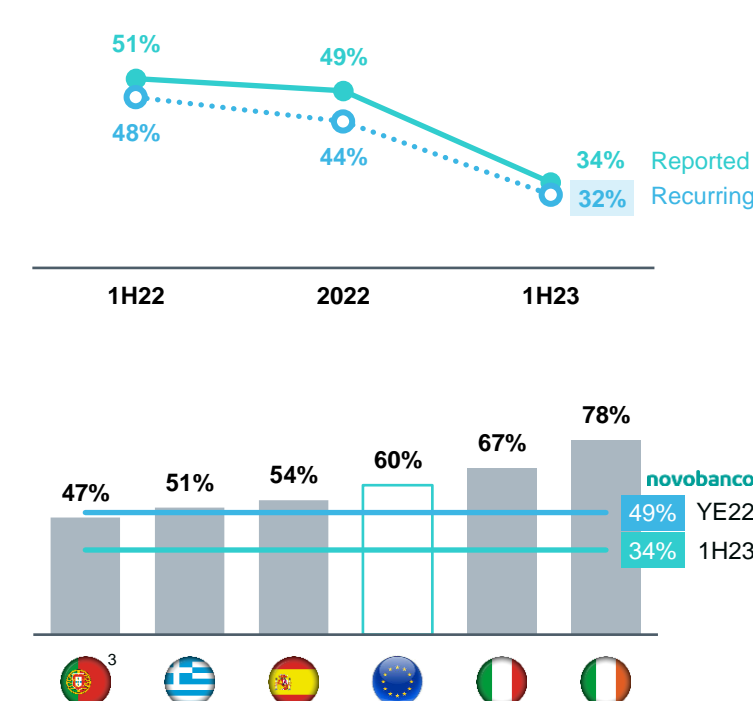
Operating costs¹

(%; €mn)



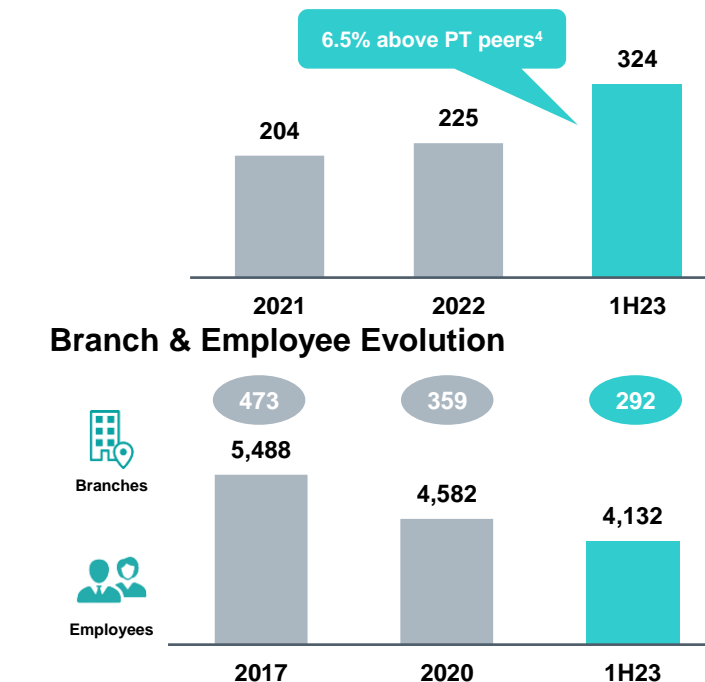
Cost to income²

(%)



Commercial banking income / FTE

(€k)



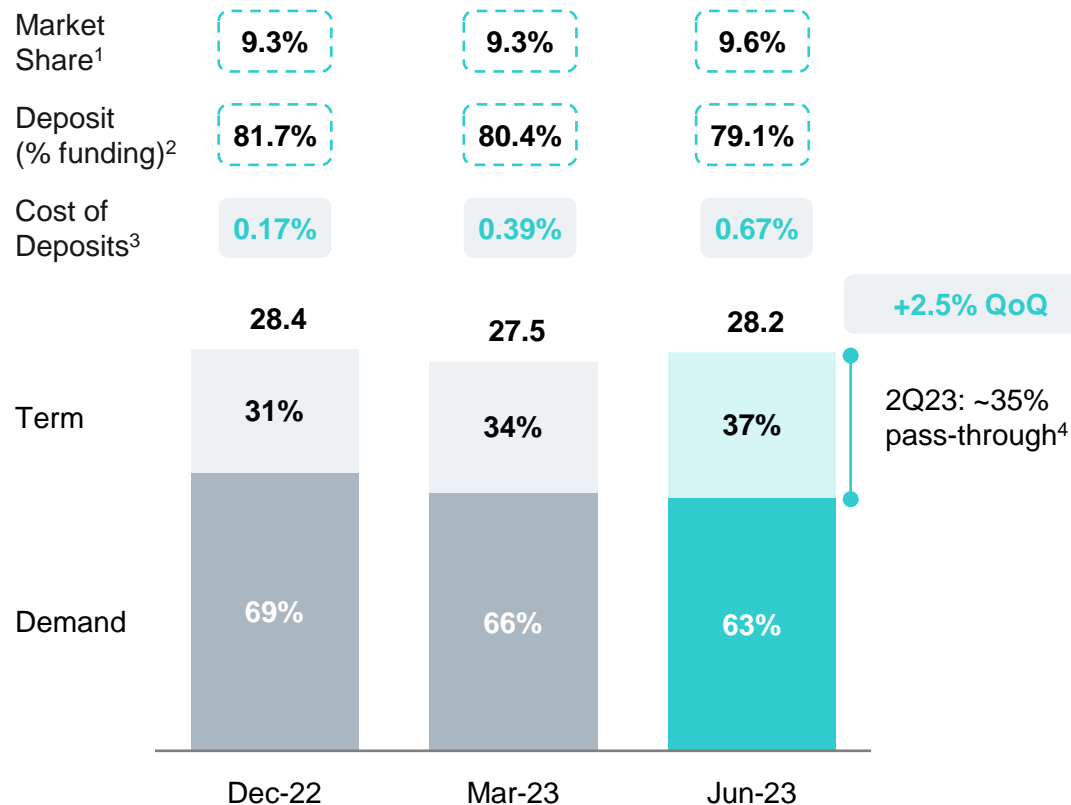
...are key pillars to increase profitability, offset cost inflation and invest in people and culture while reaching a best-in-class C/I ratio

(1) One-offs include: €43mn in 2022 of which €18mn intangibles write-offs; €13mn headquarters move & strategic advisory; €5mn DG Comp, CCA & regulatory; €4mn Spain branch closure; €3mn other; €7mn in 1Q23 of which €3.1mn headquarters move & strategic advisory; €2.0mn DG Comp, CCA & regulatory and €1.9mn of other; (2) Peers data as of YE22, defined as operating costs divided by commercial banking income; commercial banking income being equal to net interest margin plus fees and commissions; (3) Portuguese average excludes novobanco; (4) Includes BPI, Santander Portugal and BCP Portugal. Does not include CGD given no domestic commercial banking income disclosure as of 1H23

Attractive funding costs from loyal customer base and high liquidity

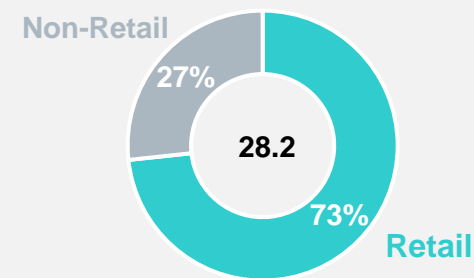
Deposits Breakdown by Type

(€bn; %)



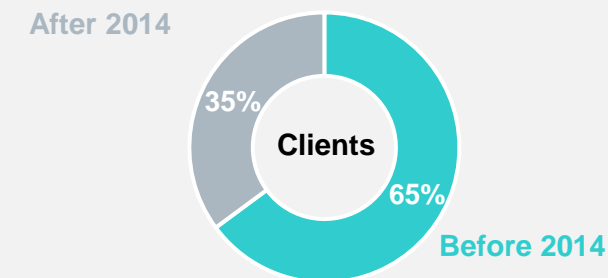
Deposits by Customer

(€bn; %)



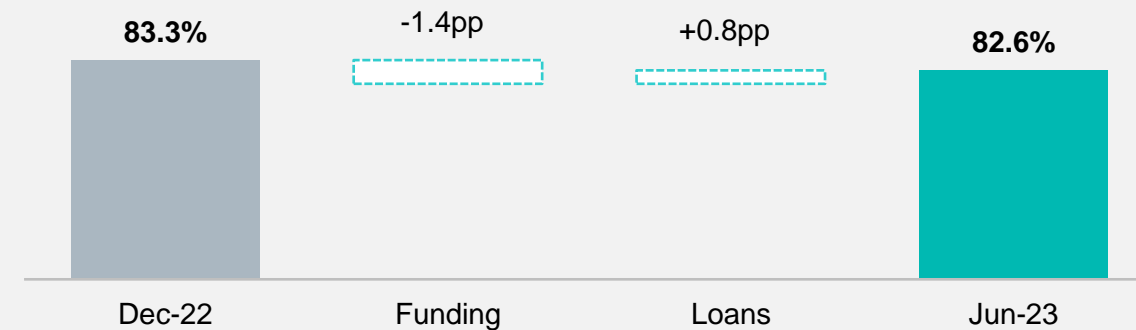
Loyal customer base

(# of active clients)



Loan to Deposit Ratio⁵

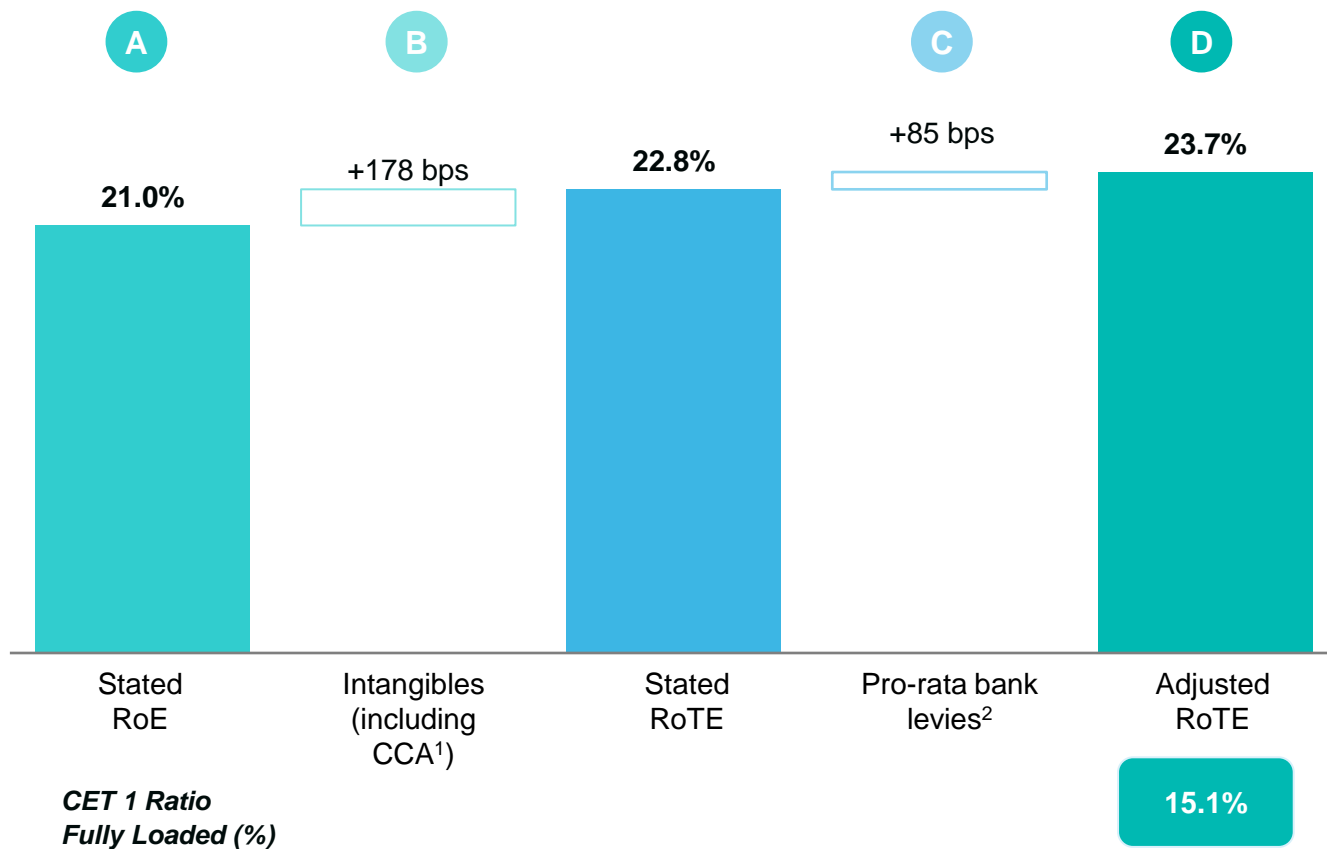
(%)



Disciplined strategic focus driving best-in-class profitability...

