novobanco

RESULTS PRESENTATION
1Q 2023

April 28th 2023

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This document includes unaudited financial information.

Novo Banco, SA I Av. da Liberdade, n. 195 Lisboa, Portugal
Share Capital: 6 567 843 862.91 Euros represented by 11 130 841 957 shares
NIPC: 513 204 016 I LEI: 5493009W2E2YDCXY6S81

AGENDA

Highlights

Financial Results

- Income Statement
- Balance Sheet

Final Remarks

Consistent strategy delivering increased profitability and solid organic capital generation…

Net income of €148.4mn (1Q22: €142.7mn; +4% YoY), with the continued execution of its strategy delivering sustainable growth of the business, increased revenues and capital generation, leading to **+100bps of organic capital generation**.

Solid NII growth to €246.3mn (+84% YoY; +12% QoQ), reflecting improvement of avg assets yield. **NIM increased to 2.34% (1Q22: 1.31%; 4Q22: 1.99%), above 2023 guidance of 2.2%. Net customer loans stable YTD at €24.6bn,** with €0.9bn loan origination being offset by increased pre-payments.

Commercial Banking Income grew to €315.3mn (+55.8% YoY). Cost to Income[1] ratio decreased to 35.5% (1Q22: 51.2%), with Operating costs of €111.9mn (+8.0% YoY; +5.9% YoY excluding exceptional items), reflecting both inflation and the continued investment in optimization and simplification of the Bank's operations.

Cost of risk was 41bps (1Q22: 34bps), being consistent with 2023 guidance given low-risk loan book post-restructuring. **NPL ratio stood at 4.4% (Dec/22: 4.3%),** with a €87mn NPL stock YTD reduction, and **coverage ratio increased to 81.3% (Dec/22: 77.5%)** being considerably above European average.

Total customer funds of €34.2bn (-1.6% YTD), reflecting the outflows of deposits in the Portuguese market towards government saving products (-2.7% as of Feb/23). Despite the lower YTD deposits volume, **novobanco' deposit market share increased from 9.3% in Dec/22 to 9.4% in Feb/23. Most recent Apr/23 month-on-month figures showing positive performance.**

Accelerating capital generation with CET 1 increasing 100bps to 14.1% (fully-loaded basis; 14.3% phased-in) and Total capital ratio reached 16.5% (+100bps YTD). The organic capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation.

(1) Cost to Income defined as Operational Costs divided by Commercial Banking Income;

…being on track to deliver 2023 guidance and continuously strengthen novobanco's position as a strong and independent domestic Bank

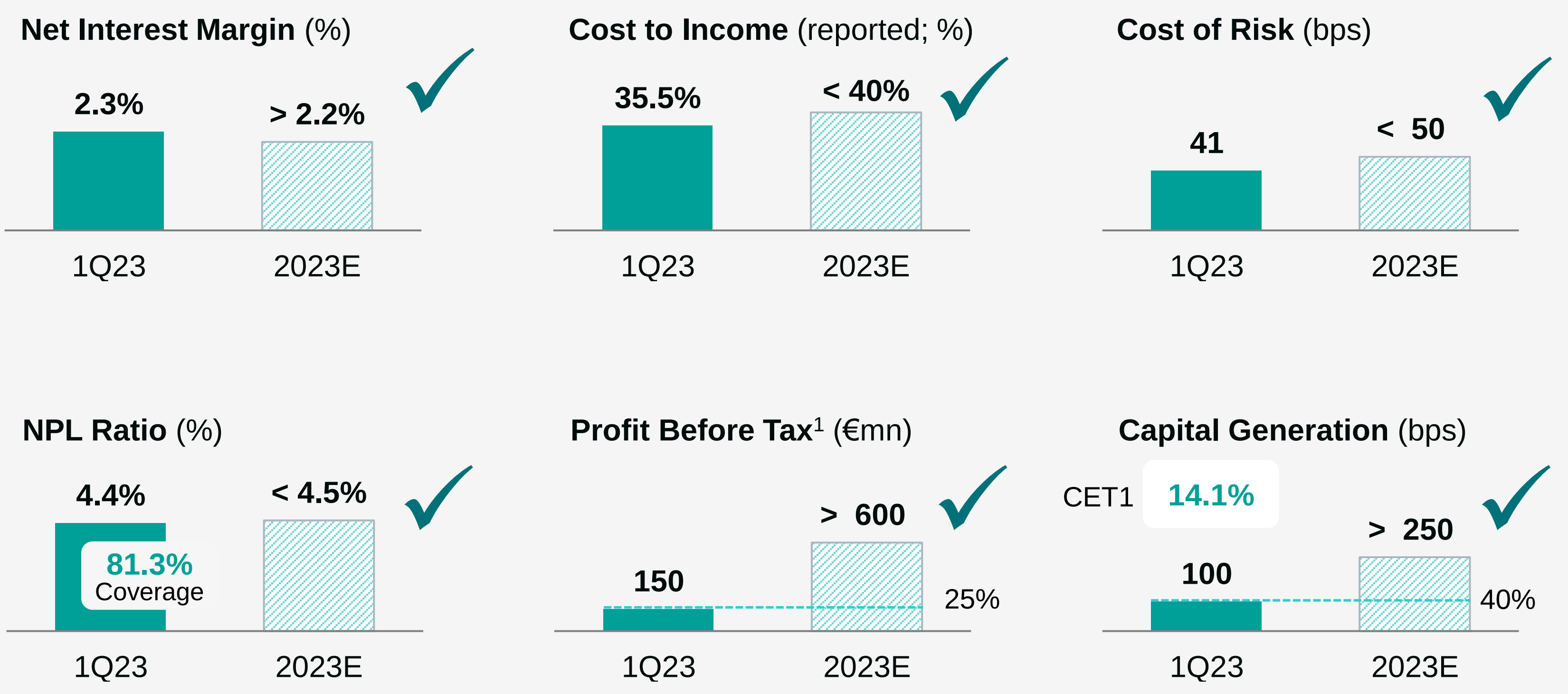
2023 execution on track

SOUND COMMERCIAL ACTIVITY
backed by improved customer experience, including implementation of an omnichannel structure on the retail side, a sectorial approach for corporates, enhanced clients' journey and improved know your customer tools and time-to-market

ONGOING LOAN BOOK REPRICING
at current interest rates

STRICT COST CONTROL
efficient operations with revenue growth offsetting cost inflation and investment in people and culture

DE-RISKING STRATEGY
with strong and reinforced coverage levels

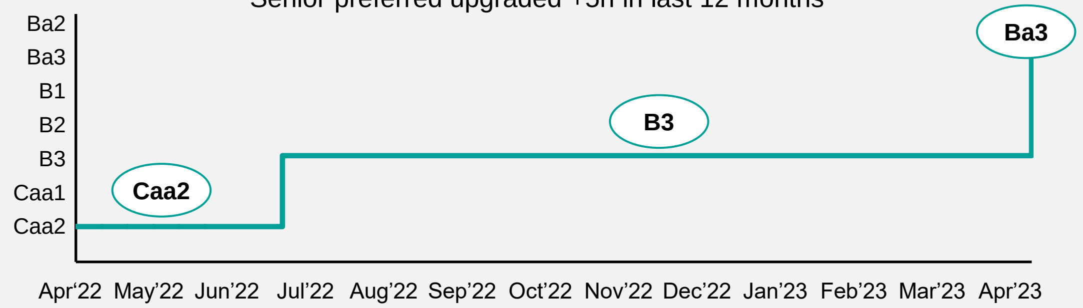


(1) PBT deducted by Special Tax on Banks

+5n upgrade[1] in the last 12 months demonstrating significant improvement in fundamentals and announcing medium-term target to reach IG rating

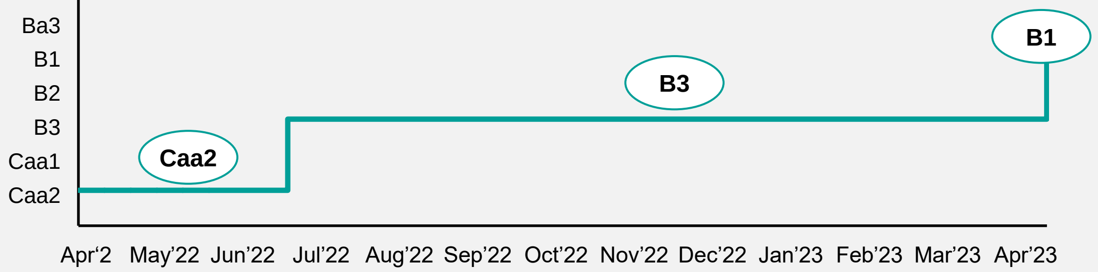
novobanco senior unsecured

Senior preferred upgraded +5n in last 12 months

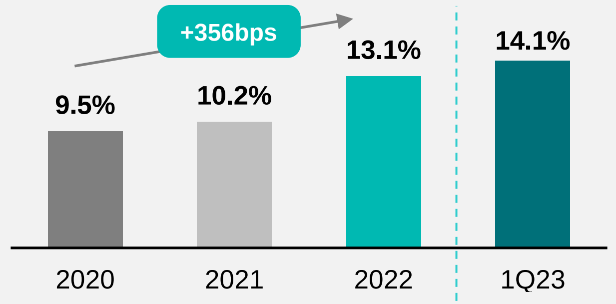


novobanco Tier 2 rating evolution

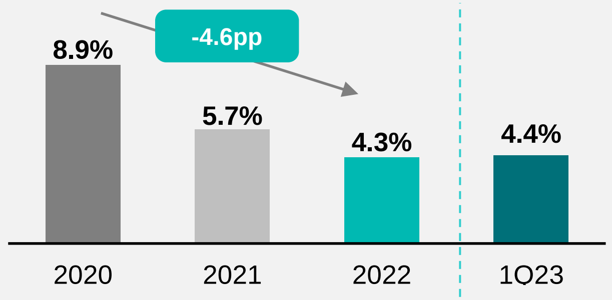
Tier 2 upgraded +4n in last 12 months



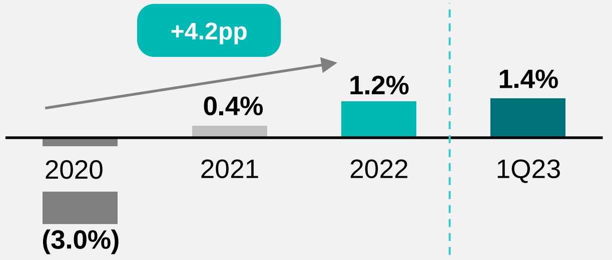
CET1 FL ratio



Asset quality – NPL



Profitability[2]

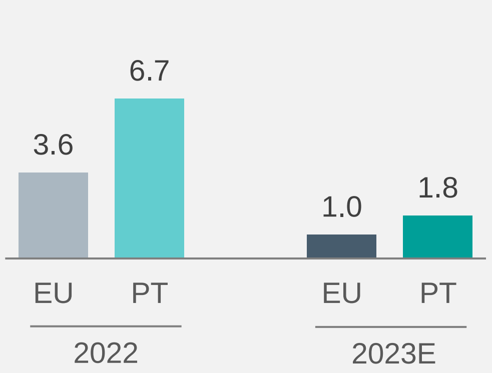


2022 performance and 2023 targets support a clear continuous positive credit ratings trajectory, delivering on our strategic plan will allow us to reach an investment grade rating in the medium-term.

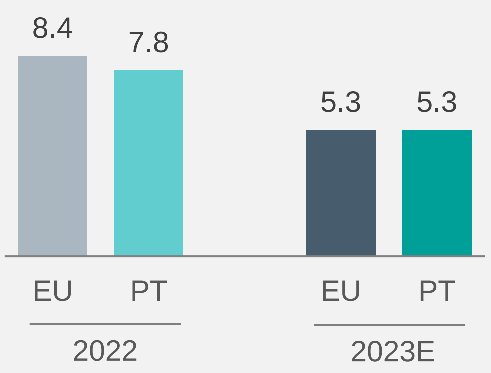
Moody's adjusted ratios; (1) in the senior unsecured bond; (2) Profitability calculated as attributable net income divided by tangible assets;

A domestic player in a market with 6.7% GDP growth in 2022 and resilient economic activity in 2023

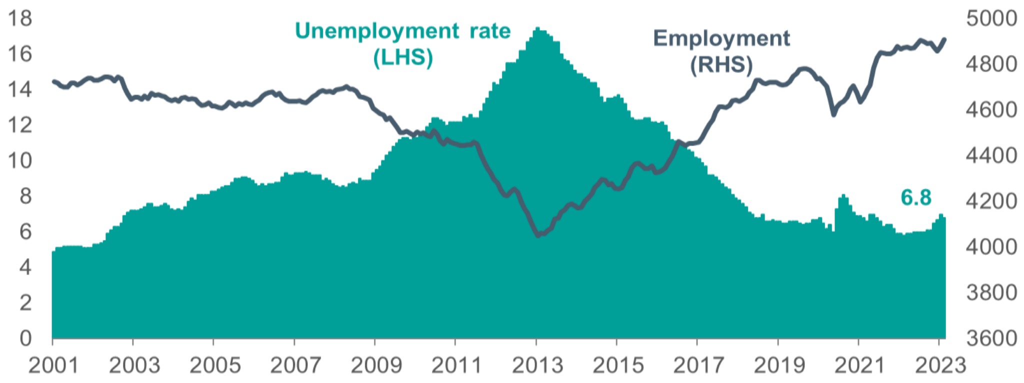
Annual GDP growth [1]
(%)



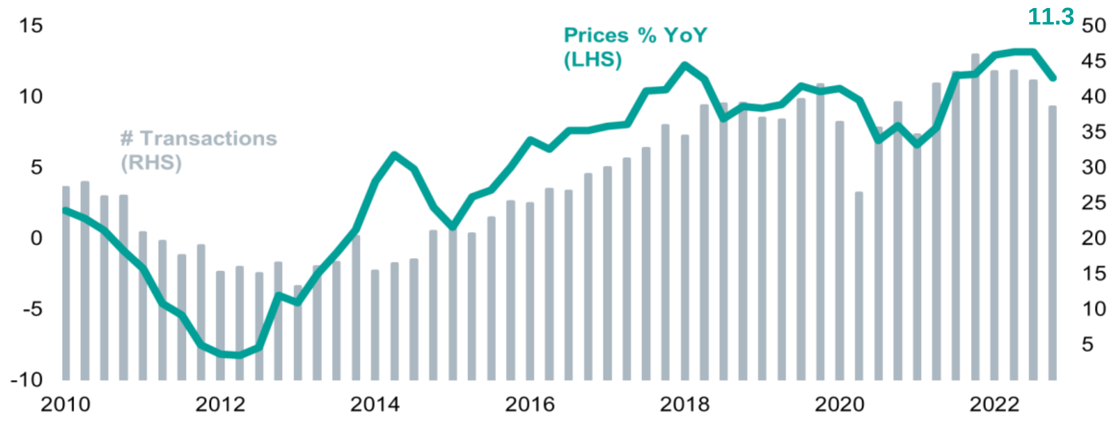
Average Inflation[1]
(%)



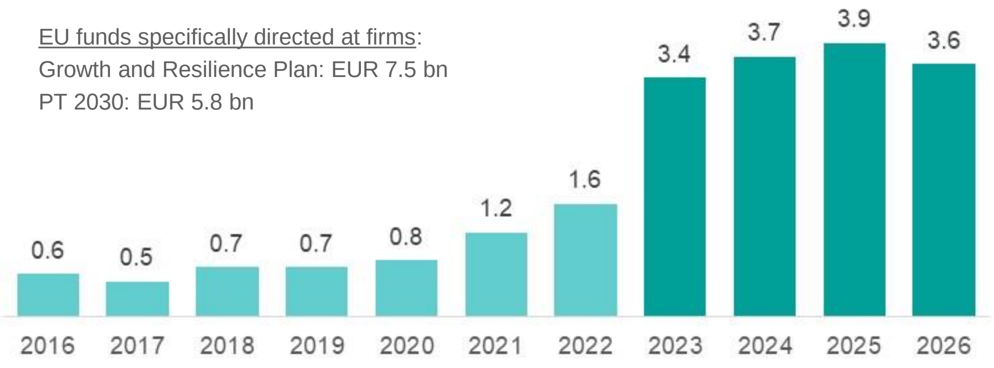
Unemployment rate
(% labour force)



INE house price index and transactions
(% YoY; # thousands)



Expected public investment spending financed by EU funds[2]
(EUR billion)



(1) Source: Portugal – INE and Bank of Portugal (Dec/22); European average – ECB (Dec/22); (2) Projections from the 2023-27 Stability Programme. Sources: INE and Bank of Portugal.

