

EMEA DC STATEMENT 18 OCTOBER 2017

Further to its meetings on 9 October 2017 and 12 October 2017, the DC wishes to provide an update to the market on the composition of the Asset Package in relation to any Prior Deliverable Obligation in respect of senior 2014 Transactions referencing Novo Banco S.A. (the **Reference Entity** or **NB**, and the **Relevant 2014 Transactions**, respectively).

For the purposes of settling the Relevant 2014 Transactions, the only Prior Deliverable Obligation (and therefore the only obligation to which Asset Package Delivery applies) is the Reference Obligation, assuming such Reference Obligation was subject to the Restructuring of 4 October 2017. The DC understands that the Reference Obligation for Relevant 2014 Transactions is in most cases the Standard Reference Obligation for NB for the Senior Level, being the senior bond of NB with ISIN XS0772553037 (the **Senior SRO**). Pursuant to NB's announcement of 4 October 2017,¹ the Senior SRO was subject to the Restructuring of 4 October 2017.

The DC notes that beneficial holders of the Senior SRO whose notes were tendered and accepted for purchase pursuant to NB's tender offer (the **Offer**) or were redeemed pursuant to NB's early redemption call right (the **Issuer Early Redemption**) received cash proceeds in an amount equal to 82.00% of the nominal amount of their holdings.² In addition, NB also offered fixed-term deposit accounts (the **Fixed-Term Deposit Accounts**) to beneficial holders of the Senior SRO whose notes were tendered and accepted for purchase pursuant to the Offer or redeemed pursuant to the Issuer Early Redemption. In summary, the Fixed-Term Deposit Accounts allow the beneficial holders of the Senior SRO to deposit the amount corresponding to the cash amount received in respect of the Senior SRO purchased or redeemed (excluding any accrued interest) into an account at NB for a fixed term of 3 years and NB will then pay a fixed rate of interest of 6.84% per annum (compounded annually) to such holder at the end of the 3-year fixed term.³

Accordingly, the DC is of the view that the Asset Package in relation to the Senior SRO consists of (i) the early redemption proceeds in respect of the Reference Obligation (being 82.00% of the nominal amount of the Senior SRO) plus (ii) the option right of beneficial holders to deposit such redemption proceeds into the Fixed-Term Deposit Accounts.

The DC has further determined that the option right relating to the Fixed-Term Deposit Accounts constitutes a Non-Transferable Instrument and so, in accordance with Section 8.12(b)(v) of the 2014 Definitions, this element of the Asset Package will be deemed to be an amount of cash equal to its market value. The DC is currently considering the most appropriate methodology for determining the market value of this option right and will update the market in due course.

Capitalised terms otherwise used but not defined in this statement have the meaning given to them in the 2016 Credit Derivatives Determinations Committees Rules (January 20, 2016 version) (including in the 2014 Definitions, as defined therein).

¹ See NB announcement of 4 October 2017: <https://www.novobanco.pt/site/cms.aspx?srv=222&stp=1&id=ed4f99a4-5b44-4832-a4b2-9f483f8ee59f&order=1&attach=No>

² See NB announcement of 24 July 2017: <https://www.novobanco.pt/site/cms.aspx?srv=222&stp=1&id=c2b193fb-8eef-43f0-8232-8e3eebb6aee2&order=1&attach=No>

³ Details of the Fixed-Term Deposit Accounts can be found in the NB announcement of 15 August 2017: <https://www.novobanco.pt/site/cms.aspx?srv=222&stp=1&id=deabb16a-6a77-4564-9b64-1fa1950126f6&order=1&attach=No>