Return on Equity

(1H23 annualised; %)

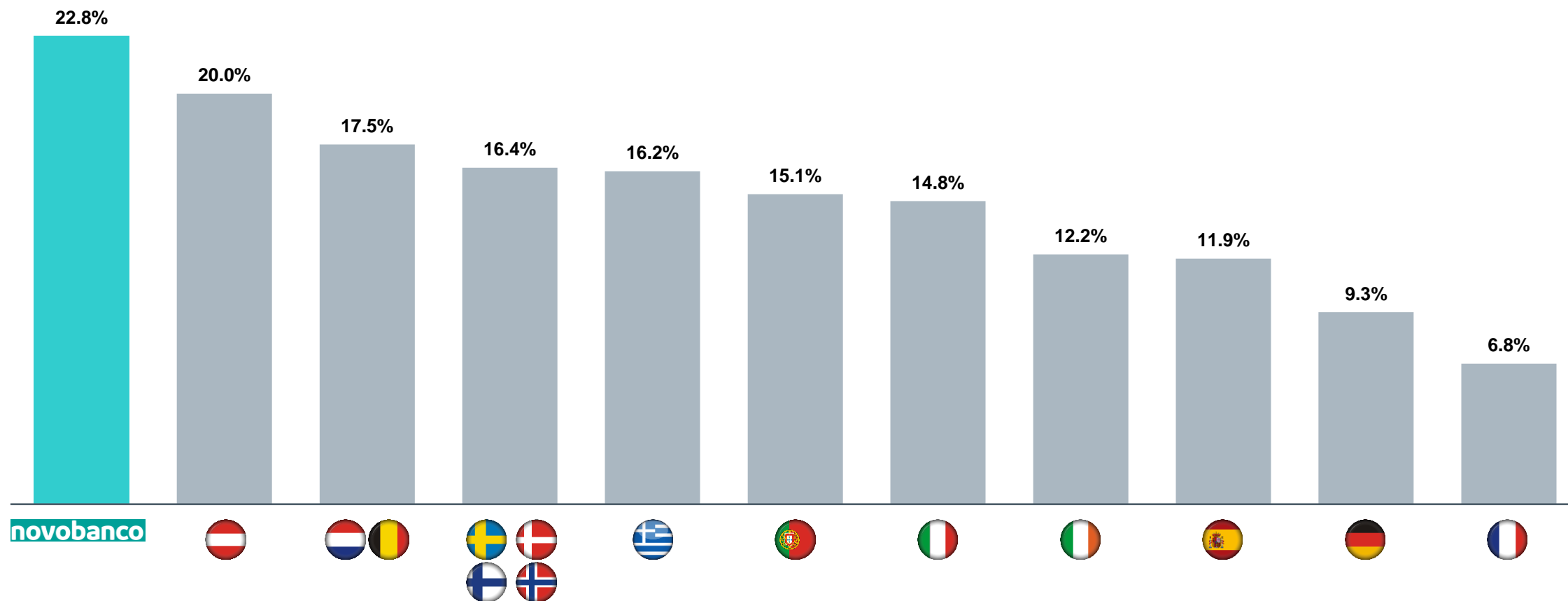


- A** **Strong operating income** delivering record results in 1H23 (€373.2mn);
- B** Equity adjusted by intangibles and €209mn due to CCA not yet received (booked as a receivable) and excluded from capital ratios;
- C** Pro-rata consideration of bank levies for FY2023 (€56.3mn) already paid in full in 1H23 leading to incremental RoTE increase;
- D** **Strong adjusted RoTE despite significant excess capital** (CET1 FL: 15.1%) that currently cannot be distributed due to CCA/dividend ban in place until 2025

novobanco's **profitability** ranks **among the top performers in Europe**

...resulting in superior returns vs. EU banking sector...

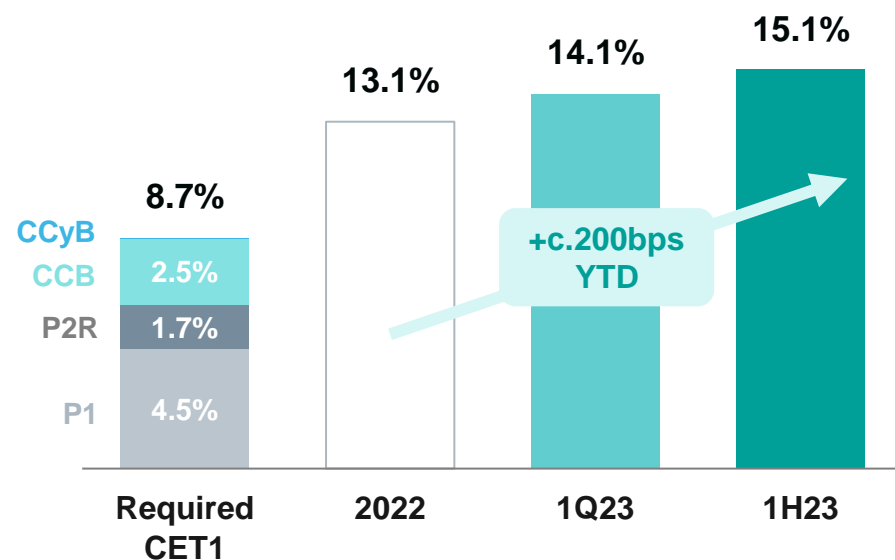
Stated 1H23 RoTE
(1H23 annualised; %)



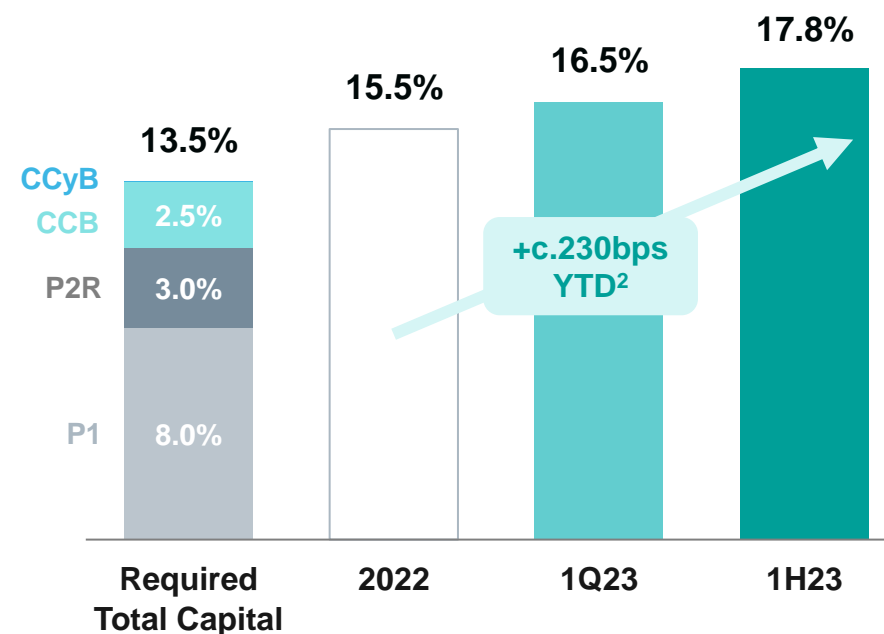
3. IMPROVED OPERATING EFFICIENCIES AND ATTRACTIVE FUNDING MIX LEADING TO BEST-IN-CLASS PROFITABILITY AND CAPITAL GENERATION

...as well as +200bps organic capital generation in 1H23

CET 1
(fully loaded¹; %)



Total Capital
(fully loaded¹; %)



Solid top-line performance and disciplined capital allocation leading to superior capital generation

Execution leading to targets outperformance and guidance revision

	Previous 2023 Guidance	1H23 Achievements	New 2023 Guidance	2023 Execution
Net Interest Margin	> 2.2%	2.50% ✓	> 2.50% ¹	Sound commercial activity backed by improved customer experience
Cost to Income	< 40%	33.6% ✓	~ 35%	Protecting NIM from a lower interest rate environment by increasing hedges ³ to lock in current rates and reduce sensitivity, with a decrease of ~8% NII for -100bps in rates
Cost of Risk	~ 50 bps	38 bps ✓	~ 50bps	Strict cost control efficient operations with revenue growth offsetting cost inflation and investment in people and culture
NPL Ratio	< 4.5%	4.4% (w/ 80% coverage) ✓	< 4.5%	De-risking strategy with strong and reinforced coverage levels
Profit Before Tax ²	> €600mn	€377mn (above 1H23E) ✓	> €700mn	
Capital Generation	> 250 bps	+200 bps (CET1: 15.1%) ✓	> 350 bps	

Consistent execution of the strategic plan, reiterating the focus to achieve investment grade rating in the medium-term

02.

Mortgage Covered Bonds

Updating current €10bn covered bond programme...

Issuer	novobanco S.A.
Rating	Aa2 (Moody's) / A (DBRS)
Size	Max € 10.000.000.000
Maturity	Conditional Pass-Through (CPT)
Overcollateralisation	10% <i>(required by law/committed: 5%)</i>
Collateral	Portuguese prime residential mortgages
Liquidity	Cash Reserve <i>(Interest Payments falling within next 3 months)</i>
Cover Pool Monitor	Ernst & Young
Governing Law	Portuguese Law
Listing	Euronext Dublin

Proposed changes recently approved in a consent solicitation exercise

Aa2 (Moody's), Removal of DBRS

Soft Bullet (SB) – 12 months

Liquid Assets to cover 180 days Net Liquidity Outflow

PricewaterhouseCoopers (to be approved)

Euronext Lisbon

...aligning with European prime format and market standard

novobanco established its €10bn Conditional Pass Through (CPT) Covered Bond Programme in 2015. At the time, the market for conditional pass-through covered bond was developing well, with several European issuers converting their covered bond programmes to that format and benefiting from a greater rating uplift.

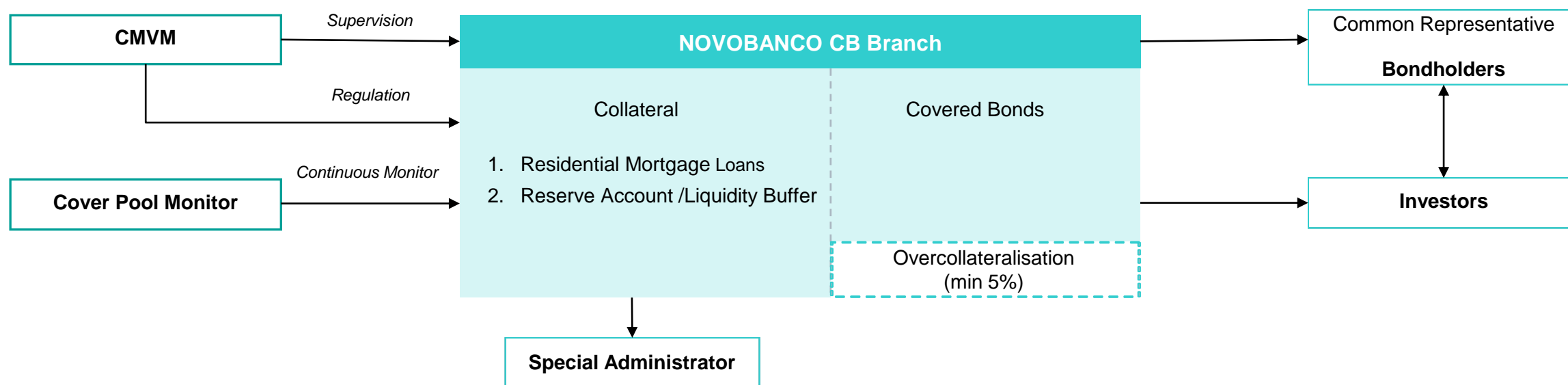
Moody's	2015 (CPT)	2023 (CPT)	2023 (soft bullet)	The change of the maturity extension structure from conditional pass-through to soft-bullet is not expected to have any impact on the rating of the covered bonds.
Issuer Rating	B2	Ba3	Ba3 Positive	
Covered Bond rating	A3	Aa2	Aa2	

Since inception of the programme, novobanco has issued €5.5bn covered bonds, all of which are retained by the Bank. The bondholders' meeting held on the 6th of October approved the amendment of the extension format of all current outstanding series of covered bonds under the CPT CB programme to Soft Bullet. The extension format was amended to align it to the preferred market format. Novobanco now expects to finalise the update of the CPT CB Programme, which will become the SB CB Programme, and make it compliant with the new legal framework.

Description	ISIN	Issuance Date	Maturity Date	Type	Rate	Nominal Outstanding
Series 1	PTNOBAOE0012	07/10/2015	07/10/2025	Floating	3M Eur + 25bps	€1,000mn
Series 2	PTNOBBOE0011	07/10/2015	07/10/2024	Floating	3M Eur + 25bps	€1,000mn
Series 3	PTNOBCOE0010	07/10/2015	07/10/2027	Floating	3M Eur + 25bps	€1,000mn
Series 4	PTNOBDOE0019	07/10/2015	07/10/2028	Floating	3M Eur + 25bps	€700mn
Series 5	PTNOBEOE0018	22/12/2016	22/12/2023	Floating	3M Eur + 25bps	€500mn
Series 6	PTNOBGOM0008	10/12/2019	10/06/2029	Floating	3M Eur + 25bps	€750mn
Series 7	PTNOBHOM0007	10/12/2019	10/12/2024	Floating	3M Eur + 25bps	€550mn

A structure segregating the cover pool from novobanco balance sheet

- In order to segregate the cover pool from its balance sheet, novobanco has created a specific unit (Covered Bond Branch) in all its operating systems for the Covered Bond Programme. This unit allows a separate accounting and an effective segregation of the cover portfolio backing the covered bonds to be issued from novobanco balance sheet
- The assets registered in this CB Branch form a segregated cover pool over which the holders of the covered bonds will have a special creditor privilege (“privilégio creditório”)



A programme with prime Portuguese residential mortgage loans...

... originated by novobanco compliant with the following eligibility criteria:

- First-lien mortgage of a property or lower-ranking mortgage, provided that the related higher-ranking mortgages are also included in the pool;
- Freely transferable loans by way of assignment under the laws of Portugal;
- Backed by residential property;
- Denominated in Euro;
- Property located in Portugal;
- Maximum current loan to value of 80%;
- No delinquent loans in the pool, i.e., loans with more than one month in arrears are removed from the cover pool;
- All mortgages loans have house insurance;
- Overall, all the loans included in the pool are compliant with the new Portuguese Covered Bond Framework

A programme with liquid assets to cover the net liquidity outflows

novobanco's covered bond programme secondary assets are currently limited to the cash reserve account held with the Account Bank. Following the bondholder's approval, and after the conversion of the programme in accordance with the new legal framework, novobanco expects to include liquid assets to cover the net liquidity outflows as defined in the new legal framework, which will substitute the current cash reserve account.