A four-pillar strategy to maximize value for customers, maintaining profitable operations and capital efficiency

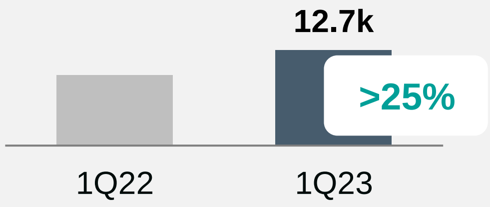
Customer-centricity culture to continuously enhance the experience of our clients, be they companies, businesses, individuals or families

- **Customer-centric Bank**
- **Simple and efficient operations**
- **Developing people and culture**
- **Delivering sustainable performance**

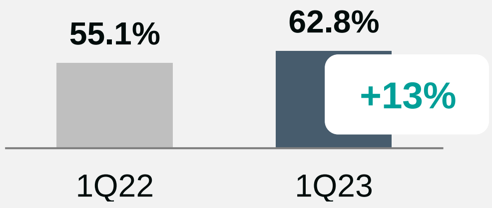
New Distribution Model
(# branches)

292 branches, of which 252 already revamped under new distribution model

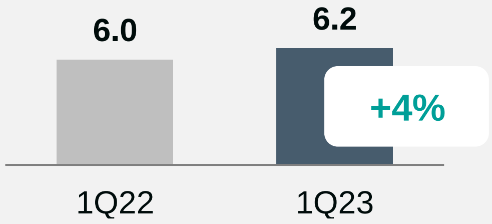
Client Acquisition
(%; monthly average)



Active Digital Clients
(%)



Loans per/ FTE
(€million)



Translating into positive YTD market share performance (Feb/23):

9.4% +0.1pp YTD	**Customer Deposits**
10.6% +0.1pp YTD	**Total Loans**
14.6% +0.1pp YTD	**Corporate Loans**
19.7% +0.9pp YTD	**Trade Finance**

9.6%
Global Market Share

 (1) Source: BASEF; novobanco analysis; (2) digital sales in units, excludes deposits and investment products

AGENDA

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Balance Sheet

Final Remarks

Continuous strategy execution delivering sustainable growth of the business and increased income…

	Income Statement (€mn)	1Q22	1Q23	▲YoY €mn
1	Net Interest Income	133.5	246.3	+112.8
2	+ Fees & Commissions	68.8	68.9	+0.2
	= Commercial Banking Income	**202.3**	**315.3**	**+113.0**
	+ Capital Markets Results	91.4	5.8	(85.6)
	+ Other Operating Results	16.7	2.4	(14.3)
	= Banking Income	**310.4**	**323.5**	**+13.1**
3	- Operating Costs	103.6	111.9	+8.3
	= Net Operating Income	**206.8**	**211.6**	**+4.8**
4	- Net Impairments & Provisions	21.8	27.7	+5.9
	= Profit Before Tax	**185.0**	**183.9**	**(1.1)**
	- Corporate Income Tax	7.4	0.7	(6.6)
	- Special Tax on Banks	34.1	34.1	0.0
	= Profit after Taxes	**143.5**	**149.0**	**+5.5**
	- Non-Controlling Interests	0.9	0.7	(0.2)
	= Net Profit for the period	**142.7**	**148.4**	**+5.7**

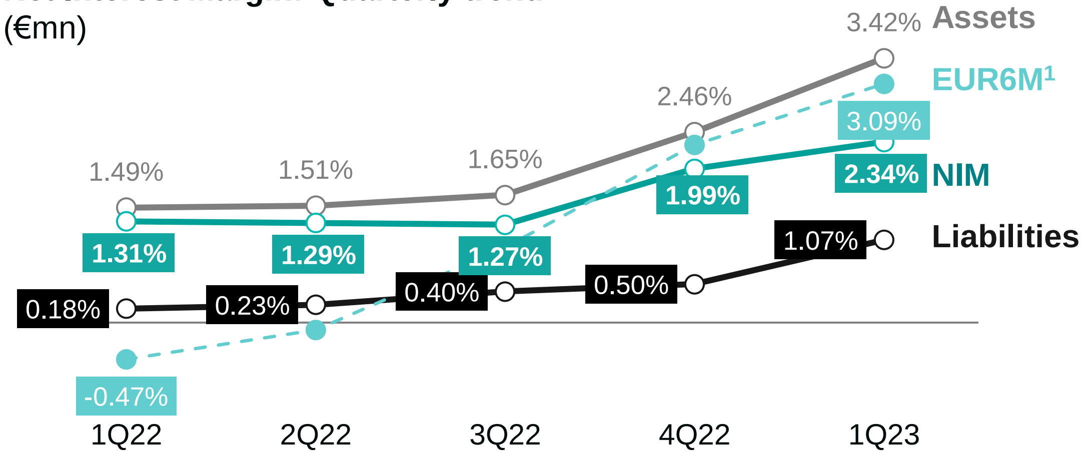
- NII +84% YoY **reflecting improvement of average assets yield**, that significantly outweighed the increase in the cost of financing. NIM of 2.34%, above 2023 guidance of 2.2%;
- Fee income stable with increased contribution of Accounts and Payments (+11.7% YoY) backed by **higher volume of transactions**;
- **Capital Markets Results positive by €5.8mn;** fair value reserves (in equity) of securities portfolio increased by €11.0mn YTD;
- **Commercial Banking Income was €315.3mn (55.8% YoY)**, driven by higher NII. Banking Income (+4.2% YoY) with net interest income performance more than offsetting the effects of gains accounted in 1Q22 from hedging of interest rate risk;
- **Commercial Cost to Income ratio at 35.5%,** equivalent to 33.3% excluding extraordinary items. Operating costs totalled €111.9mn (+8.0% YoY; +5.9% on recurring basis), reflecting on one hand the continued strategic investment in digital transformation, optimization and simplification of the organization and on the other hand the effects of inflation;
- The cost of risk was 41bps (considering loans and corporate securities impairments), including management overlay, comparing with 34bps in the 1Q22;
- **Net income of €148.4mn (4% YoY)** reflecting consistent execution of novobanco's strategy, with the ability to grow revenue and generate capital.

(1) Considering loans and corporate bonds

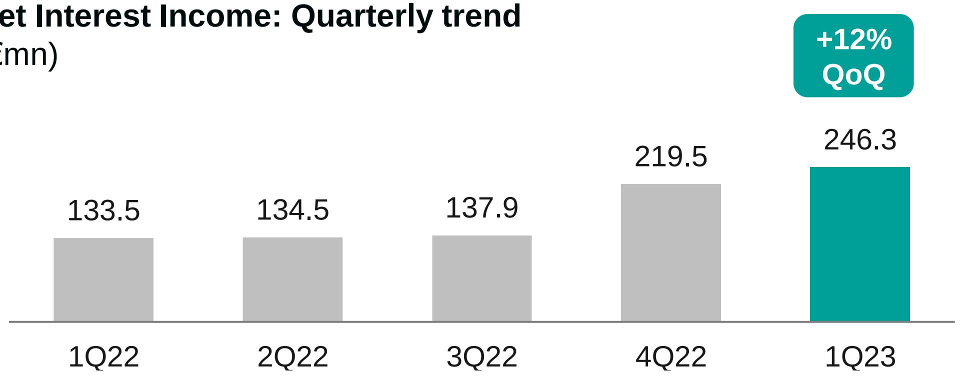
…backed by a positive NIM trend, reflecting improvement of average assets yield, which more than offset the increase in the cost of financing

Income Statement (€mn)	2Q22	3Q22	4Q22	1Q23	▲QoQ €mn
Net Interest Income	134.5	137.9	219.5	246.3	+26.8
+ Fees & Commissions	75.6	71.3	77.6	68.9	(8.7)
= Commercial Banking Income	**210.1**	**209.2**	**297.2**	**315.3**	**+18.1**
+ Capital Markets Results	-5.6	-17.6	- 44.2	5.8	+50.0
+ Other Operating Results	56.5	88.0	22.3	2.4	(19.9)
= Banking Income	**261.0**	**279.6**	**275.3**	**323.5**	**+48.2**
- Operating Costs	105.1	105.5	134.1	111.9	(22.2)
= Net Operating Income	**155.9**	**174.1**	**141.1**	**211.6**	**+70.4**
- Net Impairments & Provisions	-2.0	2.7	88.7	27.7	(61.0)
= Profit Before Tax	**157.9**	**171.4**	**52.4**	**183.9**	**+131.5**
- Corporate Income Tax	11.6	8.9	- 81.1	0.7	+81.9
- Special Tax on Banks	-	-	0.0	34.1	+34.1
= Profit after Taxes	**146.4**	**162.5**	**133.6**	**149.0**	**+15.5**
- Non-Controlling Interests	22.3	0.9	1.1	0.7	(0.4)
= Net Profit for the period	**124.0**	**161.6**	**132.5**	**148.4**	**+15.9**

Net Interest Margin: Quarterly trend (€mn)



Net Interest Income: Quarterly trend (€mn)



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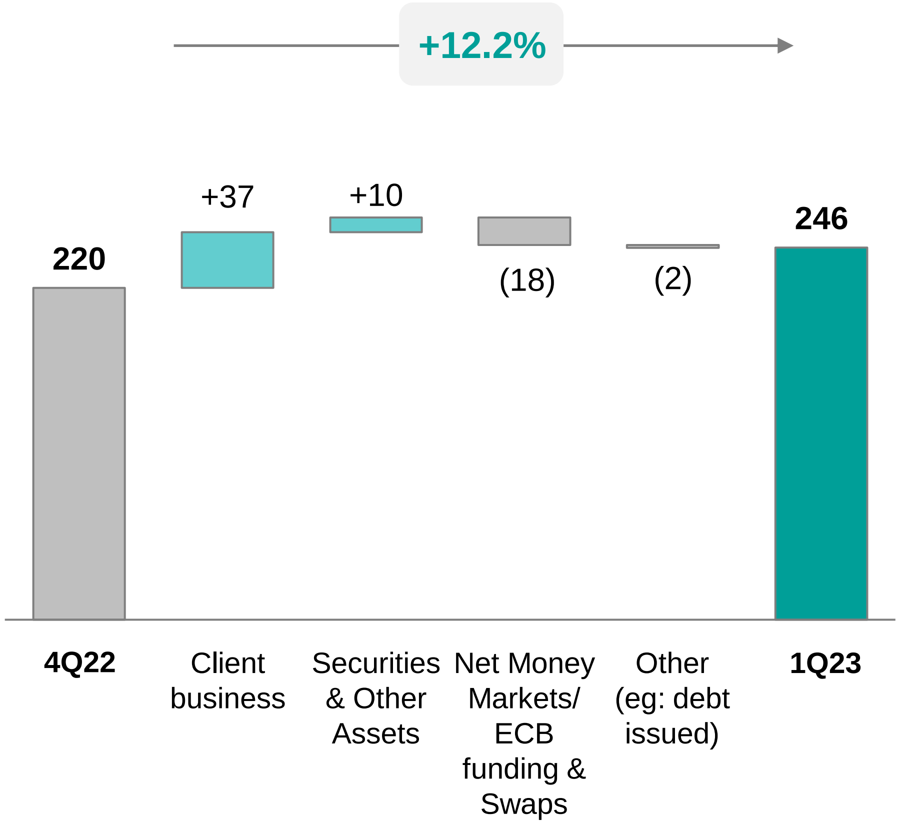
(1) Average per quarter

1 Net Interest Income of €246mn backed by a stable loan book with increasing asset yields

Net Interest Income (NII) Net Interest Margin (NIM)	1Q22 Avg. Rate	1Q22 Income/ Costs	4Q22 Avg. Rate	4Q22 Income/ Costs	1Q23 Avg. Rate	1Q23 Income/ Costs
€ million; %						
Customer Loans	**2.00%**	**125**	**2.97%**	**197**	**3.83%**	**245**
Corporate loans	2.28%	79	3.27%	121	4.21%	150
Mortgage lending	1.03%	25	2.07%	53	2.85%	71
Consumer loans and Others	5.88%	21	6.36%	23	6.86%	24
Money Market Placements	-0.32%	- 5	1.32%	22	2.40%	33
Securities and Other Assets	1.28%	31	1.80%	50	2.98%	83
Interest Earning Assets & Other	**1.49%**	**152**	**2.46%**	**269**	**3.42%**	**361**
Customer Deposits	0.15%	10	0.22%	16	0.39%	28
Money Market Funding	-0.57%	- 15	0.47%	8	2.60%	60
Other Liabilities	6.40%	23	6.15%	23	6.41%	25
Interest Bearing Liabilities & Other	**0.18%**	**18**	**0.50%**	**48**	**1.07%**	**113**
NIM / NII[1]	**1.31%**	**134**	**1.99%**	**220**	**2.34%**	**246**
Euribor 6M - Average	-0.47%		2.30%		3.09%	



