

Novo Banco, S.A. informs about 2023 EU-Wide Stress Test Results

Novo Banco, S.A. (“novobanco” or the “Bank”) informs that it was subject to the 2023 EU-wide stress test conducted by the European Central Bank (ECB). The Bank notes the announcements made by the ECB on the EU-wide stress test and the outcomes of this exercise.

The adverse stress test scenario was set by the ECB and covers a three-year time horizon (2023-2025). Under the theoretical adverse scenario, novobanco’s CET1 ratio would fall by [600-899] basis points to lower than 8% after three years.

The stress test exercise results are not a forecast of either the financial performance or the capital ratios of novobanco.

When analysing results, it should also be taken into account that the exercise has been carried out applying a static balance sheet assumption as of December 2022. Since then, novobanco has generated c.200 basis points of CET1 ratio to 15.1% (fully loaded), with organic capital generation guidance at 350 basis points for the year of 2023.

Projections, under this stress test, consider approximately €55mn of Core Operating Income¹ on three-year average, which compares with an actual result of €444mn in only the first half of 2023 and does therefore not factor in the current earnings profile of novobanco after having completed its restructuring.

The 2023 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as a source of information for the purposes of the Supervisory Review and Evaluation Process (SREP). Novobanco does not expect the outcome of this stress test to have a negative impact on its capital requirements.

Lisbon, 30 July 2023
Novo Banco, S.A.

¹ Core Operating Income calculated as Commercial Banking Income deducted by Operating Costs