Current Situation – Cash Reserve Account

- Account Bank: Soc Gen
- Rating: A
- Current Amount: €57mn
- Target: Interest Amount payable on the Covered Bonds on the 3 months following such date plus €100,000

Future Situation – Liquidity Buffer

- Liquid assets: Level 1, Level 2A or 2B and short-term deposits
- Envisaged assets: Public debt and deposits with BoP
- Expected net outflows: €190m
- Target: Net liquidity outflows expected for the following 180 days period. For soft bullet structures, the extended maturity will be considered.

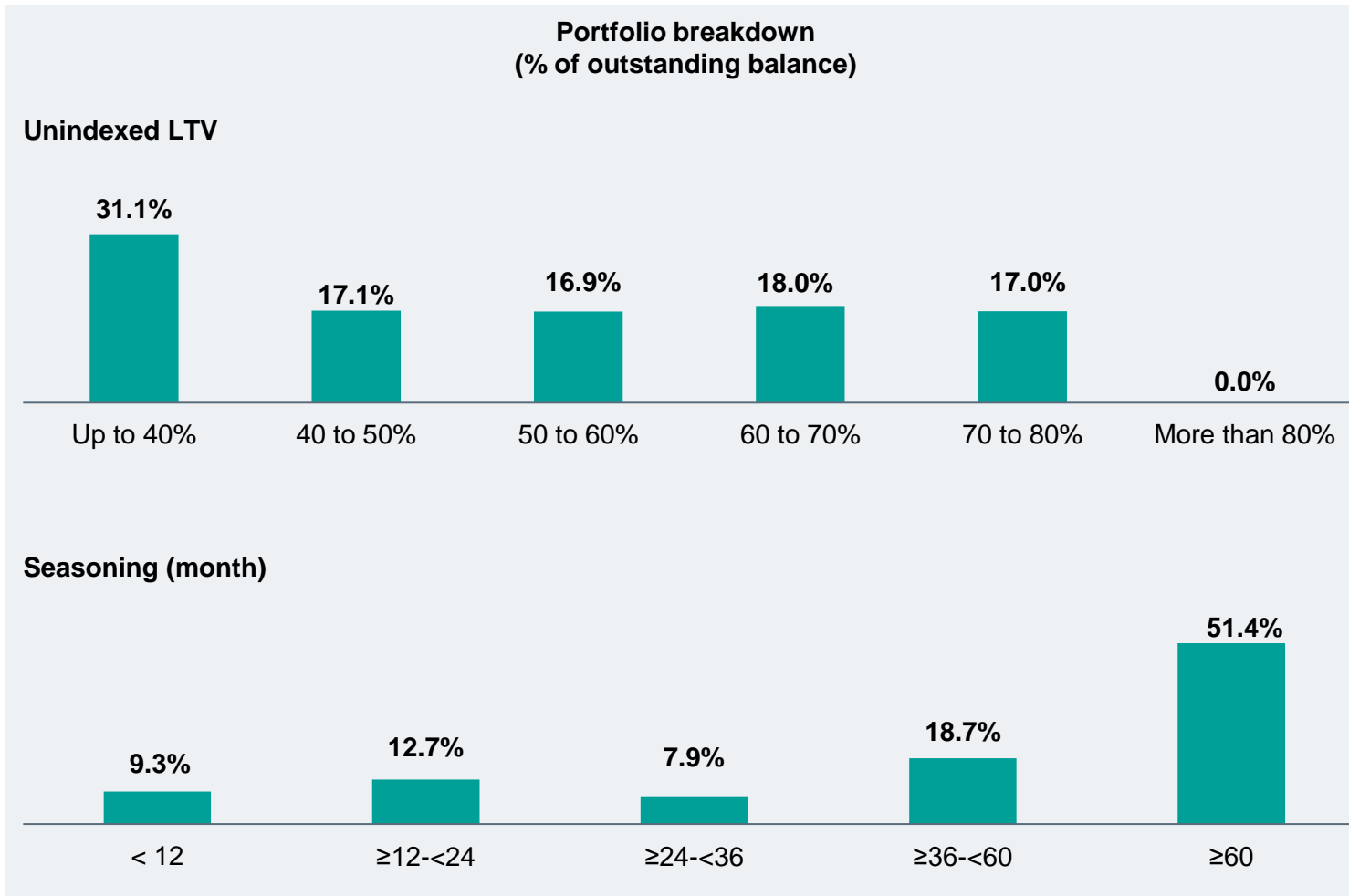
A €7.5bn well seasoned pool of assets with average LTV below 50%...

Cover pool asset characteristics

Mortgage Pool Balance	€7,400.0mn
Other assets (cash)	€47.0mn
Total Outstanding Assets	€7,447.0mn
Number of Loans	133,819
Average Loan Amount (€)	€55,299
Weighted Average Seasoning (Month)	94
WA Remaining Term (Yrs)	25.06
Weighted Average Loan to Value %	49.84
Asset Fixed Rate %	8.09
Asset Floating Rate %	91.91

Mortgage covered bond & OC

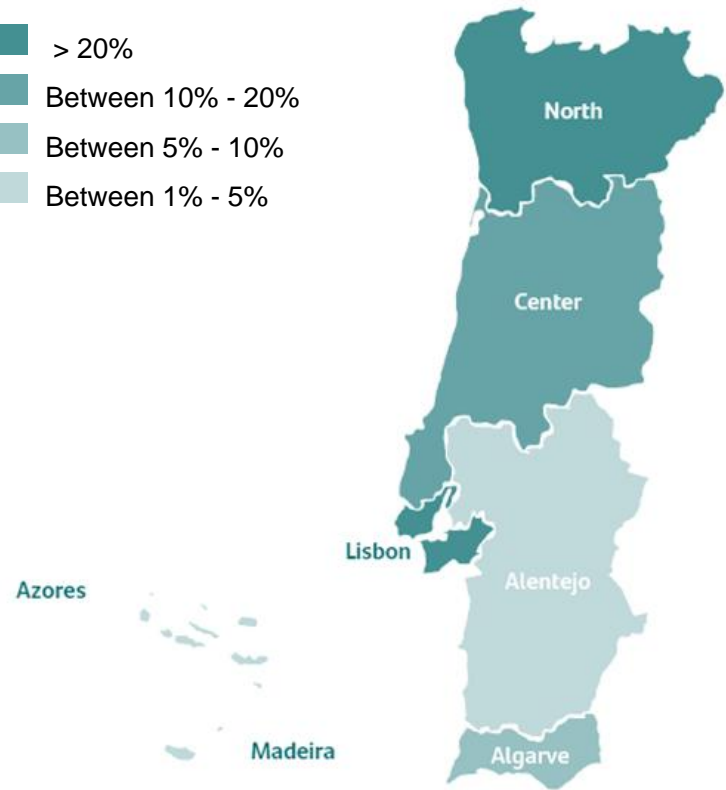
Mortgage Covered bond Program	€10,000mn
Covered Bond Outstanding	€5,500mn
WA Remaining Term (Yrs)	3.14
Current overcollateralization (%)	35.40
Legal minimum OC%	5.26



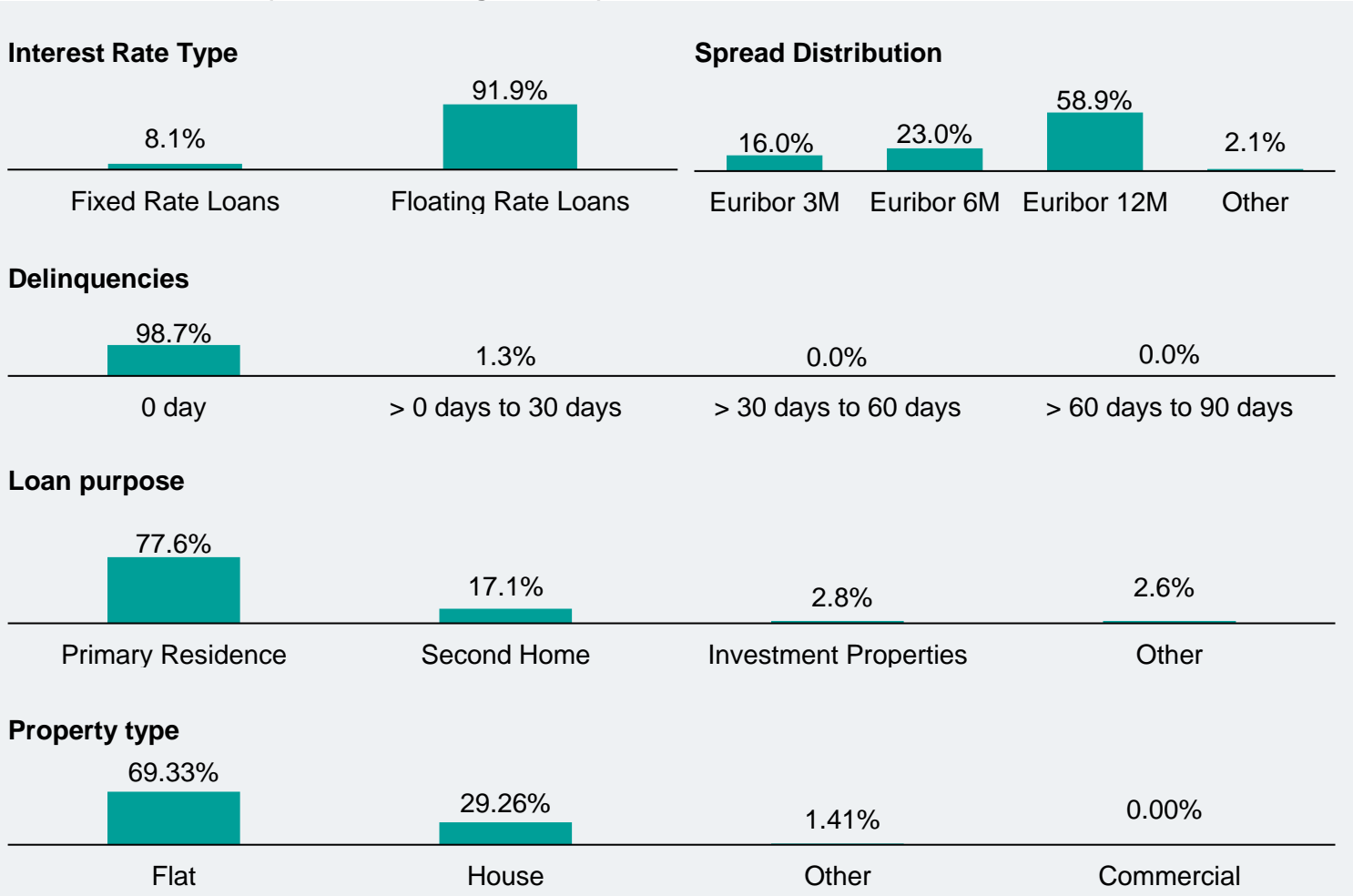
...reflecting country demographics and with no commercial exposure...

Geographical Breakdown

Cover pool asset characteristics



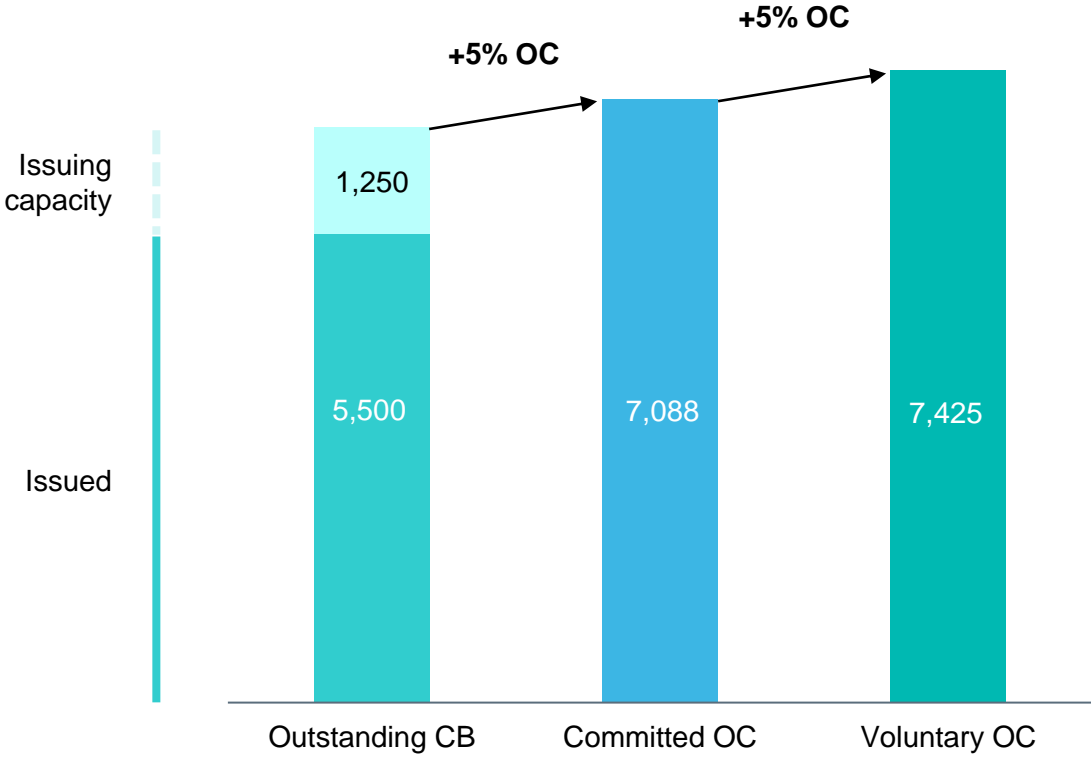
Portfolio breakdown (% of outstanding balance)