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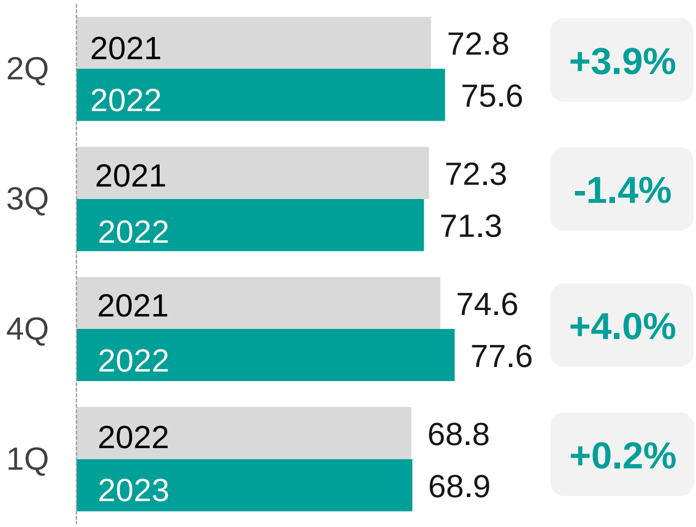
(1) With stage 3 impairment adjustment;

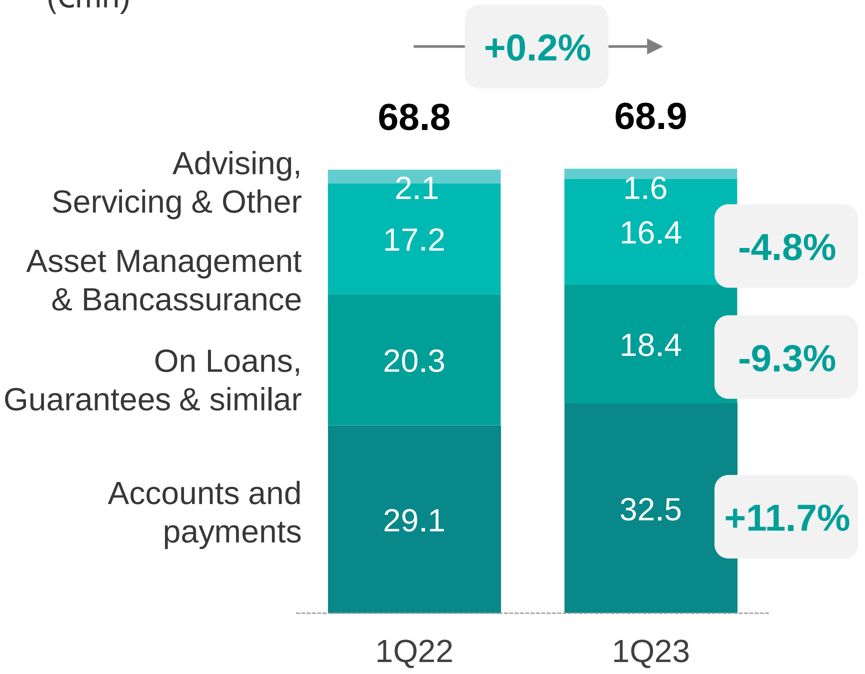
Stable fees, with better accounts and payments performance

2

Fees: Quarterly Evolution
(€mn)



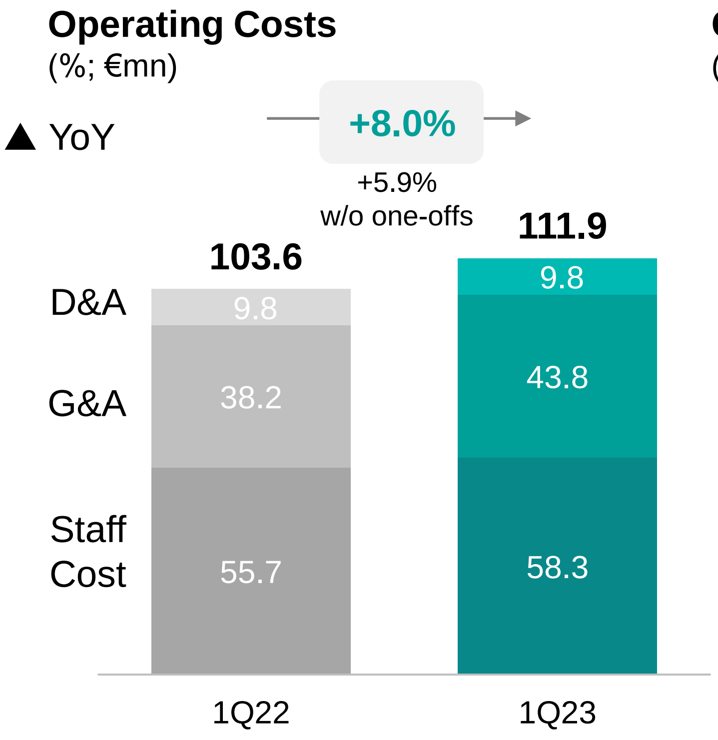
Fees: evolution per type
(€mn)

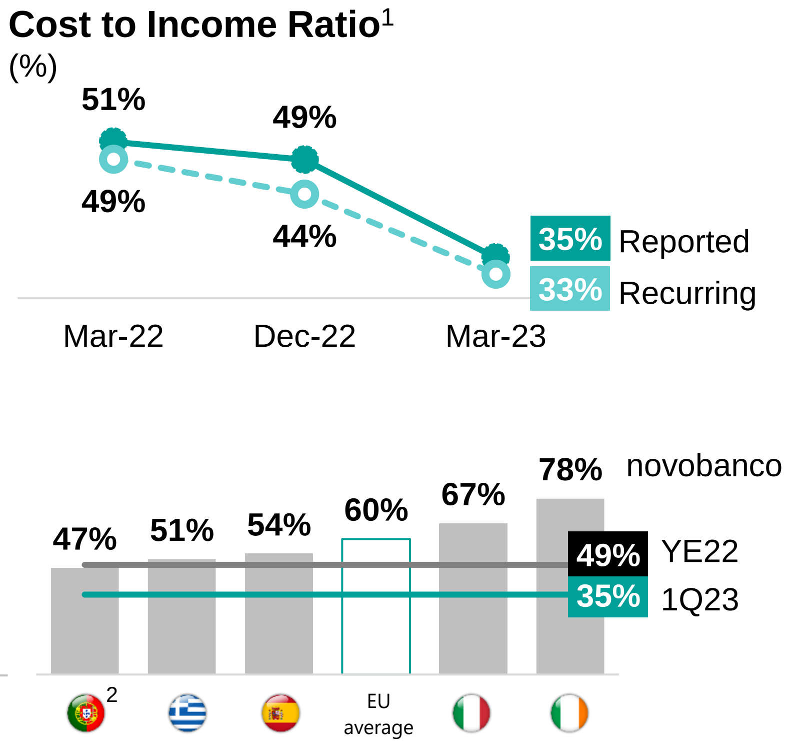


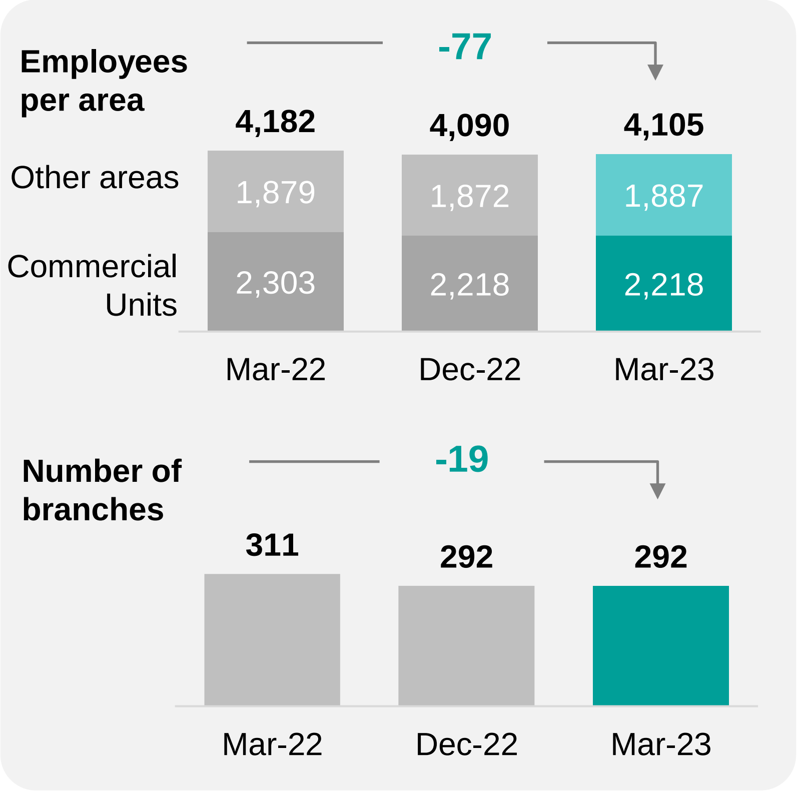
- **Accounts and Payments** (+€3.4mn; +11.7%) due to a higher volume of transactions and new pricing implemented for customer accounts and POS usage.
- **Asset management & bancassurance fees** (-€0.8mn; -4.8% YoY): due to market conditions.
- **Commissions on Loans, Guarantees and similar** (-€1.9mn; -9.3% YoY): on lower volume of guarantees.

Higher volume of transactions and new business are expected to drive fee income expansion.

3 Cost to Income ratio at 35.5% with income performance outpacing Operating Costs performance





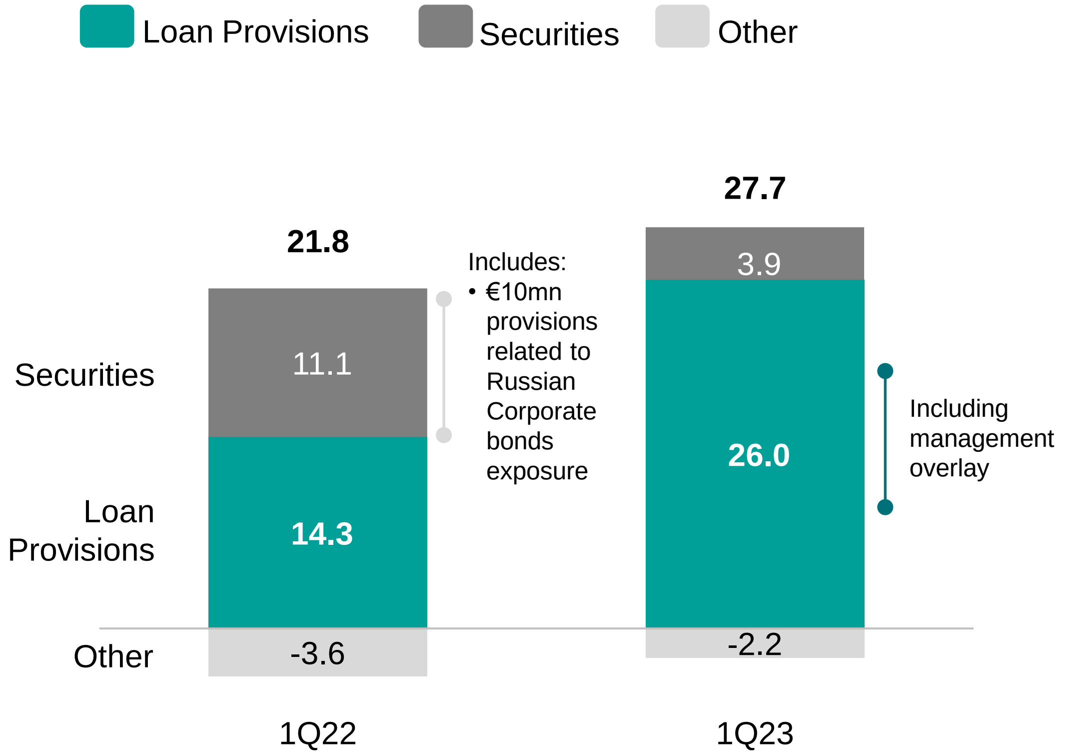


Efficient operations with revenue growth offsetting cost inflation and investment in people and culture, reaching a best in class C/I ratio.

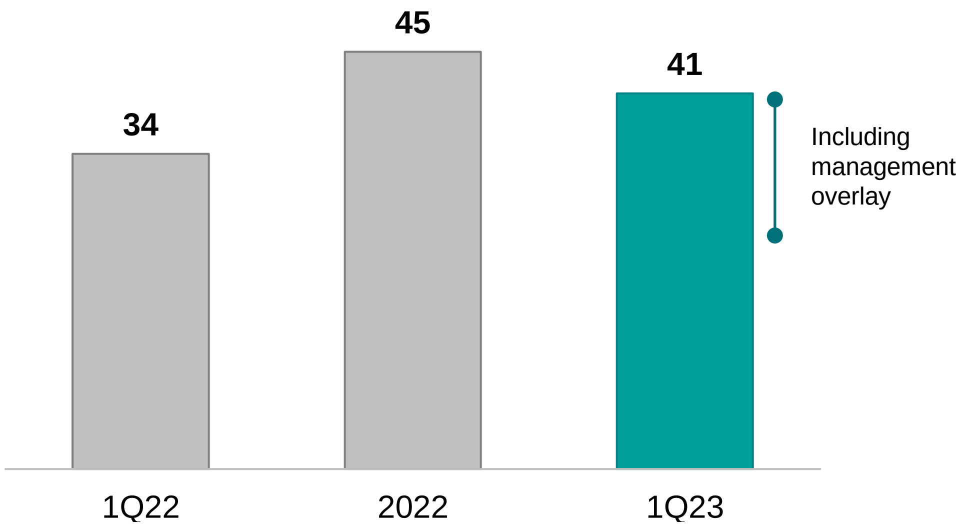
(1) Peers data as of YE2022, Defined as Operating Cost divided by Commercial Banking Income; Commercial Banking Income being equal to Net Interest Margin plus Fees and Commissions; (2) Portuguese average excludes novobanco

Provisions below run-rate, reflecting a benign economic environment in 1Q23 with no early indicators of asset quality deterioration

Impairment and Provisions
(€mn; %)



Cost of Risk
Including loans and corporate bonds
(bps)



AGENDA

Highlights

Financial Results

Income Statement

Balance Sheet

Final Remarks

Simple balance sheet reflects transition to sustainable business model

Balance Sheet (€mn)

	Assets	Dec-22	Mar-23	▲YTD €mn	▲YTD %
	Loans and advances to Banks	6,643	3,840	(2,803)	-42.2%
1	Customer loans (net)	24,551	24,608	57	0.2%
2	Real estate	614	604	(10)	-1.6%
3	Securities	10,864	11,597	733	6.7%
	Non-current assets held for sale	60	59	(1)	-1.8%
	Current and deferred tax assets	956	955	(1)	-0.1%
	Other assets	2,308	2,180	(128)	-5.5%
	Total Assets	**45,995**	**43,843**	**(2,152)**	**-4.7%**

	Liabilities & Equity	Dec-22	Mar-23	▲YTD €mn	▲YTD %
4	Customer deposits	28,412	27,526	(886)	-3.1%
	Due to central banks and Banks	9,705	8,004	(1,701)	-17.5%
	Debt securities	1,584	1,590	6	0.4%
	Non-current liabilities held for sale	15	15	(1)	-4.6%
	Other liabilities	2,766	3,011	245	8.8%
	Total Liabilities	**42,483**	**40,146**	**(2,338)**	**-5.5%**
5	**Equity**	**3,512**	**3,697**	**186**	**5.3%**
	Total Liabilities and Equity	**45,995**	**43,843**	**(2,152)**	**-4.7%**

Assets

- Loans and advances to Banks lower YTD, includes the effect of TLTRO III reimbursement in the period.
- **Stable Net customer loans at €24.6bn** with QoQ origination at €0.9bn offset by increased amortization. Performing loan book of €24.4bn (+€0.1bn YTD).

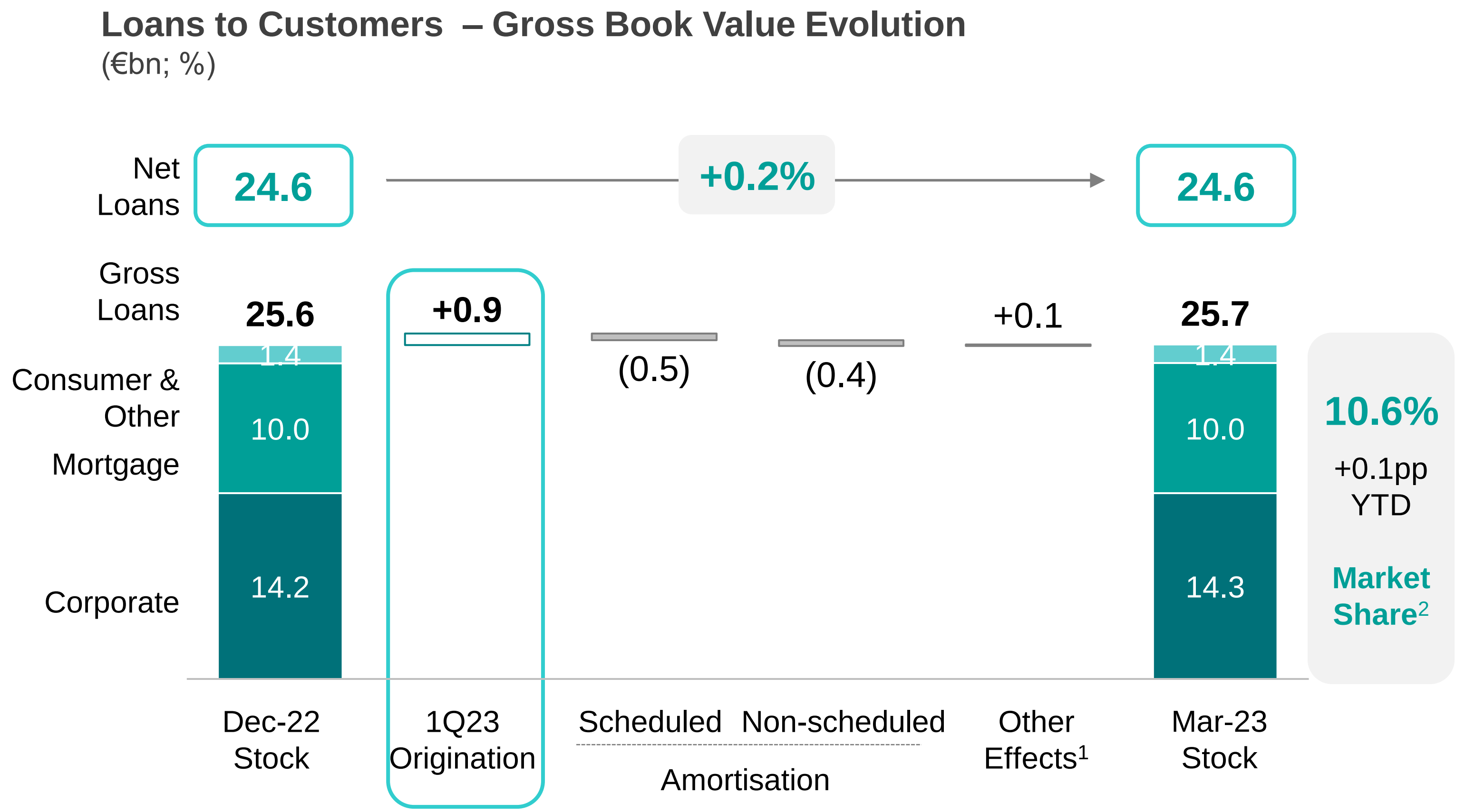
Liabilities

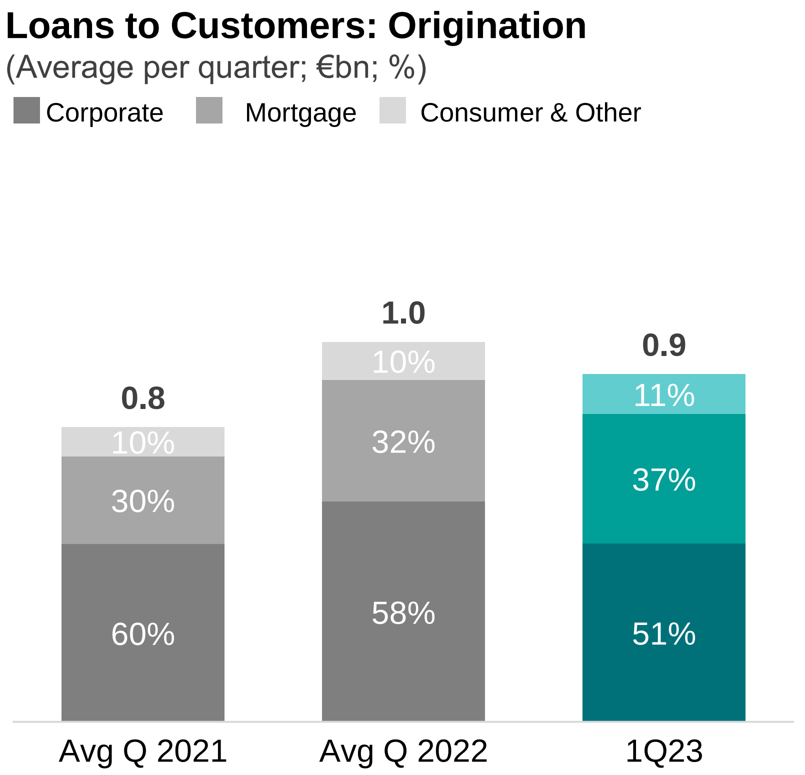
- Total customer funds of €34.2bn (-1.6% YTD), reflecting the outflows in the Portuguese market towards government saving products (-2.7% as of Feb/23). Despite the lower YTD deposits volume (-3.1%), **novobanco's deposit market share increased to 9.4% in Feb/23 (+0.1pp YTD),** and with most recent Apr/23 MoM figures showing positive performance.

Capital & Liquidity

- **FL ratios increased by 100bps** (CET1: 14.1%; Total Capital: 16.5%). The organic capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation.
- **Strong liquidity position: LCR of 180% and NSFR of 111%,** as well as cash at Central Banks and ECB eligible collateral (liquidity buffer of €13.2bn as of Mar/23).

1 Stable loan book with YTD origination at €0.9bn offset by increased amortization

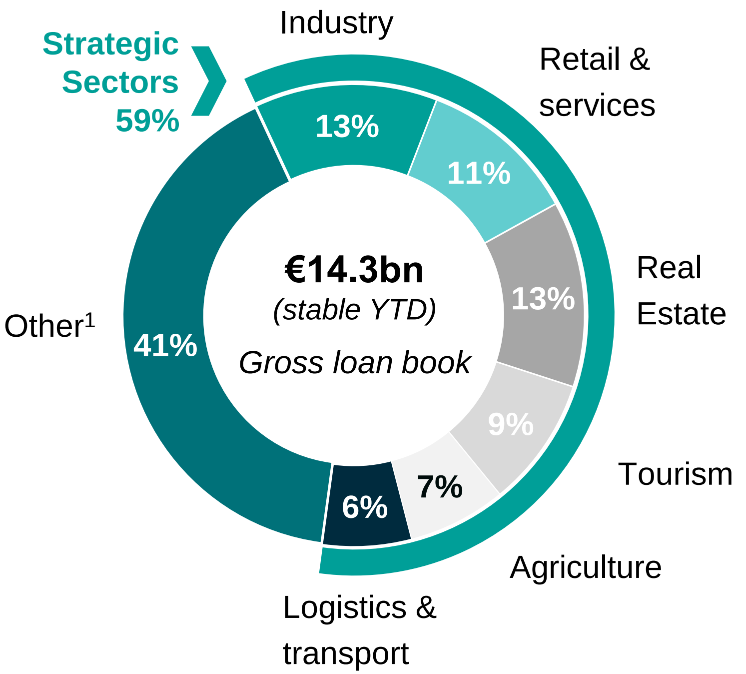




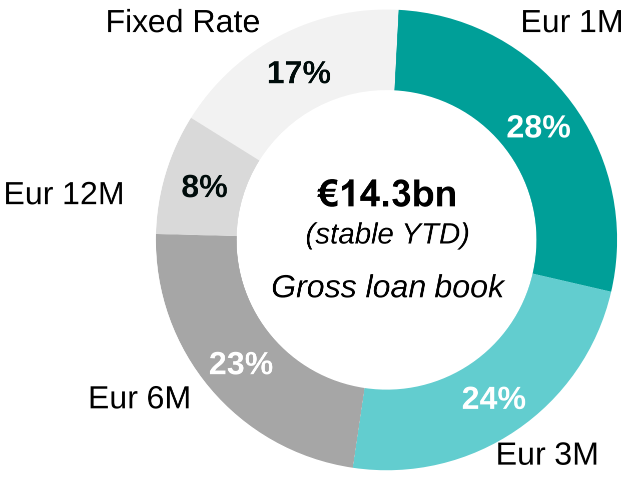
(1) Includes restructured contracts, short-term and impairment variations and other novobanco group entities; (2) Stock figure as of February 2023; sources: Banco de Portugal, APS, APFIPP

1 Corporate loans origination (+€0.5bn YTD), driven by SME (~75%) and Small businesses (~18%)

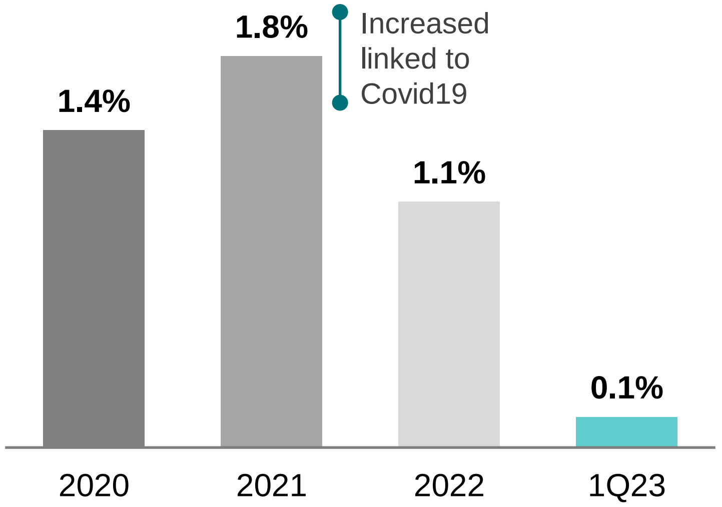
Corporate loan book by Sector
(Mar-23; %)



Corporate loan book by Rate Type
(Mar-23; %)



Stage 1 and 2 migration to stage 3
(%)



Sectorial approach, based on sectors' outlook, expected growth and underlying intrinsic potential

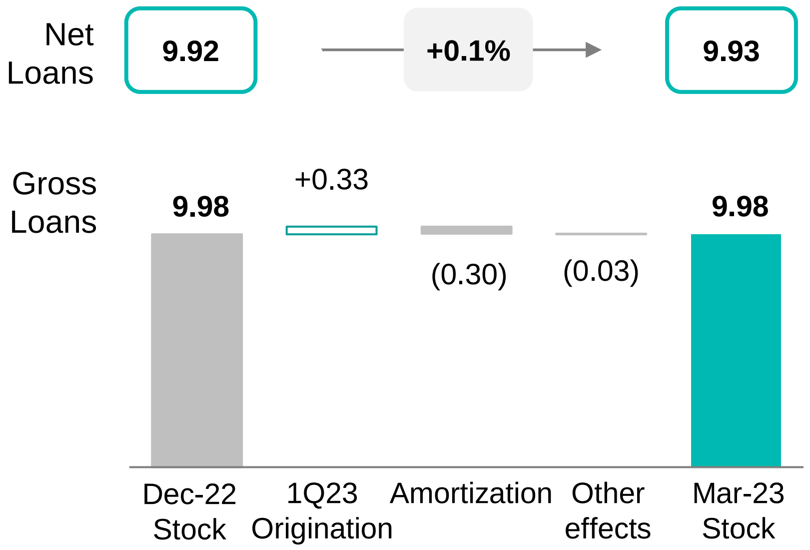
91% of the Corporate book is floating (incl. hedges), majority with Euribor 0% floor

Running at benign levels of stage 3 formation in 1Q23

(1) Other/ Non strategics sectors includes Construction, Investment funds and holdings, professional services, Public administration & institutions, Auto & electronics, Energy, Health, Insurance, Water and others