...and with issuance capacity towards being a regular issuer

Additional Issuing Capacity

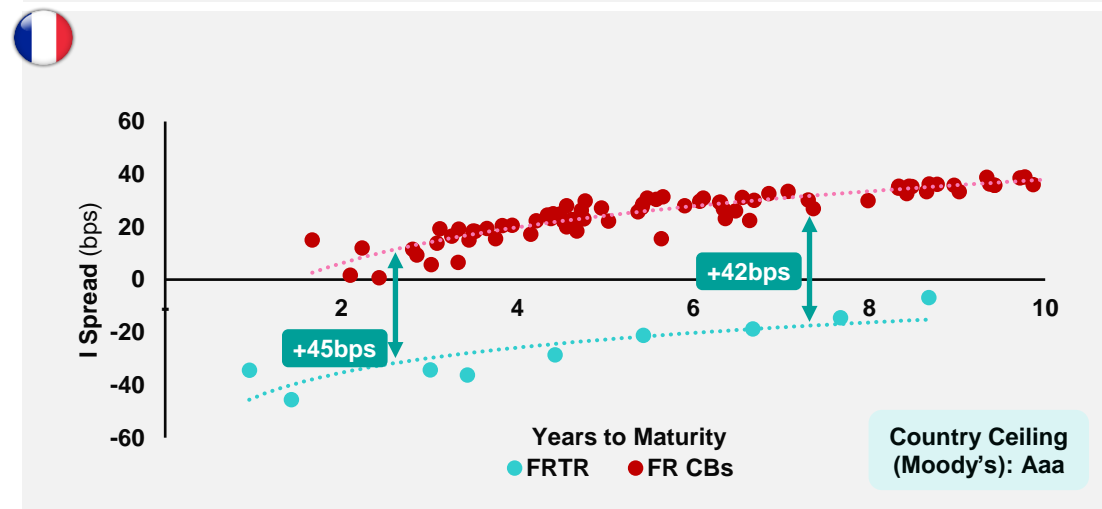
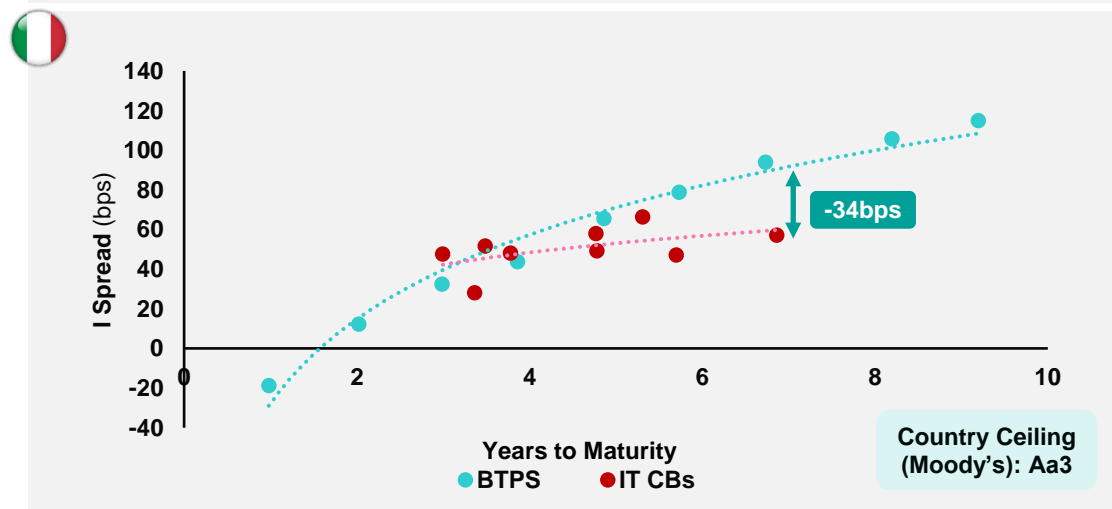
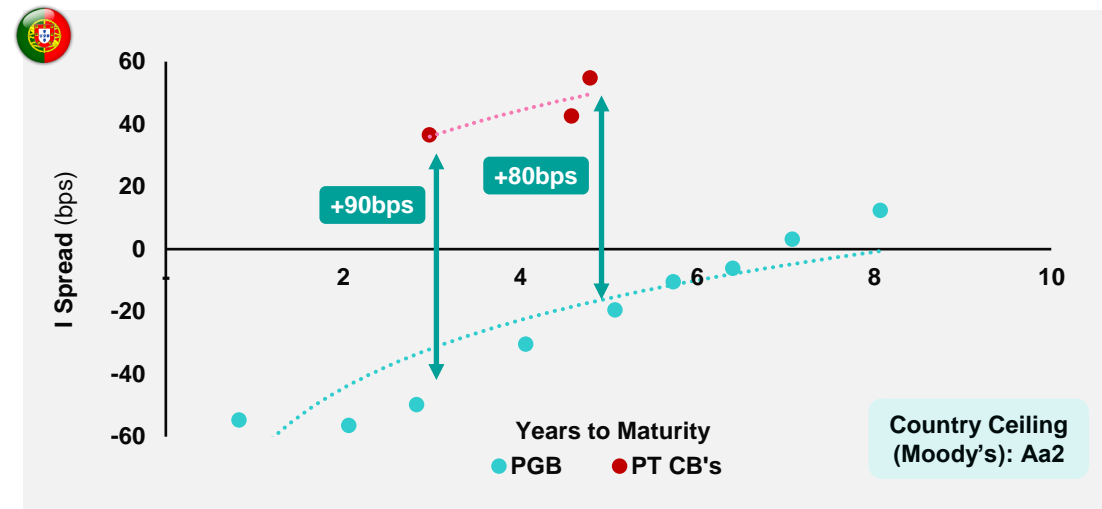
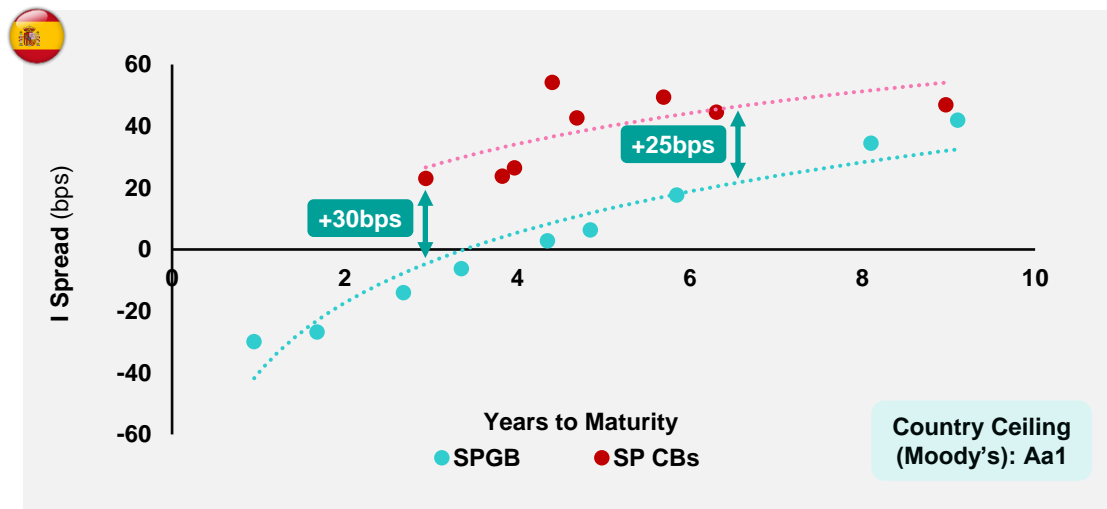
Remaining issuing capacity €mn



Cover pool	€7,447mn
Mortgage pool balance	€7,400mn
Other assets (cash)	€47mn
Mortgages covered bonds	€6,750mn
Covered bond issued amount	€5,500mn
Issuance capacity	Up to €1,250mn
Committed OC	105%
Voluntary OC	110%

Portuguese Covered Bonds trading attractively versus peers

Relative Value of Covered Bonds vs Governments Bonds per jurisdiction



Novobanco's asset metrics are more conservative vs national peers

Portuguese Mortgage Covered Bond programmes	Novo Banco, S.A. Mortgage Covered Bonds	Banco Santander Totta S.A. Mortgage Covered Bonds	Banco BPI S.A. Mortgage Covered Bonds
Ratings / Indicators			
Covered Bond Rating	Aa2	Aa2	Aa2
Entity used in Moody's EL & TPI analysis' Counterparty Risk Assessment	Baa3(cr)	A3(cr)	Baa1(cr)
Entity used in Moody's EL & TPI analysis' SUR	Ba3	(P)Baa1	(P)Baa1
Covered Bond Anchor	Baa2	A2	A3
Programme Overview			
Extension format	CPT* (Soft Bullet)	Soft Bullet	Soft Bullet
Main Collateral Asset Type	Residential	Residential	Residential
Covered Bond Rating	Aa2	Aa2	Aa2
Timely Payment Indicator (TPI)	High (Probable)	Probable	Probable
TPI Leeway (number of notches)	1	3	2
Collateral Score	5.0%	5.0%	5.0%
Committed OC	5.3%	5.0%	5.3%
Committed OC Basis	Nominal	Nominal	Nominal
Current OC	10.7%	19.3%	34.7%
OC Consistent With Covered Bond Rating	2.0%	0.5%	1.0%
Covered Bond Interest Rate Distribution			
Fixed	-	8,850,000,000	500,000,000
Fixed (%)	0.0%	100.0%	7.7%
Floating	5,500,000,000	-	6,000,000,000
Floating (%)	100.0%	0.0%	92.3%
Cover Pool			
Cover Pool Assets	7,400,000,099	10,268,544,974	8,584,000,033
Weighted Average LTV	49.8% ¹	54.1% ¹	53.6% ¹
Residential Assets	6,050,000,000	10,225,435,909	8,584,000,033
Substitute Collateral	46,984,802	44,500,000	170,412,128
Cover Pool WAL – months	15.08	7.83	14.29
Cover Pool WA Seasoning - months	111.19	95.80	113.90
Cover Pool WA Remaining Term	293.65	327.80	295.23
Share of Residential Assets	99.4%	99.6%	98.1%
Share of Other Assets	0.6%	0.4%	1.9%
Share of Fixed-rate Assets in Cover Pool	5.7%	1.0%	12.3%
Share of Floating-rate Assets in Cover Pool	94.3%	99.0%	87.7%

novobanco's covered bonds will be rated Aa2 – the maximum achievable rating for Portuguese covered bonds

Following the consent, novobanco's programme will be in Soft Bullet format, in line with its peers

novobanco's cover pool has one of the lowest w.a. LTVs amongst its peers

novobanco has a well seasoned portfolio

03.

Legal Regime of Covered Bonds

The portuguese CB legal framework – key changes

The Portuguese Covered Bond Legal Framework

Decree-Law 31/2022 transposed in Portugal the Covered Bond Directive, the table below summarises some of the key changes.

Extendable Maturity	<ul style="list-style-type: none">• Objective triggers need to be specified in the terms and conditions of the covered bonds• The final maturity date of the covered bonds is determinable at all times• In the event of liquidation or resolution of the relevant credit institution, maturity extensions do not affect the ranking of holders of covered bonds or invert the sequencing of the relevant covered bond programme's original maturity schedule
Extendable Maturity Triggers	<ul style="list-style-type: none">• Revocation of the authorisation of the relevant credit institution issuing the covered bonds; or• Foreseeable or actual failure to pay the principal or interest amounts of the covered bonds due at the initial maturity date, that is not remediable within an established period of time in the terms of the relevant issue or the covered bond programme, not exceeding 10 business days.
Liquidity Buffer	<ul style="list-style-type: none">• The cover pool must include a liquidity buffer comprised of liquid assets (as determined in article 19 of the Legal Regime of Covered Bonds and article 16 of the Covered Bonds Directive) to cover all Net Liquidity Outflows accumulated over the next 180 days• In the case of extendable maturity covered bonds, principal repayments will be considered due at the extended maturity date
Overcollateralization and Label	<ul style="list-style-type: none">• Minimum overcollateralization amount of 5% for the Premium Label• Premium label used only if covered bonds meet the Covered Bond Directive and CRR
Cover Pool Monitor	<ul style="list-style-type: none">• Appointment on an independent Cover Pool Monitor (not the Issuer's auditor)• Role and Duties of the Cover Pool Monitor : 1) verify on an ongoing basis the quality of the assets comprising the cover pool and compliance with the applicable requirements on eligibility of assets, including risk coverage and derivatives, composition and homogeneity of the cover pool; 2) verify the information provided to the holders of covered bonds; 3) produce an annual report with an assessment of the issuer's compliance with the requirements set out in the Portuguese

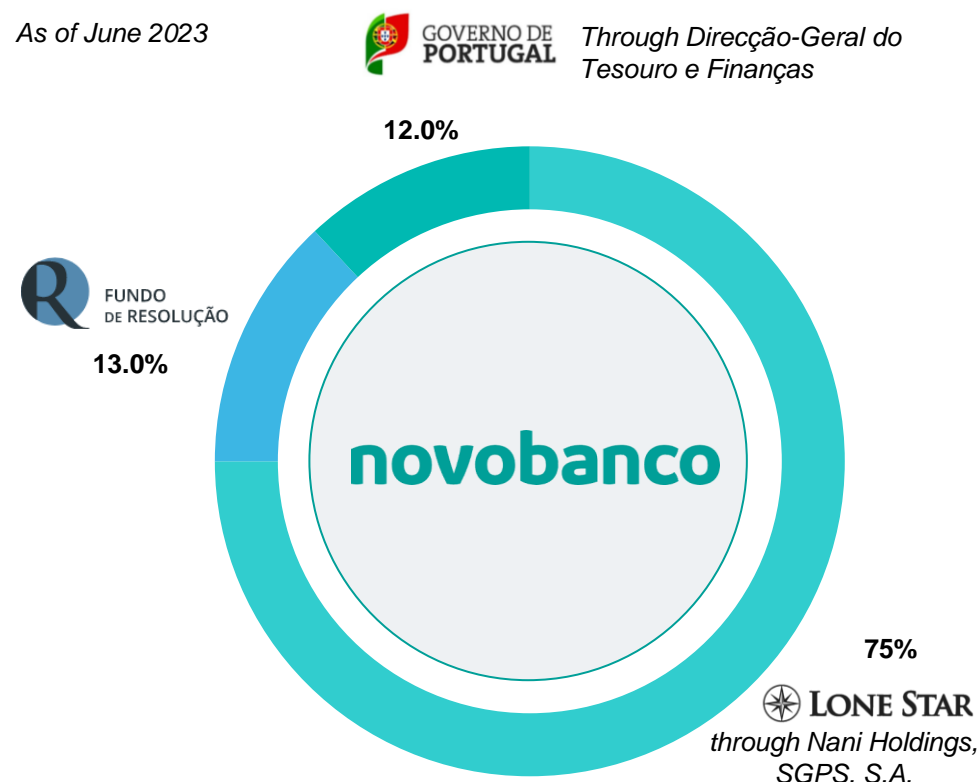
ANNEX

- A1. Additional company overview material*
- A2. ESG considerations*
- A3. Comparison of covered bond legal frameworks*
- A4. Additional covered bond programme details*

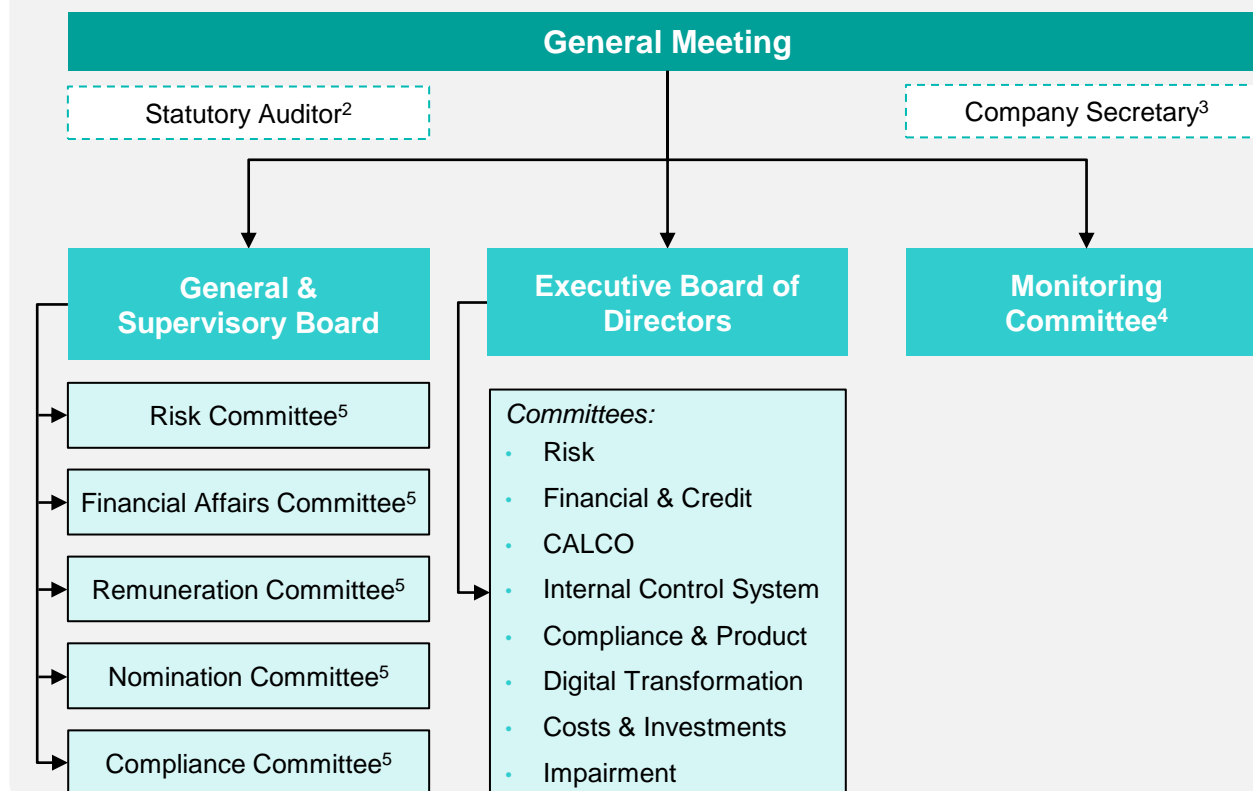
novobanco has a simple shareholder structure and a unique governance model within the portuguese financial sector...

Shareholder structure¹

As of June 2023







Governance model










(1) as a result of the agreements celebrated between the Resolution Fund and the Shareholder Lone Star in the context of the sale of 75% of the shares of Novobanco, only the Resolution Fund will see its participation diluted with the conversion of the conversion rights, pending the delivery of the shares of the Resolution Fund to Nani Holdings on November 10th 2022; (2) Elected by the General Meeting upon a proposal of the General and Supervisory Board; (3) The General and Supervisory Board is consulted prior to any proposal of the Executive Board of Directors related to the appointment of the Company Secretary and Alternate Secretary. (4) The Monitoring Committee is composed of three members. The Monitoring Committee is an advisory body for the purposes of the Contingent Capital Agreement entered into between the Company and the Resolution Fund; (5) The Special Committees are composed of members of the General and Supervisory Board. The General and Supervisory Board sets up, appoints the members and approves the internal rules of the Special Committees

...having built a best-in-class management team

Executive board of directors

	MARK BOURKE	<i>Chief Executive Officer</i>	<ul style="list-style-type: none"> Appointed as CEO of novobanco in 2022, after holding the position of CFO for 3 years 20+ years of experience as senior executive in financial institutions, namely as CEO in IFG Group and as CFO in AIB
	BENJAMIN DICKGIESSER	<i>Chief Financial Officer</i>	<ul style="list-style-type: none"> Appointed as CFO of novobanco in 2023 +15 years of experience in financial markets, worked in FIG IBD at Citigroup and at Lone Star (MD for Hudson Advisors Portugal) and was member of novobanco's GSB
	CARLOS BRANDÃO	<i>Chief Risk Officer</i>	<ul style="list-style-type: none"> Appointed as CRO in 2022 Solid experience in risk management, both within and outside novobanco, as he was Risk Director in Santander Totta and Barclays
	LUÍS RIBEIRO	<i>Chief Commercial Officer (Retail)</i>	<ul style="list-style-type: none"> Appointed as CCOR in 2018 25+ years of experience in the commercial area with novobanco, having previously assumed leadership for SMEs
	ANDRÉS BALTAR	<i>Chief Commercial Officer (Corporate)</i>	<ul style="list-style-type: none"> Appointed as CCOC in 2020 20+ years of experience in Corporate Banking at Barclays (was Head of Corporate Banking in Europe) and novobanco
	LUÍSA SOARES DA SILVA	<i>Chief Legal, Compliance & Sustainability Officer</i>	<ul style="list-style-type: none"> Appointed as CLCO in 2017 Prior to joining novobanco, Luisa accumulated 25+ years of experience in Law¹
	RUI FONTES	<i>Chief Credit Officer</i>	<ul style="list-style-type: none"> Appointed as CCO in 2022 Deep institutional knowledge of novobanco² and 20+ years of experience in risk management

General and supervisory board

Chairman <i>Byron Haynes</i> 	<ul style="list-style-type: none"> Appointed as Chairman of novobanco in 2017 25+ years of experience in financial services, namely Global CFO at ABN AMRO / Royal Bank of Scotland and former CFO and then CEO of BAWAG (2009-2017)
Vice-chairman <i>Karl-Gerhard Eick</i> 	<ul style="list-style-type: none"> Appointed as Vice-Chairman of novobanco in 2017 35+ years of experience in financial services, namely former Deutsche Telekom CFO, Chairman of the Audit Committee at Deutsche Bank AG and current Chairman of IKB AG
GSB Members	
Donald Quintin	
Kambiz Nourbakhsh	
Mark Coker	
John Herbert 	
Robert A. Sherman 	
Carla Antunes da Silva 	
William Henry Newton 	
Monika Wildner 	
Evgeniy Kazarez ³	

Strong profitability increase driven by sustainable business growth, increased income backed by a positive NIM trend and disciplined cost contention

Income Statement (€mn)		H1 2022	FY 2022	H1 2023	▲YoY €mn	Q2 2023	▲QoQ €mn
1	Net Interest Income	268.0	625.5	524.0	+256.0	277.7	+31.3
2	+ Fees & Commissions	144.4	293.3	145.4	+0.9	76.4	+7.5
	= Commercial Banking Income	412.4	918.8	669.4	+256.9	354.1	+38.8
	+ Capital Markets Results	85.8	24.0	28.0	(57.8)	22.2	+16.4
	+ Other Operating Results	73.2	183.6	(5.0)	(78.2)	(7.4)	(9.8)
	= Banking Income	571.5	1,126.3	692.4	+120.9	368.9	+45.4
3	- Operating Costs	208.7	448.4	225.1	+16.3	113.2	+1.3
	= Net Operating Income	362.7	678.0	467.3	+104.6	255.8	+44.2
4	- Net Impairments & Provisions	19.8	111.2	56.0	+36.2	28.3	+0.6
	= Profit Before Tax	343.0	566.8	411.4	+68.4	227.5	+43.5
	- Corporate Income Tax	18.9	(53.3)	1.6	(17.3)	0.8	+0.1
	- Special Tax on Banks	34.1	34.1	34.2	+0.0	0.0	(34.1)
	= Profit after Taxes	289.9	585.9	375.6	+85.7	226.6	+77.5
	- Non-Controlling Interests	23.2	25.1	2.4	(20.7)	1.8	+1.1
	= Net Profit for the period	266.7	560.8	373.2	+106.4	224.8	+76.5

Deep dive into NII and fees

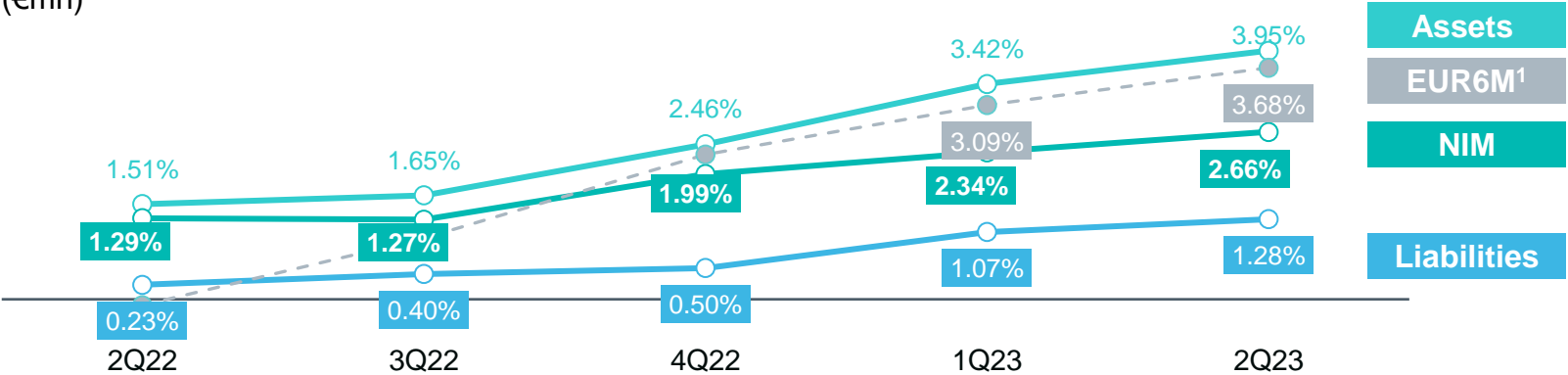
1 Net Interest Income

- NII performance (+12.7% QoQ) **reflecting improvement of average assets yield** in excess of the increase in the cost of funding
- NIM of 2.50% (1H23), above previous guidance of > 2.2%
- Lending book repricing after 18-24 months**

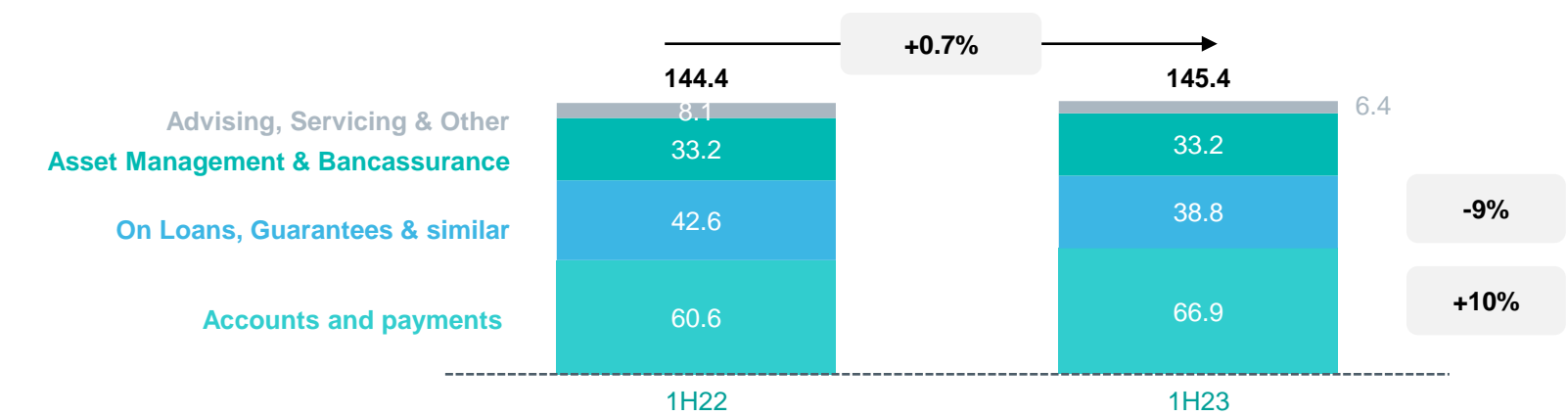
2 Fees

- Fee income +0.7% YoY **backed by higher volume of transactions;**
- Commercial Banking Income was €669.4mn (+12.3% QoQ), **driven by higher NII**
- Capital Markets Results impacted by 1H22 accounting of gains** from the hedging of interest rate risk

Net Interest Margin²: quarterly trend (€mn)