1 Mortgage loans representing 37% of YTD origination (€0.3bn), with 60% average LTV in the period and ~40% DSTI[1]

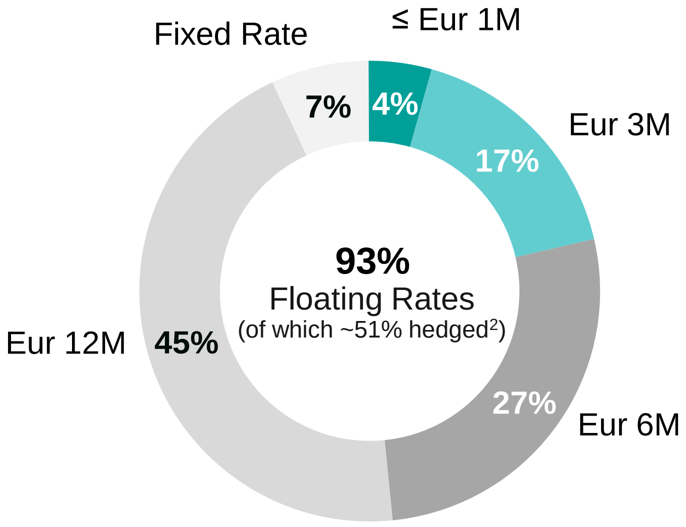
Mortgage loans
(%; €bn)



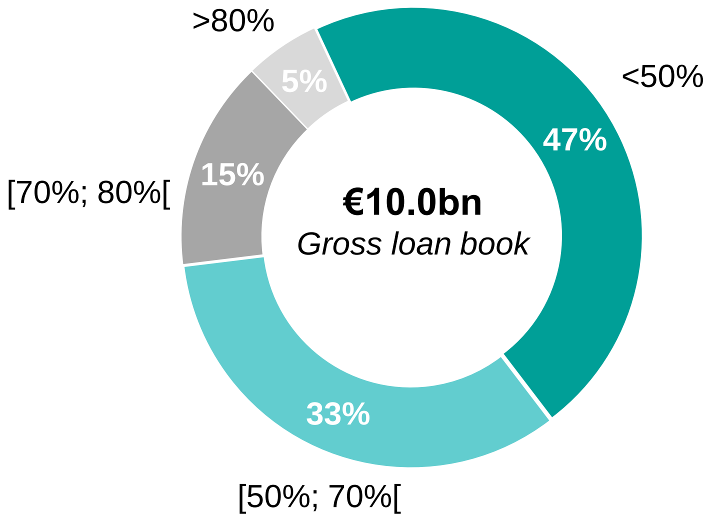
Avg. Rate **1.36%**

Increase reflects repricing of reference rates (Euribor) **2.85%**

Mortgage loan book by Rate Type
(Mar-23; %)



Mortgage loan book by LTV bucket
(Mar-23; %)



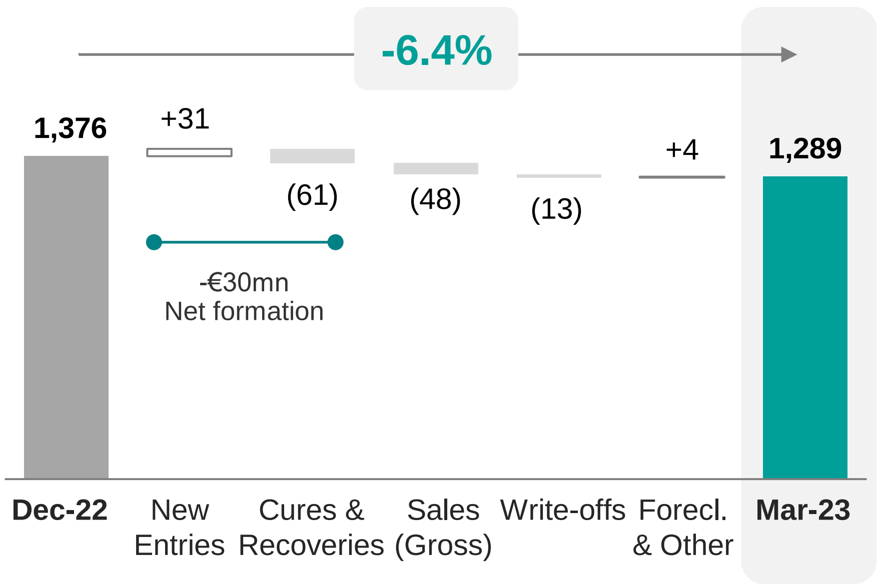
Seasoned book: stock avg ticket outstanding of ~€50k and YTD origination of ~€120k

A conservative mortgage portfolio with: average LTV (stock) < 50%

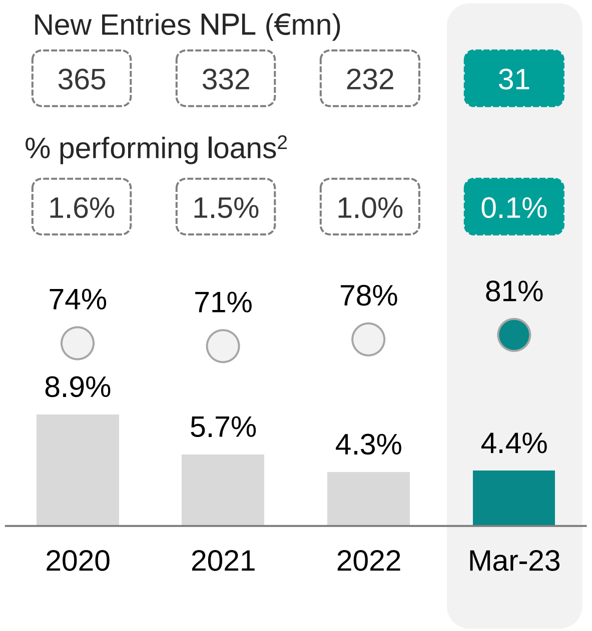
(1) DSTI – Debt Service-To-Income post interest rate shock of 3%; (2) At average base rate of 2.7%

1 Declining YTD NPL stock, benefiting from successful recovery of moratoria clients and contained macroeconomic impacts

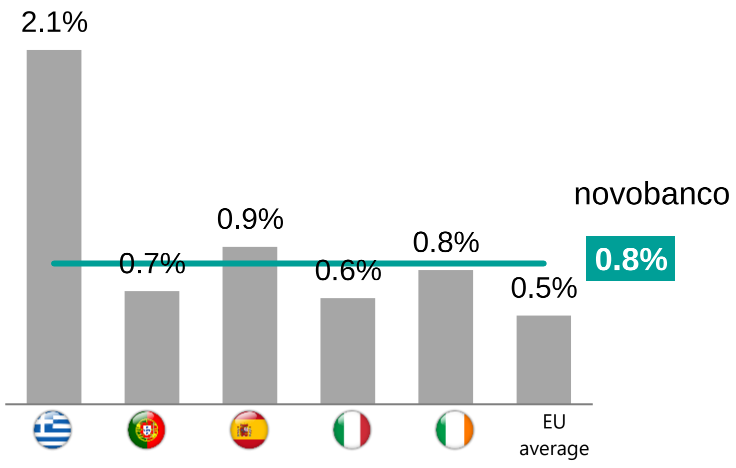
Non-performing Loans
(%; €mn; Gross NPL[1])



NPL ratio & Coverage[1]
(%) NPL ratio NPL coverage



Net NPL ratio vs Peers[3]
(%)

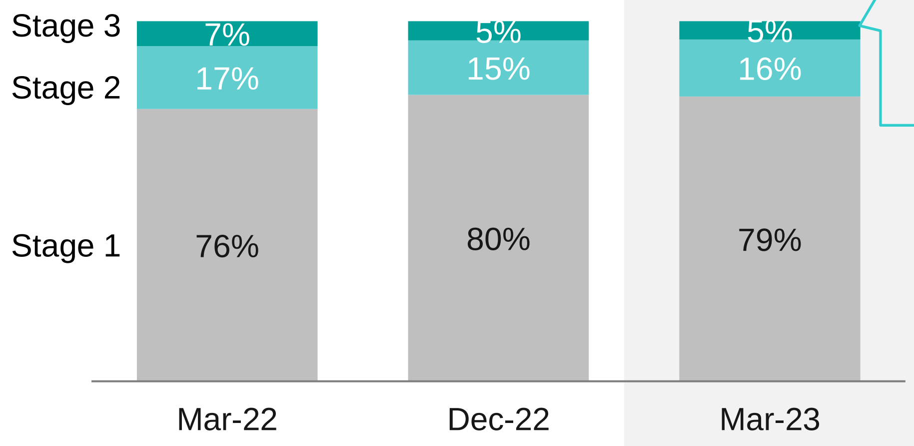


YTD Net formation of NPL at -€30mn and recent NPL reduction benefitting from sale of portfolios, being capital accretive and demonstrating adequacy of NPL coverage

(1) NPL as per BdP definition (see glossary – annex for further detail); (2) average performing loans; (3) Source ECB using 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 Mar/23

1 Stable YTD staging breakdown, with Stage 3 at €1.3bn GBV (€0.6bn NBV) and 56% coverage by specific impairments and backstop

Loan Portfolio[1] by Stages

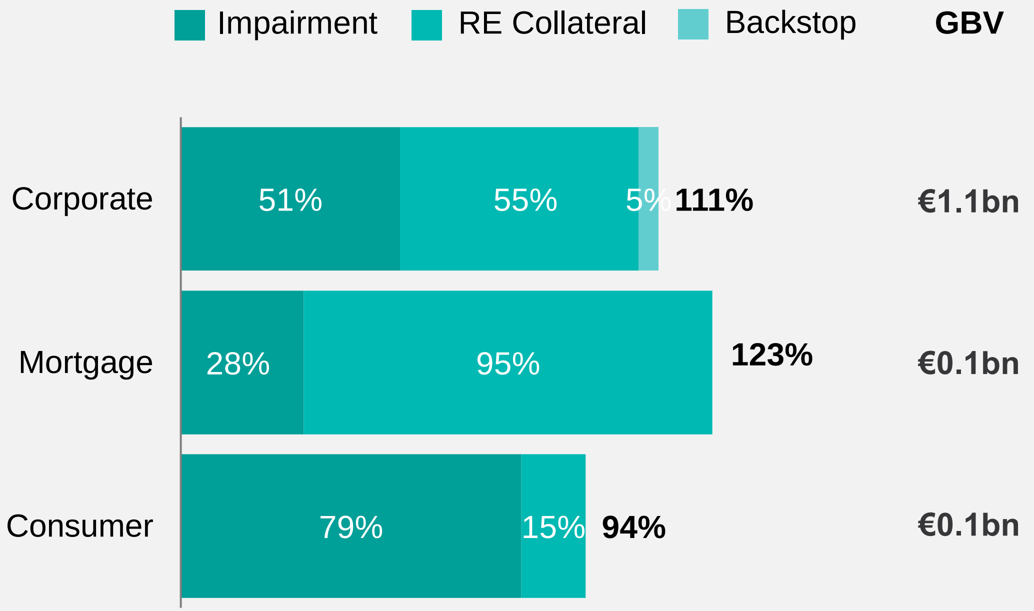


~47% of stage 3 GBV loans are under the CCA; with no full servicing rights

Coverage ratios[2]

	Mar-22	Dec-22	Mar-23
Stage 2	7.1%	7.8%	7.8%
Stage 3	49.3%	55.1%	55.8%

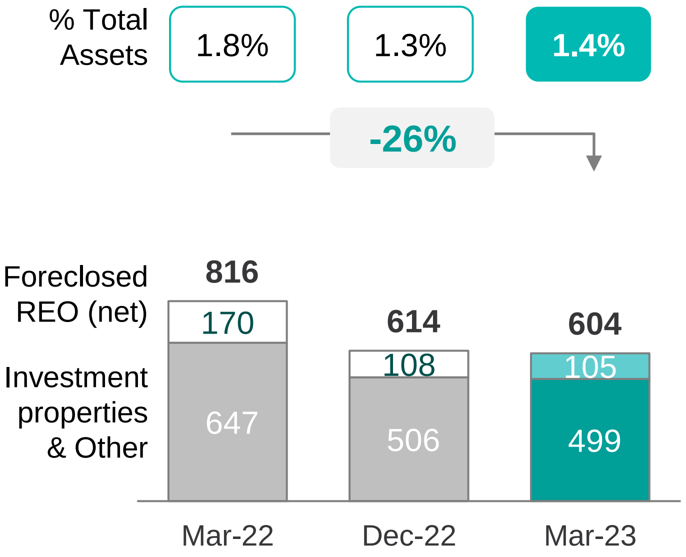
Stage[2] 3: Coverage by type



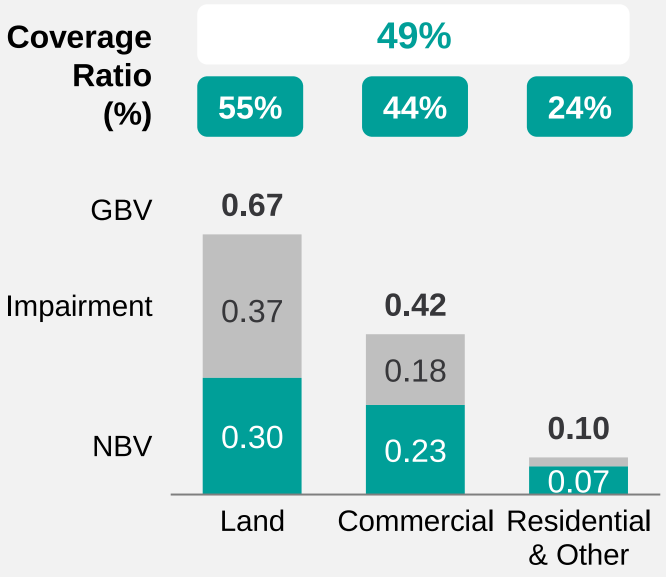
(1) Excludes credit institutions; Preliminary figures; (2) Stage 2 Specific provisions; Stage 3 includes backstop

2 Decreasing RE exposure to €604mn (-26% YoY; backed by portfolio sales), with TOP 20 assets representing 68% of the portfolio

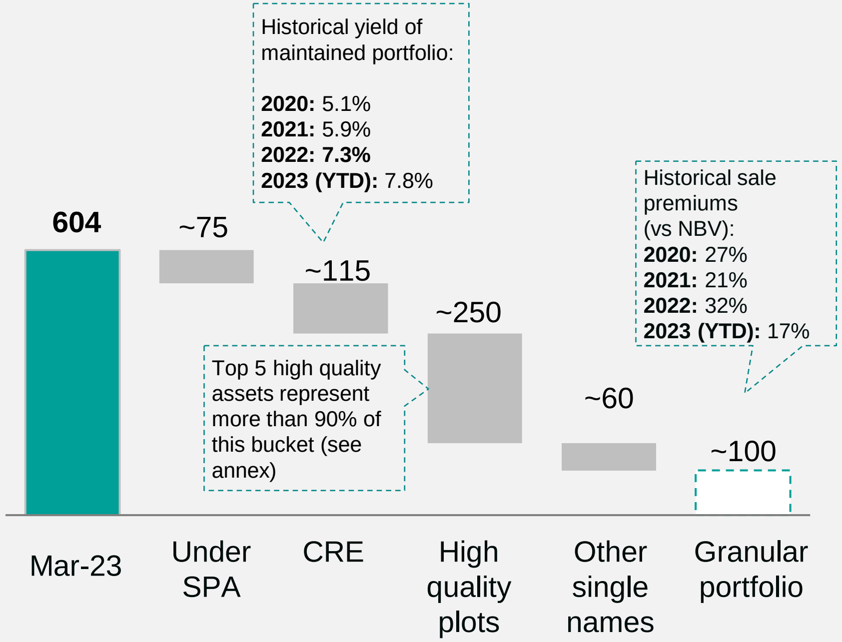
Evolution of Real Estate Exposure
(€mn NBV)