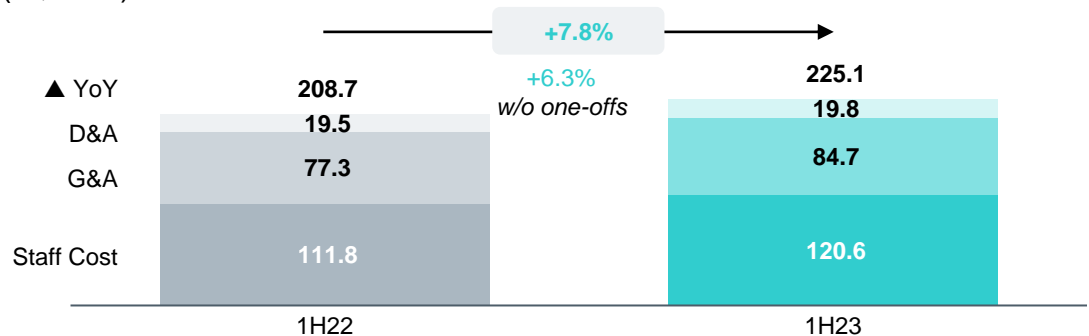
Fees: evolution per type (€mn)



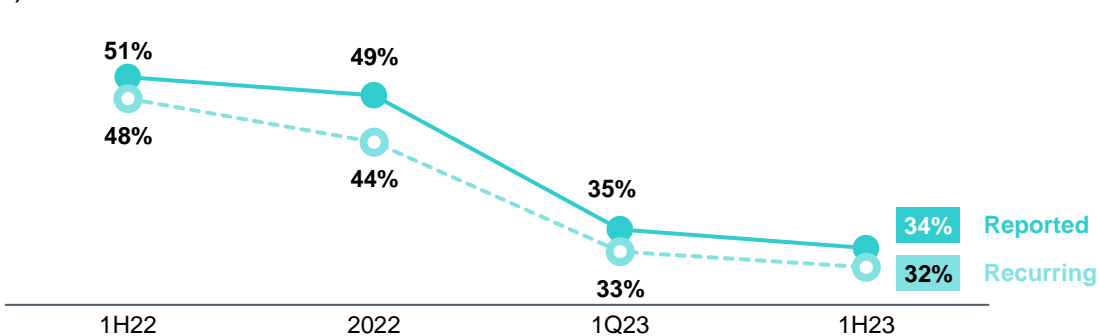
(1) Does not include cash-flow hedge, with the latest being accounted in Other Assets/Other Liabilities. As of Jul-23, ~77% of the mortgage loan book was fixed rate (7%) or hedged (70%) with an average base rate of 2.9%; (2) Based on average interest bearing assets

Deep dive into C/I ratio and impairments

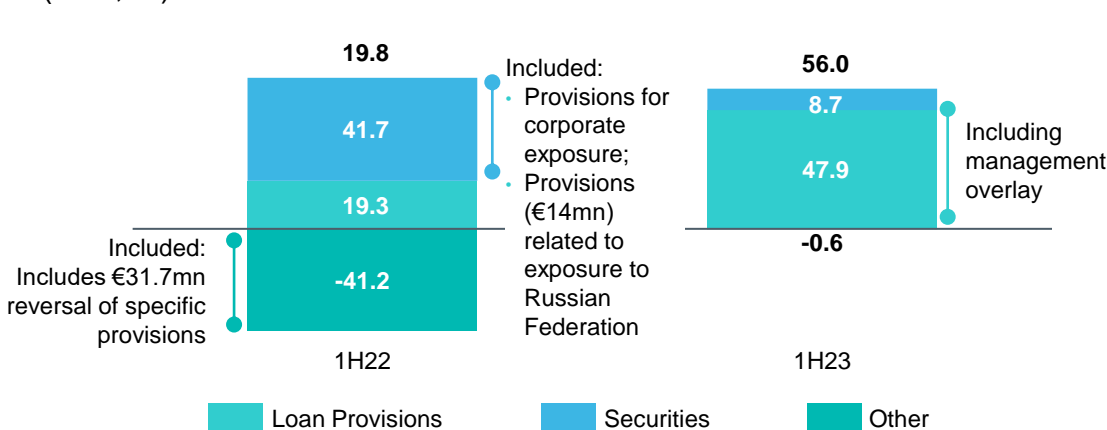
3 Operating costs (%; €mn)



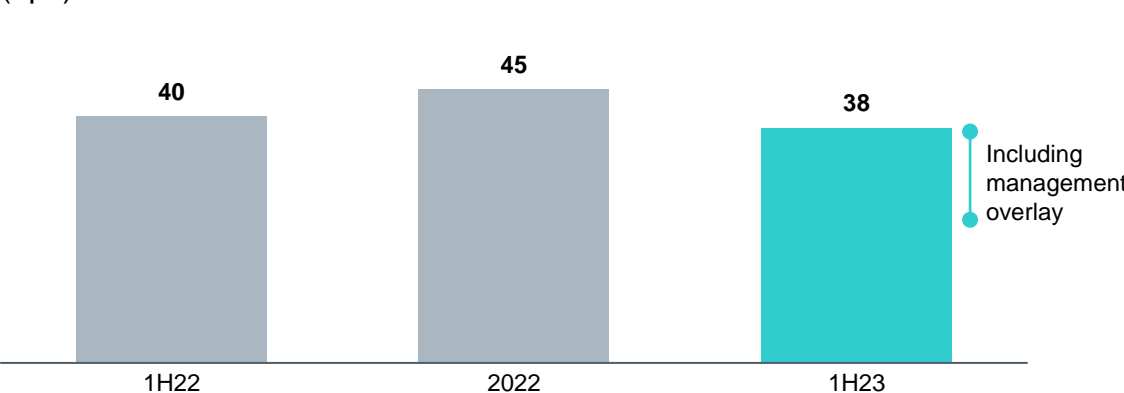
Cost to income ratio¹ (%)



4 Impairment and provisions (€mn; %)



Cost of risk² (bps)



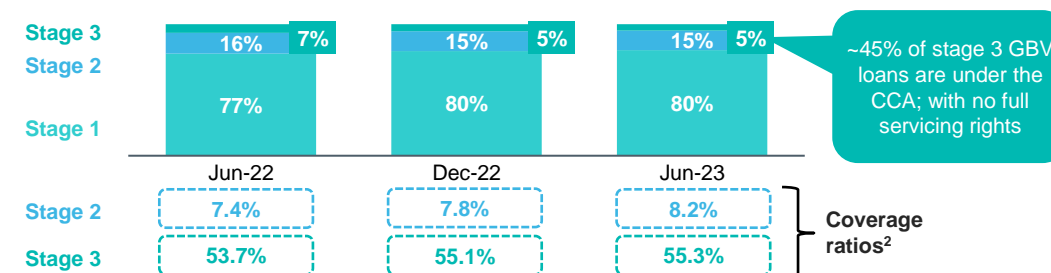
Simple balance sheet reflecting novobanco's sustainable business model

Balance sheet (€mn)

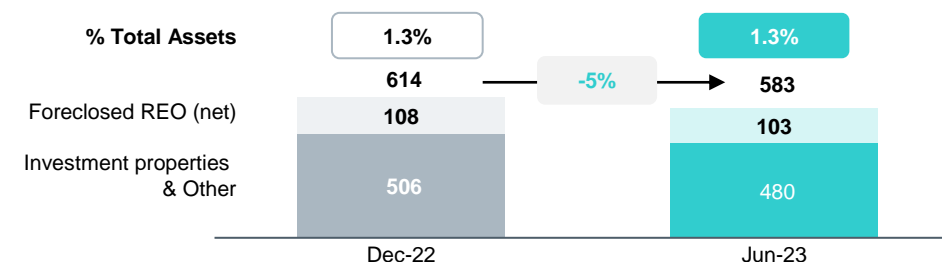
	Assets	Dec-22	Jun-23	▲ YTD	
				€mn	%
	Loans and advances to Banks	6,643	3,473	3,169	(47.7%)
1	Customer loans (net)	24,551	24,793	242	1.0%
2	Real estate	614	583	(31)	(5.0%)
3	Securities	10,646	11,754	1,108	10.4%
	Non-current assets held for sale	60	58	(1)	1.9%
	Current and deferred tax assets	956	997	41	4.3%
	Other assets	2,526	2,241	(285)	(11.3%)
	Total Assets	45,995	43,900	(2,095)	(4.6%)

	Liabilities & Equity	Dec-22	Jun-23	▲ YTD	
				€mn	%
	Customer deposits	28,412	28,219	(193)	(0.7%)
	Due to central banks and Banks	9,705	6,252	(3,453)	(35.6%)
	Debt securities	1,584	1,888	303	19.1%
	Non-current liabilities held for sale	15	15	(1)	(4.4%)
	Other liabilities	2,766	3,545	779	28.2%
	Total Liabilities	42,483	39,920	(2,564)	(6.0%)
	Equity	3,512	3,981	469	13.4%
	Total Liabilities and Equity	45,995	43,900	(2,095)	(4.60%)

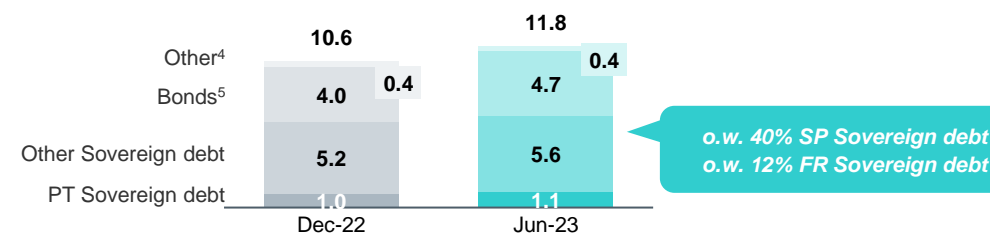
1 Loan portfolio¹ by stages



2 Evolution of real estate exposure (€mn NBV)

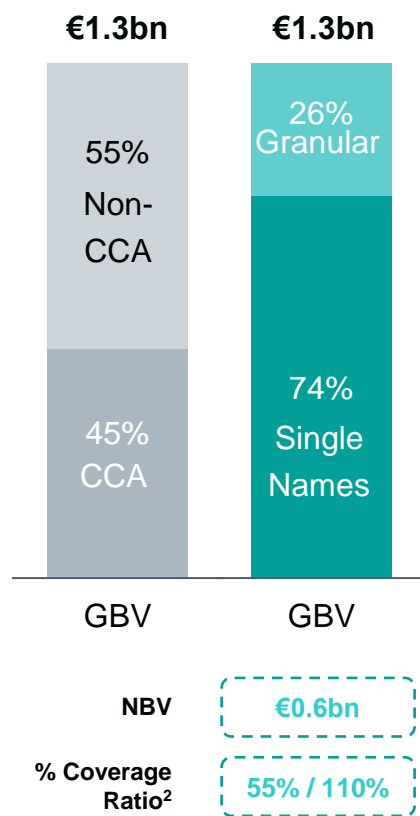


3 Securities portfolio³ (€bn)

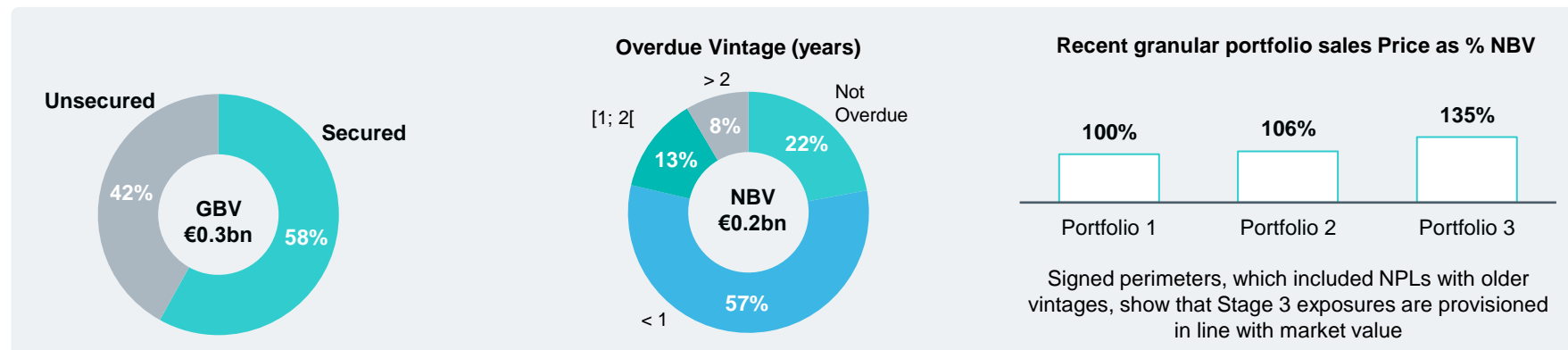


~70%¹ of Stage 3 with overdue less than 1 year and recent sales showing that exposures are provisioned in line with market value

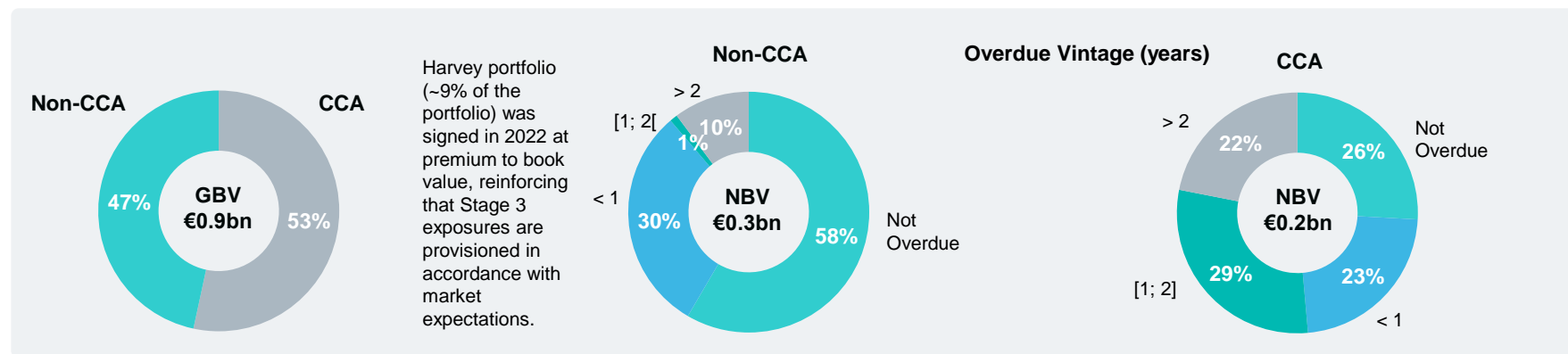
Total Stage 3 Loans
(Jun-23; %)



Granular

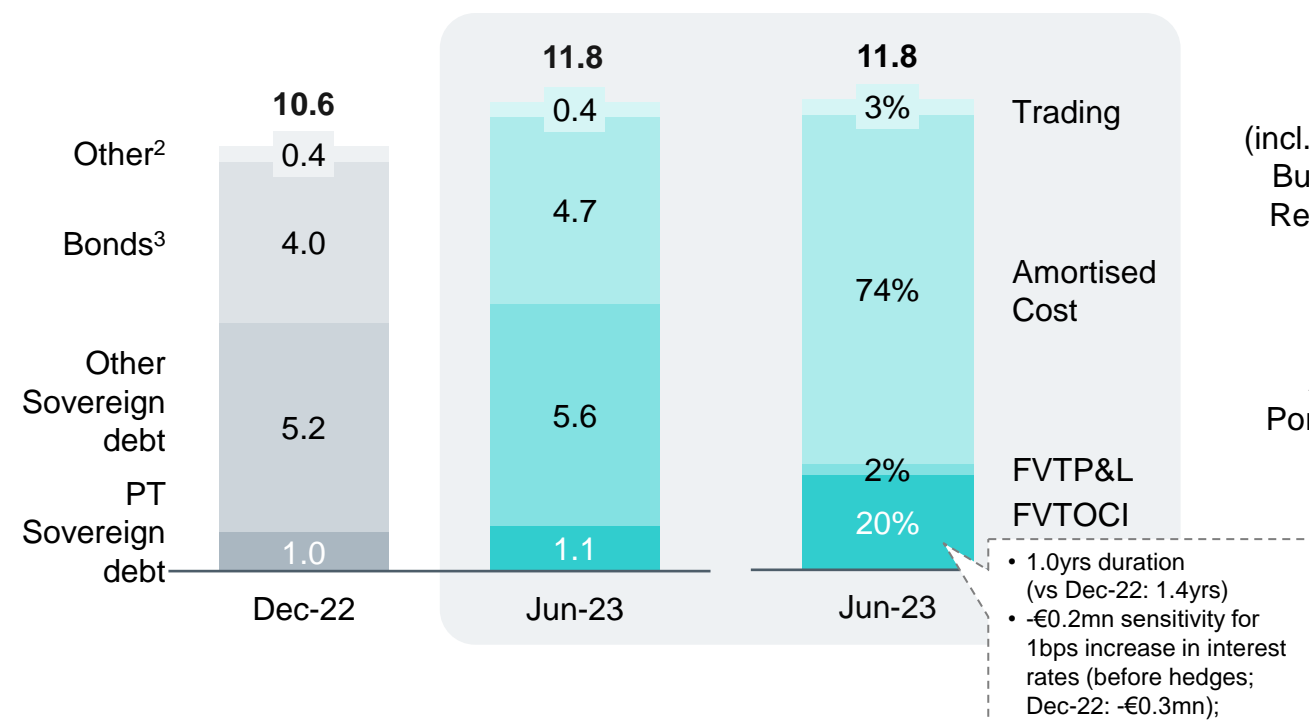


Single Names

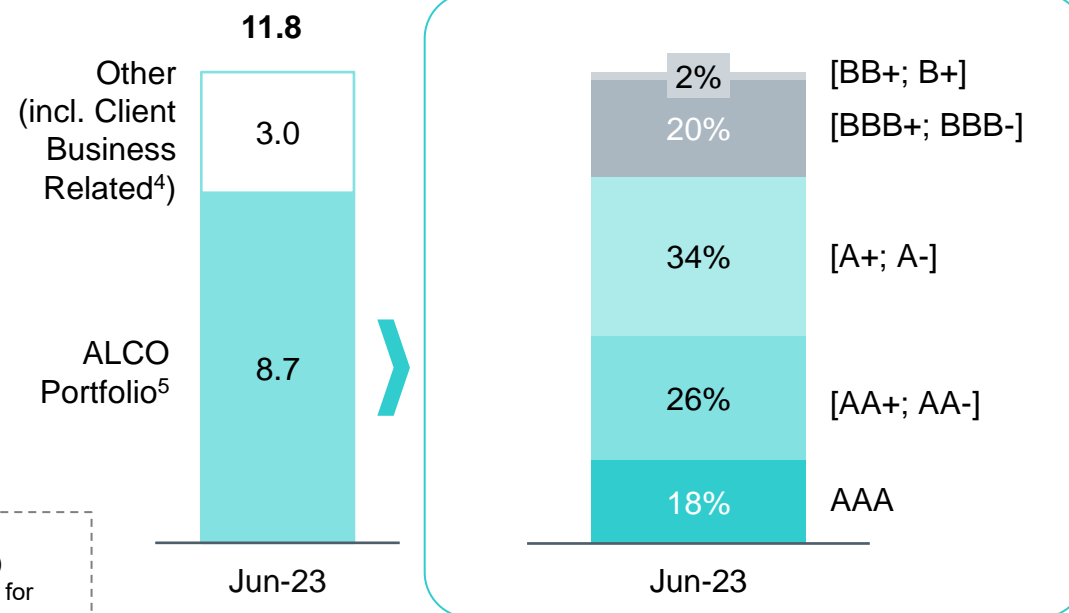


Conservative €11.8bn securities portfolio with HQLA¹ representing >75%

Securities Portfolio
(€bn)



ALCO Portfolio: Ratings
(%)



Amortised Cost book with €226mn⁴ unrealised MtM losses, equivalent to c.28bps impact in CET1 from a full liquidation.
ALCO portfolio with an average yield of ~2.7%, of which ~39% floating and with ~2.7 years duration (after hedges).

Compliant with MREL binding target as of January 1st 2022 and to continue to build MREL going forward

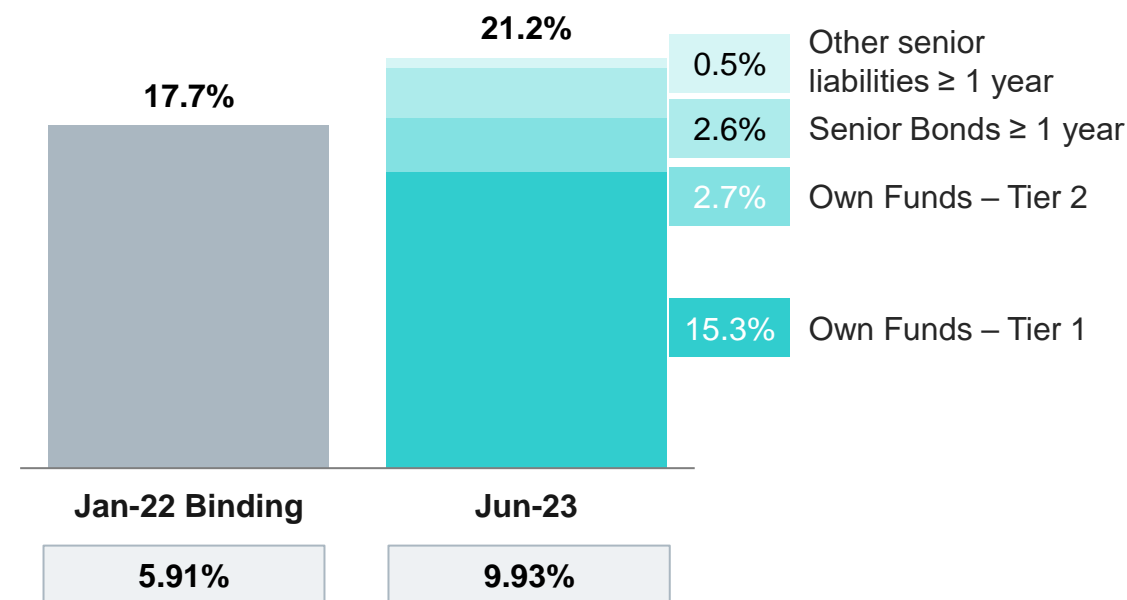
MREL requirements:

(BdP notification of June 2023; %)

	Jan-22	Jan-26
TREA ¹	14.64%	23.47%
Combined Buffer	2.52%	n.a. ²
O-SII (LSF Nani)	0.50%	n.a. ²
Total	17.66%	23.47% + Buffers
LRE ³	5.91%	5.91%

MREL ratio

(% RWA; Preliminary)



Organic capital generation and balance sheet optimisation expected to be considerably above MREL (interim) needs in 2023

Moody's and DBRS ratings

April 2023

Moody's	Long Term	Short Term
Baseline credit assessment (BCA)		ba3
Adjusted baseline credit assessment (BCA)		ba3
Counterparty risk rating	Baa3	Prime-3
Counterparty risk assessment	Baa3 (cr)	Prime-3 (cr)
Deposits	Ba1 Positive Outlook	NP
Senior unsecured debt	Ba3 Positive Outlook	
Subordinated debt		B1

March 2023

DBRS	Long Term	Short Term
Intrinsic assessment		BB (low)
Issuer rating	BB (low) Trend Stable	R-4 Trend Stable
Deposits	BB Trend Stable	R-4 Trend Stable
Senior Debt	BB (low) Trend Stable	R-4 Trend Stable
Critical obligations rating	BB (high) Trend Stable	R-3 Trend Stable
Subordinated Debt		B Trend Stable

Rating profile based on Moody's scorecard continues to show upside

Metrics	Jul-22 Report (Before 2023 upgrades)			Apr-23 Report Novobanco Upgrade			Jun-23 Strong- Macro profile		Based on run-rate 1H23 Strong-	
	FY 2021	Raw score	Assigned score	Historical Ratio	Raw Score	Assigned Score	Raw Score	Assigned Score	1H 2023	Raw score
Asset Risk (25%)										
Problem Loans / Gross Loans	9.8%	b1	b1 =	7.3%	ba3	ba3 =	ba2	ba3 ●	4.9%	baa3 ●
Capital (25%)										
TCE ratio	10.7%	ba2	b2 ●	15.4%	a3	ba1 ●	a2	ba1 ●	17.1%	a1 ●
Profitability (15%)										
Net Income / Tangible Assets	-1.6%	caa3	b1 ●	-0.6%	caa2	baa3 ●	caa2	baa3 ●	1.7%	a3 ●
Funding Structure (20%)										
Market Funds / Tangible Banking Assets	27.4%	ba2	b1 ●	25.2%	ba2	ba1 ●	ba1	ba1 =	20.0%	baa2 ●
Liquid Resources (15%)										
Liquid Banking Assets / Tangible Bank Assets	30.6%	baa1	ba1 ●	29.7%	baa2	ba1 ●	baa2	ba1 ●	24.8%	baa3 ●
Aggregate Financial Profile		ba3	b1 ●		ba2	ba2 =	ba1	ba2 ●		baa1 ●
Qualitative Adjustments										
Business Diversification			-			-				
Opacity and Complexity			-			-				
Corporate Behavior			-			-				
Total Qualitative Adjustments			0 notches			0 notches				
BCA range										
			ba3-b2			ba1-ba3				
Sovereign cap			Baa2			Baa2				
Assigned BCA			b2			ba3				
LGF uplift			-1 notch			0 notch				
Senior/Tier 2 rating			B3			Ba3 / B1				

2 notches haircut incorporated

1 notches haircut incorporated

+4 notches organic improvement

vs Jun-23 assigned score

Indicative unmodified 'initial' BCA score continues to suggest substantial rating upside when using run rate 1H23 (+4 notches to Investment Grade vs latest profile).

Bonds outstanding and MREL eligibility

€mn; Jun-23

Description	ISIN	Currency	Outstanding Notional Value	Issue Date	Book Value ¹	Maturity	MREL
Senior			2,249		1,154		
NB 3.5% 23/07/24 OBRG. ²	PTNOBIOM0014	EUR	300	Jul-21	310	Jul-24	N
NB 4.25% 09/23 OBRG. ³	PTNOBJOM0005	EUR	275	Dec-21	276	Sep-23	N
NB 5.5% 30/12/24 OBRG.	PTNOBKOM0002	EUR	100	Dec-22	103	Dec-24	Y
BES Luxembourg 3.5% 02/01/43	XS0869315241	EUR	64	Jan-13	43	Jan-43	Y
BES Luxembourg 3.5% 23/01/43	XS0877741479	EUR	131	Jan-13	97	Jan-43	Y
BES Luxembourg 3.5% 19/02/2043	XS0888530911	EUR	97	Feb-13	64	Feb-43	Y
BES Luxembourg 3.5% 18/03/2043	XS0897950878	EUR	70	Mar-13	47	Mar-43	Y
Total 2043 Bonds			362		250		
BES Luxembourg ZC	XS0972653132	EUR	185	Oct-13	37	Oct-48	Y
Banco Esp San Lux ZC 12/02/49	XS1031115014	EUR	245	Feb-14	45	Feb-49	Y
Banco Esp San Lux ZC 19/02/49	XS1034421419	EUR	69	Feb-14	13	Feb-49	Y
Banco Esp San Lux ZC 27/02/51	XS1038896426	EUR	108	Feb-14	17	Feb-51	Y
BES Luxembourg ZC 06/03/2051	XS1042343308	EUR	76	Mar-14	12	Mar-51	Y
BES Luxembourg ZC 03/04/48	XS1053939978	EUR	220	Apr-14	42	Apr-48	Y
BES Luxembourg ZC 09/04/52	XS1055501974	EUR	264	Apr-14	40	Apr-52	Y
BES Luxembourg ZC 16/04/46	XS1058257905	EUR	37	Apr-14	8	Apr-46	Y
Total Zero Coupons (ex EMTN 57)			1,203		214		
EMTN 57	XS0439764191	EUR	8	Jul-09	2	Jul-44	N
Subordinated			694		711		
NB 06/07/2028 ⁴	PTNOBFOM0017	EUR	194	Jun-18	209	Jul-23	N
NB 9.875% 01/12/33 OBRG.	PTNOBLOM0001	EUR	500	Jun-23	502	Dec-33	Y
Total (Senior+Subordinated)			2,943		1,865		
Total MREL (Senior+Subordinated)			2,166		1,068		