RE: Coverage by Asset Type
(Mar-23 Pro-forma; €bn;%)



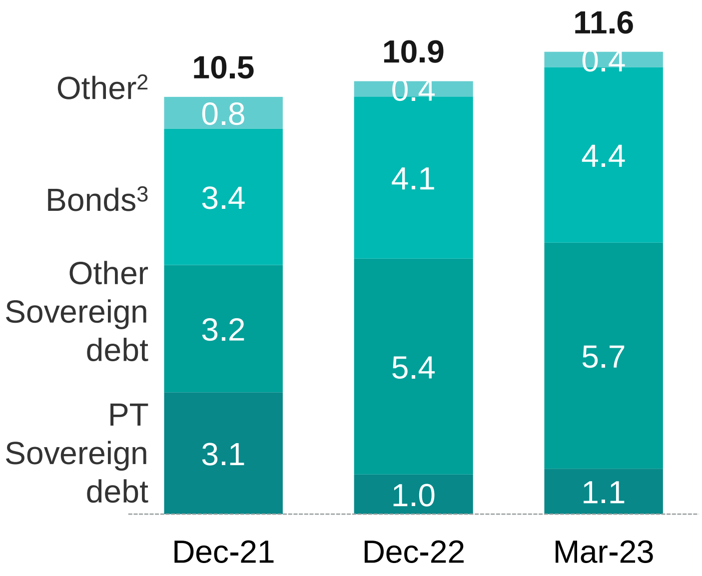
RE: breakdown
(€million;%)



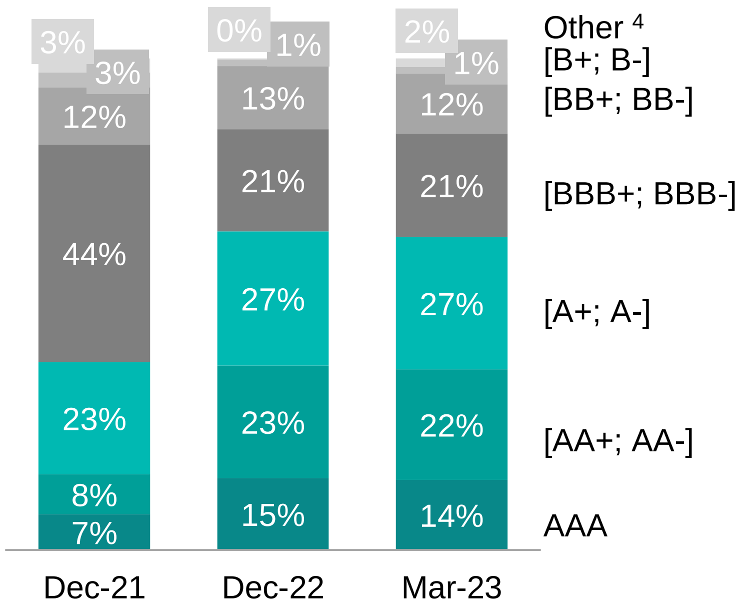
Coverage is supported by a robust appraisal policy, individual asset reviews, market pricing (bids received) and yield performance.

Conservative €11.6bn securities portfolio with HQLA[1] representing ~70%

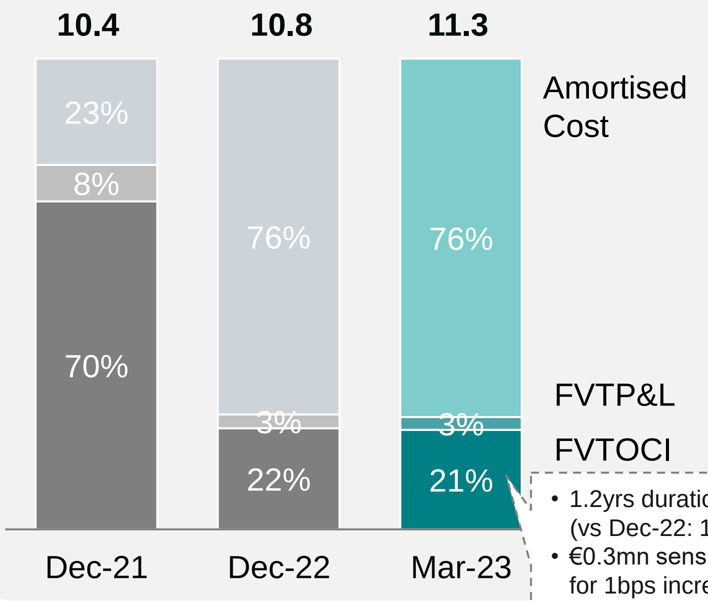
Securities Portfolio: Breakdown
(€bn)



Securities Portfolio: Ratings[4]
(€bn)



Banking Book
(excludes trading book; €bn; %)



- 1.2yrs duration (vs Dec-22: 1.4yrs)
- €0.3mn sensitivity for 1bps increase in interest rates (before hedges; Dec-22: €0.3mn);

Portfolio with an average yield of 2.28%, of which ~40% floating and with ~2.4 duration (both after hedges).
Amortised Cost book with €214mn[5] unrealised MtM losses, equivalent to a marginal impact in CET1 from a full liquidation.

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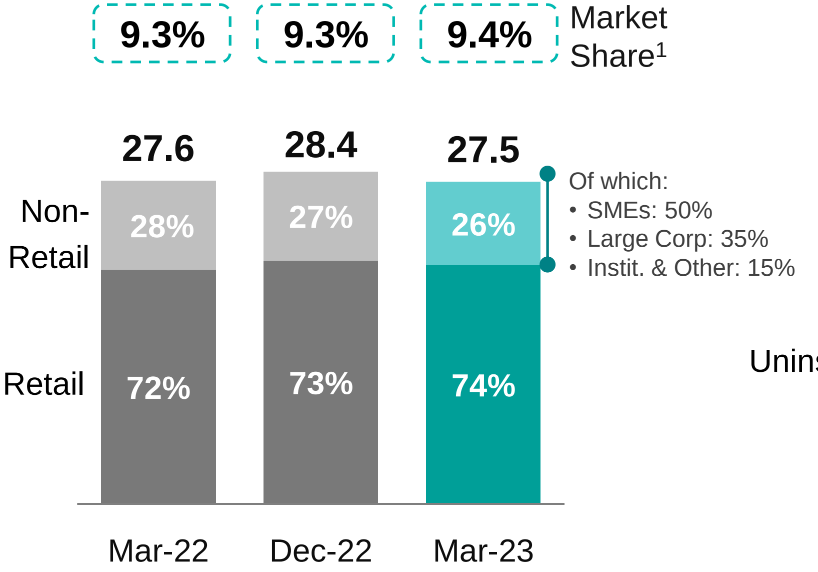
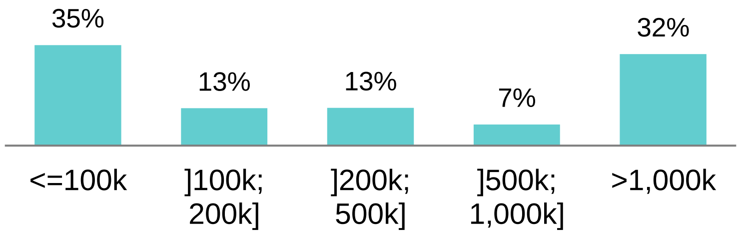
(1) HQLA: High Quality Liquid Assets; (2) Includes Funds and Equity Holdings; (3) Includes Corporate Debt and Supra; (4) Breakdown excludes Funds and Equity Holding and Commercial Paper; Considers S&P Rating and novobanco internal rating if S&P not available; Graph includes Other of 0.4% classified by novobanco as Defaulted; (5) Net of statutory tax and hedges

4 Increasing market share in customer deposits with shift of customer funds towards government saving products in 1Q23

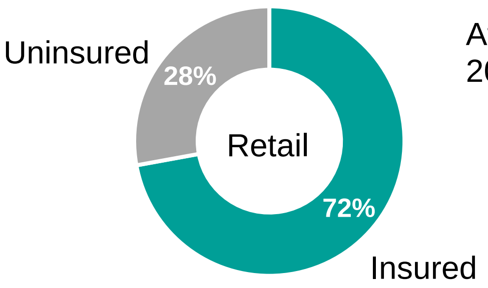
Deposits Breakdown by Customer
(€bn; %)



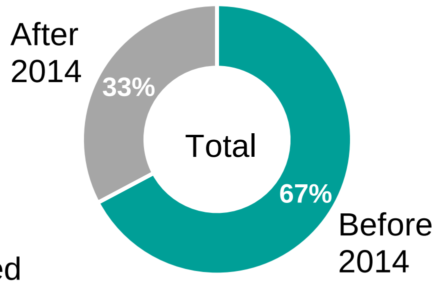
Client Size Deposit Distribution
(€k; %)



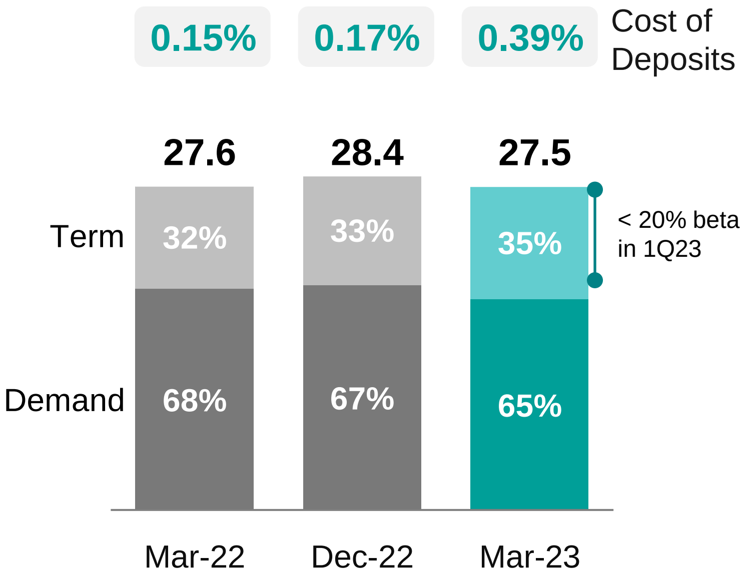
Public Guarantee
(€bn)



Loyal customer base
(# of active clients)



Deposits Breakdown by Type
(€bn; %)

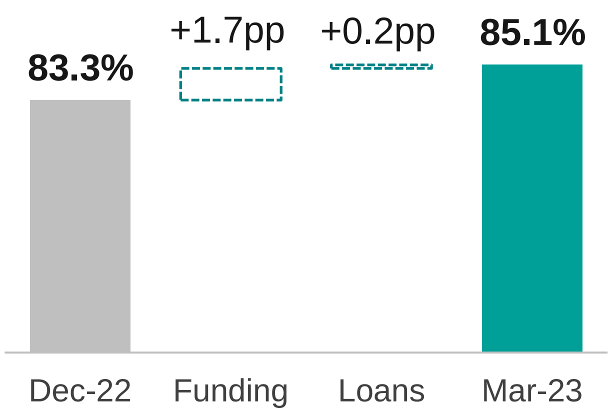


Despite the lower YTD deposits volume, novobanco' deposit market share increased from 9.3% in Dec/22 to 9.4% in Feb/23. Most recent Apr/23 month-on-month figures showing positive performance.

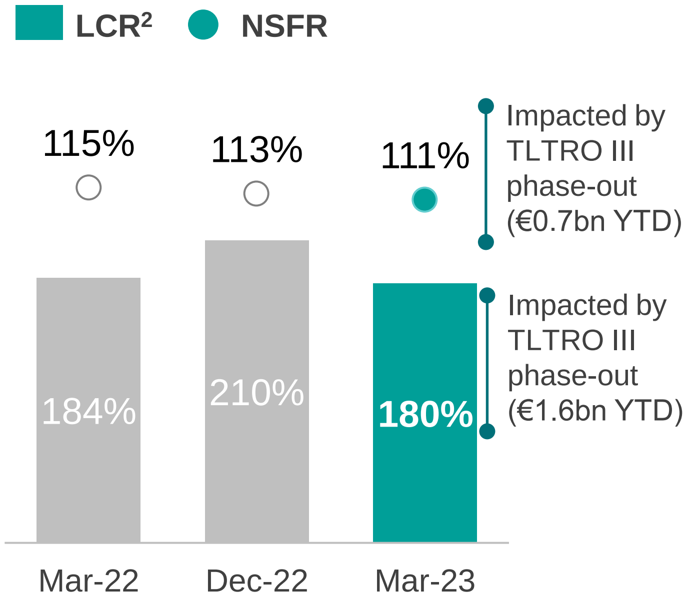
(1) Source: novobanco analysis using Bank of Portugal public information; using most recent available information as of February 2023.

4 Stable deposit base supporting strong liquidity position…

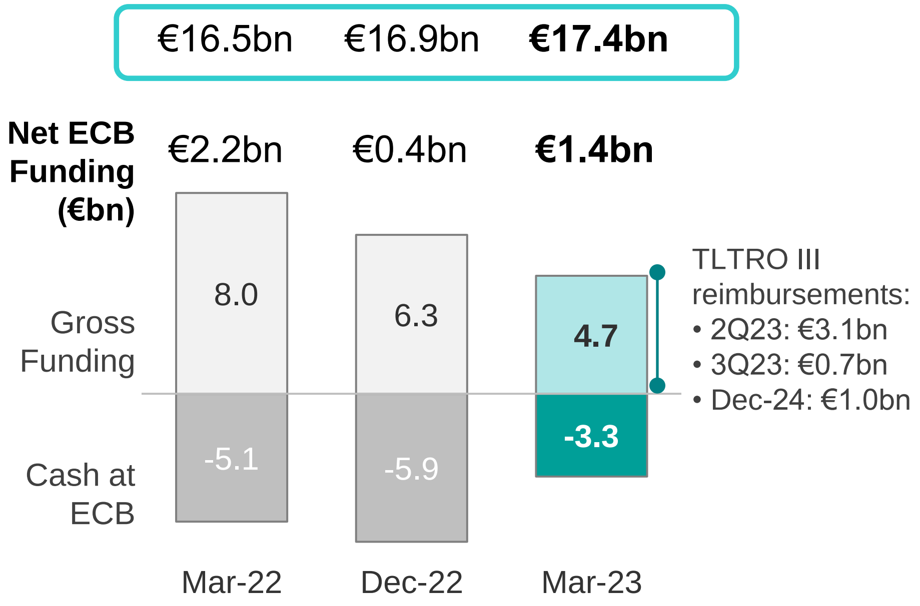
Loan to Deposit Ratio[1] (%)



Liquidity Ratios (%)



Eligible Assets at the ECB[3] (€bn)



…as well as cash at Central Banks and ECB eligible collateral (liquidity buffer of €13.2bn as of Mar/23).