2043 Bonds and Zero Coupons (excluding EMTN 57):

- Are fully eligible for compliance with the Bank's MREL requirements as they were issued before BRRD transposition in Portugal and do not cease to qualify as eligible liabilities of the Bank from 28 June 2025⁵
- Annual accrual of book value to notional value to increase contribution to MREL by c.€19m per annum
- Annual interest expense of 6.6% on book value or c.2.4% net of hedge to close interest rate position⁶

novobanco 2024 ESG commitments

<div> <div>Group novobanco</div> <div>novobanco</div> </div>	ESG	+ 4.5 p.p. women in senior leadership positions ¹¹	- 18% GHG emissions (scope 1 and 2) ⁵	+ 20% low emissions vehicles (electric or hybrid)	100% green electricity procurement ¹⁵
	Sustainable Business	+ €600mn in Green Investment ¹ (vs. 2021)	€0mn financing to excluded sectors ²	30% investment products with ESG characteristics ³	- 30% paper consumption ⁴ (ton, vs. 2021)
	Social and Financial Well-being	40% employees benefiting from social well-being program ⁶	+ 3 p.p. employees assessed Healthy (psychosocial assessment ⁷) (vs. 2021)	+ 8 p.p. employees engagement level ⁸ (vs. 2021)	+ 11.8 points in customers' NPS ⁹ (vs. 2021)
	Responsible Banking	+ 2.5 p.p. women in senior leadership positions ¹¹	- 0.9 p.p. gender pay gap ¹²	+ 3 partnerships with to promote employment of people with disabilities ¹³	90% suppliers with sustainability scoring ¹⁴
					+ 39,160 hours ESG training to employees

(1) Origination of financing or own portfolio investments in companies whose main economic activity is eligible to the European Taxonomy and origination of financing or own portfolio investments where the use of funds by the borrower or the projects are directed to economic activities eligible to the European Taxonomy or are aimed at investments in energy transition or the transition of the company's business model towards green activities; (2) Economic sectors not financed by novobanco: Weapons, Prostitution, Pornography, Coal (mining and energy production) and Trade in wildlife and endangered species; (3) Investment Funds, Financial Insurance and Structured Products; (4) Reduction of the consumption of photocopy paper, resulting from the implementation of the Phygital program in the commercial network (started in 2019) and the dematerialization of processes in central services; (5) Scope 1 and 2 GHG emissions; (6) Percentage of employees who attended at least 2 program initiatives per year. Programme of initiatives to promote balance between personal and professional life, mental and physical health, healthy living, etc.; (7) Annual psychosocial risk assessment study of novobanco's employee base; (8) Assessment of the level of employee engagement carried through the Pulse survey (average % of employee engagement); (9) Net Promoter Score calculated for Individual Clients - BASEF; (10) Promotion of volunteering actions in strategic areas of social impact of the bank. Each employee can take 1 day leave per year for volunteer work; (11) First line managers and Executive Board of Directors; (12) Gender pay gap weighted by the representativeness of each Performance Function; (13) Number of organisations with active partnerships with the Bank; (14) Suppliers with a continuous relationship with novobanco and annual turnover of over 10 thousand euros; (15) In all locations where the option is available and the contract is held by novobanco.

Our ESG 1H23 achievements



Sustainable Business		Social & Financial Well-being		Responsible Banking	
€500mn	Green investment ¹ (2022-1H23 cumulative)	3.5 K	Participations in 5+ program (promoting physical and mental health, well-being and work-life balance for employees launched in June 22)	5.4%	Gender pay-gap ³ (vs 6.0% in Jun-22)
-20.4%	Reduction in Scope 1 and 2 emissions (vs. 2021)	15%	Employees benefited from support to mitigate inflation impacts (extended amortization period on mortgages)	26.9%	Of women in senior leaders' roles ⁴
~100% ²	Of electricity sourced from renewable sources	€223K	In donations	64.9%	Of suppliers with Sustainability scoring
34.7 Ton	Paper consumption avoided with Phygital process YTD	172	Hours volunteered by employees to social and environmental initiatives YtD	+9.5K	Hours of ESG training to employees YtD

- Publication of novobanco's first TCDF Report, a transparent and overarching view on the incorporation of C&E risks into the Bank's business model and risk frameworks, its performance and key C&E risk indicators
- Sponsorship and development of several ESG Literacy initiatives for SME, such as ESG Talks and Sustainability Program for SME
- 301 kgs of expired Bank cards recycled and used to produce urban furniture

- Support to social projects that promote socio-economic mobility, civic involvement and leadership skills in underprivileged youth (Mentes Empreendedoras - Leaders Gang and Próxima Geração)
- **16th edition Quality of Life Action** - Annually grants a donation to this project in the Training and Employment for people with reduced mobility

Comparison of covered bond legal frameworks (I/III)

	Portugal	Spain	Italy	Greece	Germany
Legal Framework for Covered Bonds Issuance	Regime Jurídico das Obrigações Cobertas	Bonos Garantizados (CH, CT, CI)	Obbligazioni Bancarie Garantite (OBG)	Greek Covered Bonds	Pfandbriefe
Types of Issuers Allowed	Universal Credit Institution	Universal Credit Institution	Universal Credit Institution	Universal Credit Institution	Universal Credit Institution
Issuance Structure	Statutory pledge over the cover pool assets	Statutory pledge over the cover pool assets	Covered Bond structure with guarantor SPV	Statutory pledge over the cover pool assets	Statutory pledge over the cover pool assets
Cover Assets					
Types of Assets Eligible in Cover Pool	<ul style="list-style-type: none"> Public sector assets Residential mortgage loans Commercial mortgage loans 	<ul style="list-style-type: none"> Public sector assets Residential mortgage loans Commercial mortgage loans 	<ul style="list-style-type: none"> Public sector assets Residential mortgage loans Commercial mortgage loans 	Residential mortgage loans, loans secured by a mortgage on commercial properties, loans secured by a mortgage on ships and exposures to or guaranteed by state entities	Residential and commercial mortgage loans, public sector loans, ship and aircraft loans
What is the basis for property valuation	<ul style="list-style-type: none"> Market value <p>Mortgage lending value. Art10(1) (a) DL 31/2022 current valuation amount only if no greater than physical asset's market value or mortgage lending value, done by qualified, independent and experienced valuer</p>	<ul style="list-style-type: none"> Mortgage lending value 	<ul style="list-style-type: none"> Market value 	Market value	Mortgage lending value
Maximum LTVs	<ul style="list-style-type: none"> Residential 80% Commercial 60% Ships 60% Other assets: Commercial 70%, conditional to 10% OC 	<ul style="list-style-type: none"> Loans may not exceed 60% of the mortgage lending value of the mortgaged assets, except for residential loans, max 80% 	<ul style="list-style-type: none"> Residential 80% Commercial 60% 	<ul style="list-style-type: none"> Residential 80% Commercial 60% 	60% of mortgage lending value





Comparison of covered bond legal frameworks (II/III)

	Portugal	Spain	Italy	Greece	Germany
Foreign Assets in Cover pool	Public sector assets with multilateral development banks Within the EU, public sector assets, mortgage assets, other EEA, substitution assets	Assets are mainly domestic but other locations are possible provided fulfilling with art 129 CRR	Foreign residential properties permitted, if the foreign laws do not affect rights of the Covered Bond holder	EU public sector and mortgage assets Public sector loans from multilateral development banks International on discretion of Bank of Greece	Assets located outside of the European Union up to 10% for residential and commercial mortgages and up to 20% for ship and aircraft mortgages
Substitute Assets	MBS issued by third parties Group originated MBS Exposures to credit institutions Non-primary eligible EEA assets, deposits with Bank of Portugal, bank deposits, or other low-risk highly liquid assets	Max. 10% Exposures to credit institutions Public sector substitution assets	high-quality liquid assets short-term exposures to credit institutions (credit quality check) short-term deposits to credit institutions (credit quality check)	No assets in form of loans or guaranteed by public undertakings Exposures to credit institutions up to 15%	Claims on public sector entities and credit institutions up to 20%
Derivatives in the Cover Pool	Exclusively for hedging purposes (by law)	Exclusively for hedging purposes (by law)	Exclusively for hedging purposes (by law)	Exclusively for hedging purposes (by law)	Derivatives agreements may be part of the cover pool under certain conditions and will rank equally with Covered Bonds
Overcollateralisation	Obrigações Cobertas Europeias (Premium) - Mortgages & Public Sector - 5% (Nominal) Obrigações Cobertas Europeias (Premium) backed by commercial mortgages allowing maximum LTV of 70% are subject to 10% Min OC, Art 129	Mortgages - 5% (Nominal) Public sector - 5% (Nominal)	5% (Nominal)	5% (Nominal)	Public sector - 2% - OC: 2% NPV + Nominal 2% Mortgage - 2% - OC: 2% NPV + Nominal 2% Ship - 5% - OC: 2% NPV + Nominal 5% Aircraft - 5% - OC: 2% NPV + Nominal 5%
Extension Format	Hard Bullet, Soft Bullet or CPT	Hard Bullet or Soft Bullet	Soft Bullet or CPT	Hard Bullet, Soft Bullet or CPT	Soft Bullet
180 day Liquidity Buffer	The (extended) legal final maturity date	The (extended) legal final maturity date	The (extended) legal final maturity date	The (extended) legal final maturity date	The expected maturity date Maturity extension must not be considered when calculating the 180 days liquidity.

Comparison of covered bond legal frameworks (III/III)

	Portugal	Spain	Italy	Greece	Germany
Management of Cover Pool					
Cover Pool Monitor	<ul style="list-style-type: none"> Appointment on an independent Cover Pool Monitor (not the Issuer's auditor) Role and Duties of the Cover Pool Monitor : 1) verify on an ongoing basis the quality of the assets comprising the cover pool and compliance with the applicable requirements on eligibility of assets, including risk coverage and derivatives, composition and homogeneity of the cover pool; 2) verify the information provided to the holders of covered bonds; 3) produce an annual report with an assessment of the issuer's compliance with the requirements set out in the Portuguese 	<ul style="list-style-type: none"> Internal and external CPM allowed 	<ul style="list-style-type: none"> Bank of Italy monitors eligibility requirements Every six month and for each operation, issuers have to check <ul style="list-style-type: none"> A. Compliance with the predetermined ratio between outstanding covered bonds and cover assets B. Compliance with transfer limitations and asset integration requirements C. the performance of any derivative agreement entered into in order to hedge risks 	<ul style="list-style-type: none"> Independent auditor Secondary legislation to be issued by the Bank of Greece shall further specify the obligations of the Cover Pool Monitor 	<ul style="list-style-type: none"> Independent asset monitor Checks asset eligibility Approves Covered Bond issuance and asset removal, Monitors legal requirements
Role of Regulator	<p>Comissão do Mercado de Valores Mobiliários (CMVM) and Bank of Portugal</p> <ul style="list-style-type: none"> Authorises programmes, has 90 days to review an application 	<p>Bank of Spain</p> <ul style="list-style-type: none"> Grants permission for programme 	<p>Bank of Italy</p> <ul style="list-style-type: none"> Supervisory regulations 	<p>Bank of Greece:</p> <ul style="list-style-type: none"> Can issue rules supplementing the provisions of the Covered Bond Law Sets and monitors eligibility requirements 	<p>BaFin:</p> <ul style="list-style-type: none"> Is responsible for general oversight, licensing and regulation Receives reports from the cover pool monitor

Covered bonds programme – legal

- A new legislation applicable to Covered Bonds in Portugal entered in force in July 2022 (Decree-Law no. 31/2022, transposing the EU directive 2019/2162). Additionally, the secondary regulation from CMVM was published in March 2023 (Regulation 2/2023)
- With the new framework in place, novobanco is currently working on the conversion of the programme in accordance with the new legislation. The most relevant changes are:
 - **Maturity extension structure:** changing from conditional pass through to soft bullet structure, including triggers compliant with the new legal requirements
 - **Supervision:** CMVM (previously BdP)  *Subject to approval at the Bondholders Meeting to be held on 6 October*
 - **Listing:** Interbolsa/Euronext Lisbon, not mandatory to have the listing in Portugal, but should be the best approach to avoid having to request approval from two different market regulators 
 - **Cover pool monitor:** New entity (can no longer be the Bank's auditor), with increased responsibilities
 - **Liquidity:** New Liquidity Requirement equivalent to 180days Net Liquidity Outflows to be covered by Liquid Assets, which will replace the existing Cas Reserve Account 
 - **Removal of DBRS rating** 
- Finally, the bank will set a minimum 5% OC level in order to get the [European Premium label](#)

Covered bonds programme – maturity extension

- novobanco believed that market conditions currently offered for covered bonds with soft bullet maturity extension mechanisms are more favourable as compared to covered bonds with conditional pass-through maturity extension mechanisms
- Additionally, the amendment of the maturity extension mechanism from conditional pass-through to soft bullet will not have a negative impact on the credit rating assign to the Covered Bonds by Moody's
- The better market conditions currently associated with soft bullet covered bonds, without negative impact on the credit rating of the covered bonds, led the Bank to launch a consent solicitation exercise to ask for bondholders' approval of the said change
- If approved, and following the conversion of the programme, the following conditions will apply:
 - One-year extension
 - Extension triggers: (i) failure to pay or (ii) mandatory liquidation
- In accordance with the new law any extension will be subject to the CMVM approval and in the case of liquidation or resolution, no extension of maturity will (i) affect the ranking of the covered bonds or (ii) invert the sequencing of the original maturity schedule
- In the case of resolution or voluntary liquidation, if one but not all Covered Bonds have been subject to extension and any such Date falls later than the Maturity Date for the Covered Bonds of any other Series, then the maturity of such Series will be automatically extended

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