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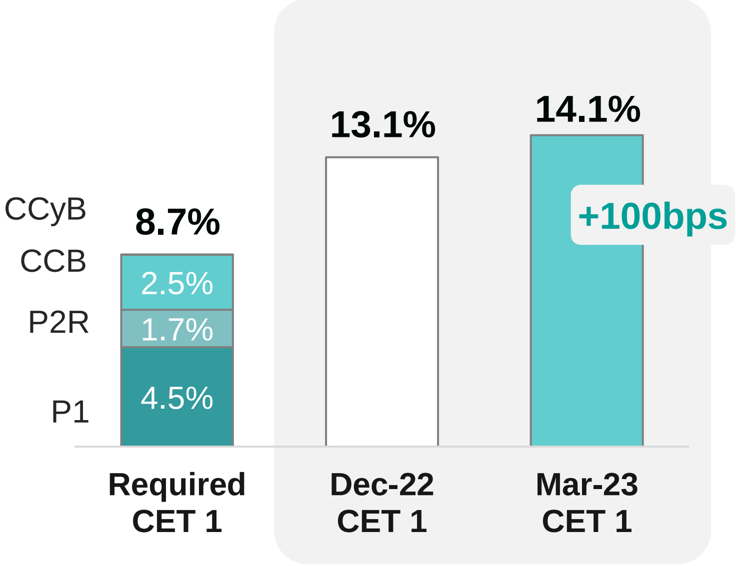
(1) LtD ratio as per BdP definition (see glossary – annex for further detail); (2) LCR stands for Liquidity Coverage Ratio; NSFR stands for Net Stable Funding Ratio; (3) Net of haircut

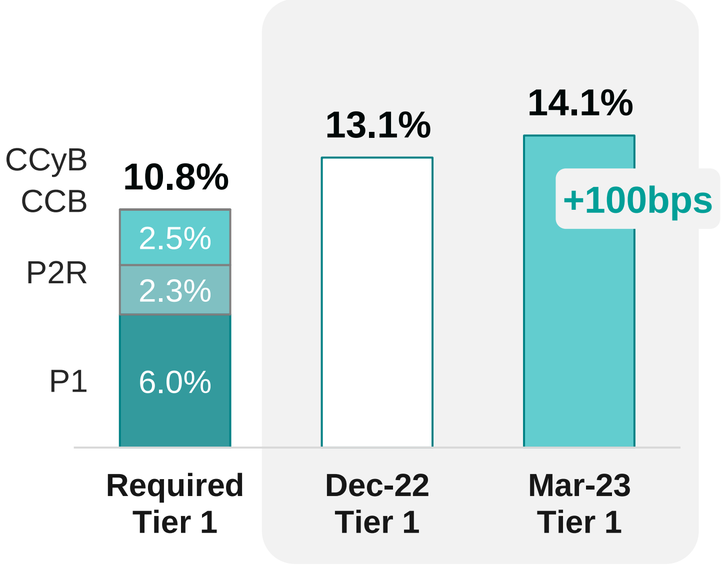
5

100bps of organic capital generation in the quarter reflects the capital accretive business model…

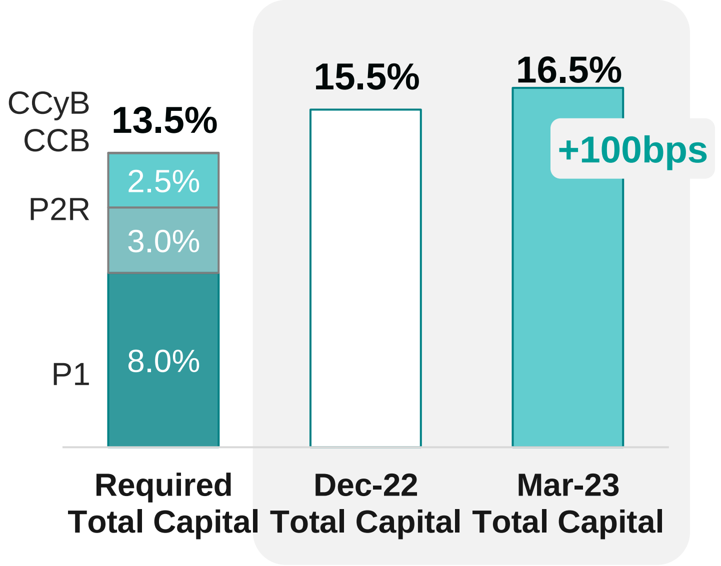
CET 1
(fully loaded[1]; %)



Tier 1
(fully loaded[1]; %)



Total Capital
(fully loaded[1]; %)



	CET 1 Dec-22	CET 1 Mar-23	Tier 1 Dec-22	Tier 1 Mar-23	Total Capital Dec-22	Total Capital Mar-23
Phased-in	13.7%	14.3%	13.7%	14.3%	16.0%	16.6%

…with solid top-line performance and disciplined capital allocation.

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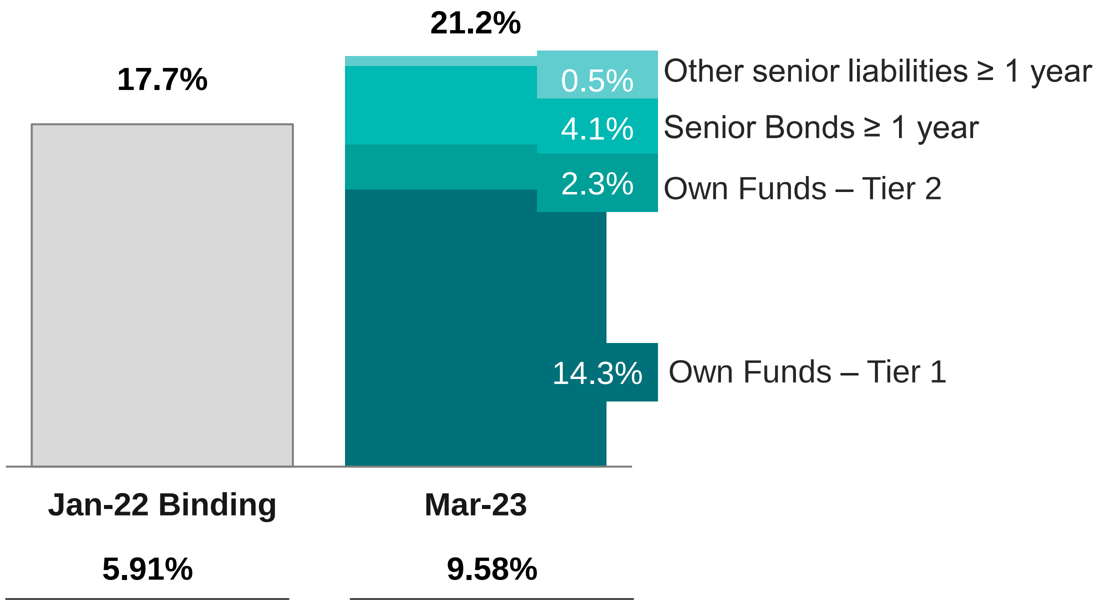
(1) The inclusion of positive results depends on an authorization from the ECB;

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

MREL requirements:
(BdP notification of May 2022; %)

	Jan-22	Jan-26
TREA[1]	14.64%	23.16%
Combined Buffer	2.52%	n.a.[2]
O-SII (LSF Nani)	0.50%	n.a.[2]
Total	**17.66%**	**23.16% + Buffers**
LRE[3]	**5.91%**	**5.91%**

MREL ratio
(% RWA; Preliminary)



- **Organic capital generation and balance sheet optimisation expected to satisfy MREL (interim) needs in 2023.**
- **No final decision made on Tier 2 refinancing, we continue to monitor the market and assess the tools available for a potential refinance.**

(1) TREA - Total Risk Exposure Amount; (2) As of Jan-26 applicable requirement; (3) LRE - Total Leverage Exposure

AGENDA

Highlights

Financial Results

Income Statement

Balance Sheet

Final Remarks

Final Remarks

Solid domestic and simple business model, with sound client acquisition, delivering increased profitability from top-line performance together with efficiency measures implemented in recent years.

Net Income 12% QoQ growth driven by assets re-pricing, moderate cost of risk and cost control.

Strong organic capital generation business model (1Q23: +100bps) aligned **with stable funding and liquidity position** based on a stable deposit base focused on granular retail clients.

A successful recovering story recognized with 5 notches rating upgrade[1] in less than 12 months.

On track to deliver 2023 guidance, with consistent execution of its strategy aiming to achieve investment grade rating in the medium-term.

(1) Moodys upgraded novobanco senior bonds by 2 notches in Jun/22 and by 3 notches in Apr/23

ANNEX

Successful restructuring period with consistent strategy delivering increased profitability ad strong organic capital generation

Restructure
2017-2020

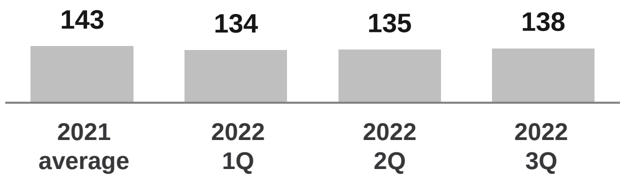
- Sale of Novo Banco to Lone Star
- Deep operational and balance sheet restructuring
- Exit from all international operations, with refocusing on financing Portuguese corporates and households
- Completion of balance sheet clean-up as at Dec-20 – subsequent disposals of non-core assets being capital accretive

	2017	2022	%Δ
NPL ratio	30.5%	4.3%	**-26p.p**
REOs	€2.5bn	€0.6bn	**-75%**
Branches	473	292	**-38%**
FTE	5,488	4,090	**-25%**

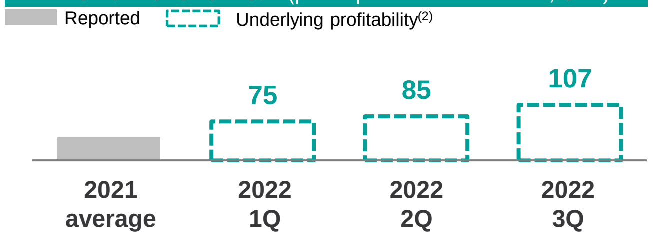
Renovation & Transformation
2021-2022

- Return to profitability (8 consecutive quarters of profits)
- Returning to normalised cost of risk <50 bps
- Strengthening capital position. Fully loaded CET1 up to 13.1% from 10.1% in 2021

Net Interest Income (€mn)



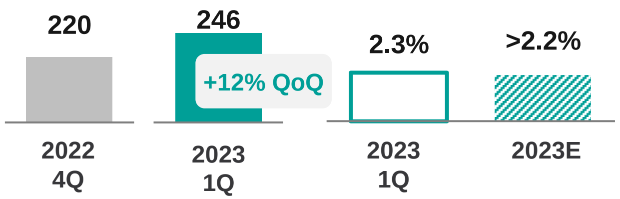
Profit Before Tax (post Special Tax on Banks; €mn)



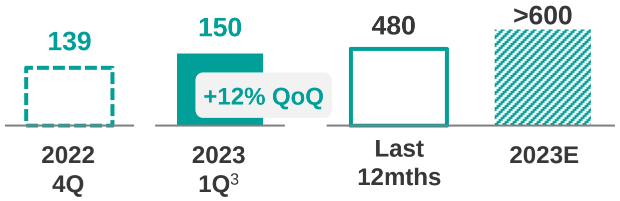
Relaunch
4Q22 and beyond

- Significant top-line growth with NII +12% QoQ and NIM already above 2023E guidance
- Attractive levels of profitability leading to strong capital generation quarter by quarter: 1Q23: €150mn PBT[1]; +100bps CET1

Net Interest Income and Margin (€mn, %)



Profit Before Tax (post Special Tax on Banks; €mn)



(1) Profit Before Tax post Special Tax on Banks; (2) Underlying profitability is adjusted for one-off opex (including intangibles write-down), real estate tax provision, real estate gains, non-recurrent market results, and pro-rata allocation of special tax on banks and contributions to the Resolution Funds; (3) Profit before tax post special tax on banks

2023 outlook set to deliver the next stage of novobanco´s development, competing as a strong and independent domestic Bank

Guidance update supported by:

SOUND COMMERCIAL ACTIVITY
backed by improved customer experience, including implementation of an omnichannel structure on the retail side, a sectorial approach for corporates, enhanced clients' journey and improved know your customer tools and time-to-market

LOAN BOOK REPRICING
at current interest rate scenario

STRICT COST CONTROL
with impact from inflation mitigated by continued implementation of efficiency measures

DE-RISKING STRATEGY
with strong and reinforced coverage levels

2023 guidance[1]

NET INTEREST MARGIN →	**> 2.20%** *Assuming 2.7% DFR; 20-30% deposits beta*
COST-TO-INCOME →	**< 40%**
CoR (bps) →	**~ 50 bp**
NPL RATIO →	**< 4.5%**
RECURRENT PBT →	**> €600mm**
CAPITAL GENERATION →	**> 2.5% of RWAs** *(FL basis)*
CET1 →	**Medium-term target of c. 12%** *Implying €2.6bn CET 1 capital in 2023E*
FUNDING →	**Organic capital generation and balance sheet optimisation expected to satisfy MREL capital needs in 2023**. *New market issuance subject to novobanco's improved credit quality being reflected in tighter credit spreads and/or in context of optimising capital structure.*

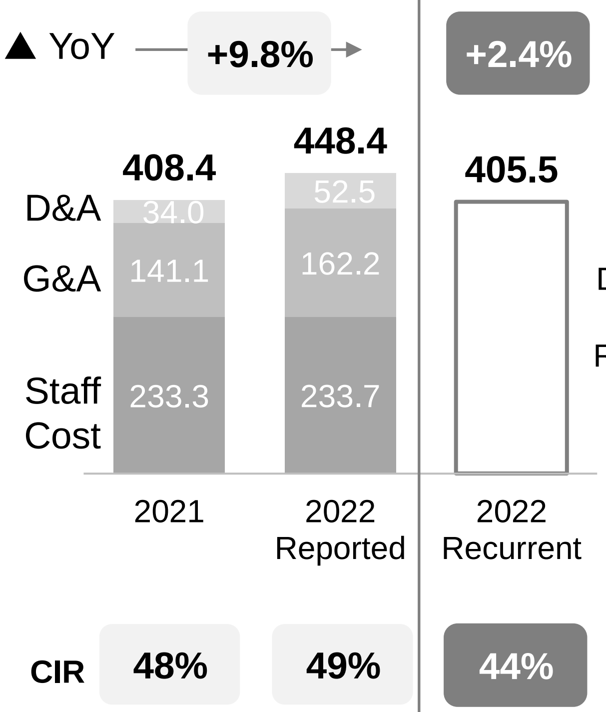
(1) Guidance and expectations are based on the assumption that there is no severe deterioration of the economic environment

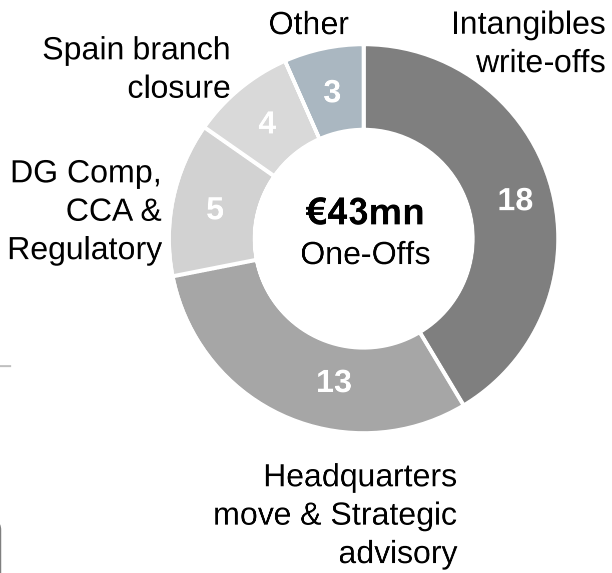
Income Statement – Quarterly data

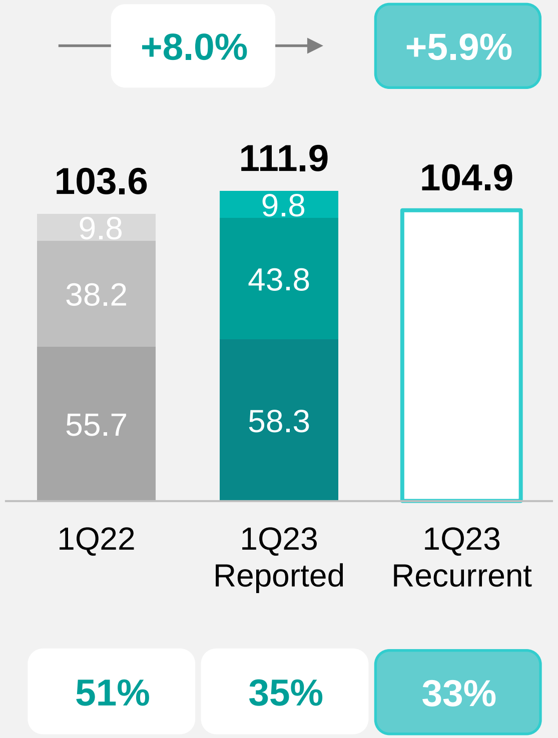
(€ million)	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	▲ €mn QoQ	▲ % QoQ
Net Interest Income	143.5	140.9	143.2	133.5	134.5	137.9	219.5	246.3	+26.8	+12%
Fees and Commissions	72.8	72.3	74.6	68.8	75.6	71.3	77.6	68.9	(8.7)	(11%)
Commercial Banking Income	**216.3**	**213.2**	**217.9**	**202.3**	**210.1**	**209.2**	**297.2**	**315.3**	**+18.1**	**+6%**
Capital Markets Results	40.5	(59.7)	42.2	91.4	(5.6)	(17.6)	(44.2)	5.8	+50.0	+113%
Other Operating Results	(41.3)	30.3	39.2	16.7	56.5	88.0	22.3	2.4	(19.9)	(89%)
Banking Income	**215.5**	**183.9**	**299.3**	**310.4**	**261.0**	**279.6**	**275.3**	**323.5**	**+48.2**	**+18%**
Operating Costs	101.4	101.6	102.6	103.6	105.1	105.5	134.1	111.9	(22.2)	(17%)
Staff Costs	58.9	57.9	57.8	55.7	56.1	57.9	63.9	58.3	(5.7)	(9%)
General and Administrative Costs	34.2	35.1	35.8	38.2	39.2	37.7	47.1	43.8	(3.3)	(7%)
Depreciation	8.2	8.6	9.0	9.8	9.8	9.9	23.1	9.8	(13.3)	(58%)
Net Operating Income	**114.1**	**82.3**	**196.6**	**206.8**	**155.9**	**174.1**	**141.1**	**211.6**	**+70.4**	**+50%**
Net Impairments and Provisions	27.4	70.4	**193.1**	21.8	(2.0)	2.7	**88.7**	27.7	(61.0)	(69%)
Credit	29.8	30.3	34.4	14.3	5.0	20.2	(5.0)	26.0	+31.0	+623%
Securities	15.1	1.4	30.4	11.1	30.6	2.4	23.6	3.9	(19.7)	(83%)
Other Assets and Contingencies	(17.5)	38.7	128.4	(3.6)	(37.6)	(19.9)	70.1	(2.2)	(72.3)	(103%)
Income before Taxes	**86.7**	**11.9**	**3.5**	**185.0**	**157.9**	**171.4**	**52.4**	**183.9**	**+131.5**	**+251%**
Corporate Income Tax	16.9	(8.1)	(28.2)	7.4	11.6	8.9	(81.1)	0.7	+81.9	-
Special Tax on Banks	1.5	0.0	(0.1)	34.1	-	-	0.0	34.1	+34.1	-
Income after Taxes	**68.4**	**20.0**	**31.8**	**143.5**	**146.4**	**162.5**	**133.6**	**149.0**	**+15.5**	**+12%**
Non-Controlling Interests	1.4	3.6	1.4	0.9	22.3	0.9	1.1	0.7	(0.4)	(36%)
Net Income for the period	**67.0**	**16.4**	**30.4**	**142.7**	**124.0**	**161.6**	**132.5**	**148.4**	**+15.9**	**+12%**

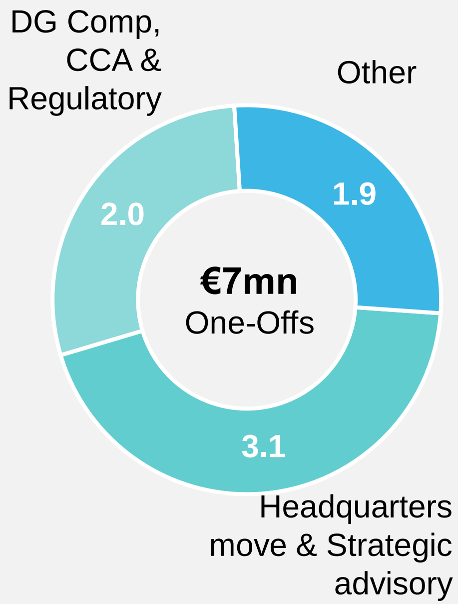
Strict cost control with impact from inflation mitigated by continued implementation of efficiency measures

Operating Costs
(%; €mn)









Balance Sheet

(€ thousands)	***Dec-22***	***Mar-23***
Cash, cash balances at central Banks and other demand deposits	6,599,078	3,766,085
Financial assets held for trading	171,810	418,412
Financial assets mandatorily at fair value through profit or loss	313,702	309,690
Financial assets designated at fair value through profit or loss	13	201
Financial assets at fair value through profit or loss, or through other comprehensive income	2,331,099	2,391,451
Financial assets at amortised cost	32,777,693	33,286,194
Debt securities	8,183,209	8,604,122
Loans and advances to credit institutions	43,548	73,799
Loans and advances to customers	24,550,936	24,608,273
Derivatives – Hedge accounting	562,845	579,548
Fair value changes to the hedged items in portfolio hedge of interest rate risk	-383,689	-340,380
Investments in subsidiaries, joint ventures and associates	119,744	118,725
Tangible assets	798,831	800,859
Tangible fixed assets	299,264	308,597
Investment properties	499,567	492,262
Intangible assets	69,832	70,050
Tax assets	956,000	955,331
Current tax assets	32,570	32,432
Deferred tax assets	923,430	922,899
Other assets	1,618,484	1,428,421
Non-current assets and disposal groups classified as held for sale	59,587	58,522
Total Assets	**45,995,029**	**43,843,109**

	Dec-22	***Mar-23***
Financial liabilities held for trading	99,386	104,088
Financial liabilities measured at amortised cost	40,987,177	38,649,645
Due to Banks	9,705,154	8,004,138
Due to customers	29,277,858	28,658,023
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,628,897	1,590,210
Other financial liabilities	375,268	397,274
Derivatives – Hedge accounting	119,578	108,289
Provisions	413,432	407,605
Tax liabilities	8,427	13,364
Current tax liabilities	7,582	12,519
Deferred tax liabilities	845	845
Other liabilities	839,919	848,035
Liabilities included in disposal groups classified as held for sale	15,492	14,777
Total Liabilities	**42,483,411**	**40,145,803**

Capital	6,304,661	6,304,661
Other comprehensive income – accumulated	-1,234,573	-1,197,101
Retained earnings	-8,577,074	-8,123,244
Other reserves	6,439,418	6,545,268
Profit or loss attributable to parent company shareholders	560,842	148,355
Minority interests (Non-controlling interests)	18,344	19,367
Total Equity	**3,511,618**	**3,697,306**
Total Liabilities and Equity	**45,995,029**	**43,843,109**

Customer loans

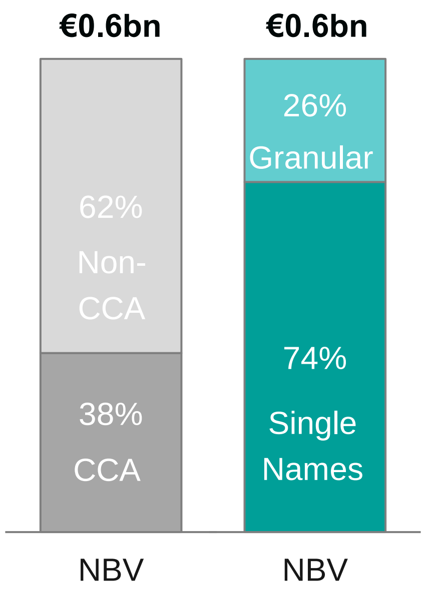
€mn	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	YTD ▲ Consolidated	
						€mn	%
Customer Loans (net)	**24 010**	**24 304**	**24 585**	**24 551**	**24 608**	57	0.2%
Customer Loans (gross)	**25 246**	**25 541**	**25 823**	**25 617**	**25 656**	39	0.2%
Corporate	14 036	14 268	14 524	14 244	14 252	7	0.1%
Residential Mortgage	9 794	9 833	9 918	9 978	9 984	6	0.1%
Consumer finance and other	1 416	1 440	1 381	1 395	1 421	26	1.8%
Non-Performing Loans (NPL)*	**1 746**	**1 695**	**1 605**	**1 376**	**1 289**	- 87	-6.4%
Impairment **	**1 236**	**1 237**	**1 238**	**1 066**	**1 048**	- 19	-1.7%
NPL Ratio*	**5.7%**	**5.4%**	**5.0%**	**4.3%**	**4.4%**	0.1p.p.	
NPL coverage*	**70.8%**	**73.0%**	**77.2%**	**77.5%**	**81.3%**	3.8p.p.	

* Includes Deposits and Loans and advances to Banks and Customer Loans

** Includes impairment for Customer Loans and to Banks

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

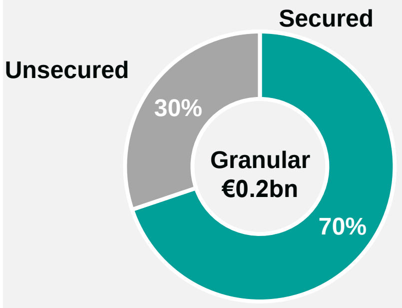
Total Stage 3 Loans
(Mar-23; %)

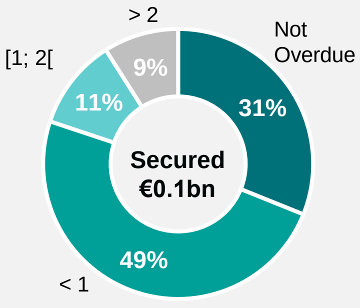


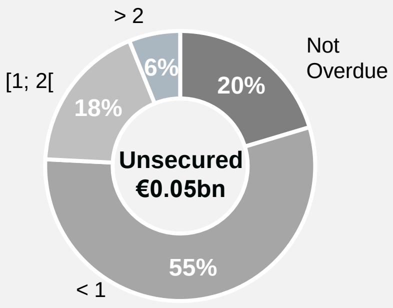
GBV	€1.3bn
% Coverage Ratio[1]	56%

Granular

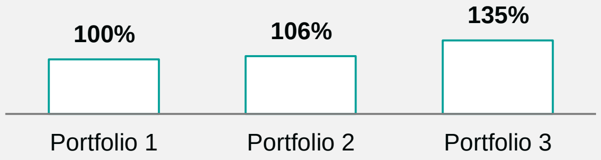
Overdue Vintage (years)







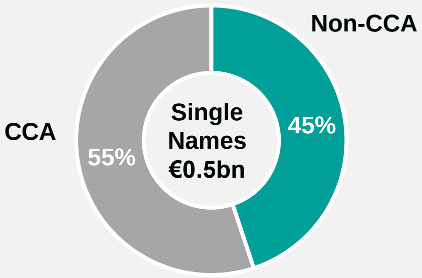
Recent granular portfolio sales Price as % NBV



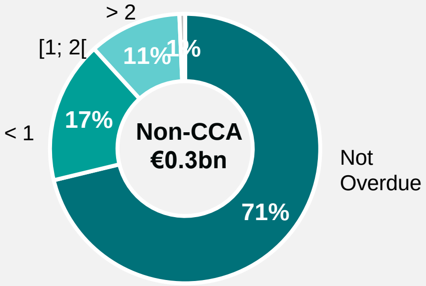
Signed perimeters, which included NPLs with older vintages, show that Stage 3 exposures are provisioned in line with market value

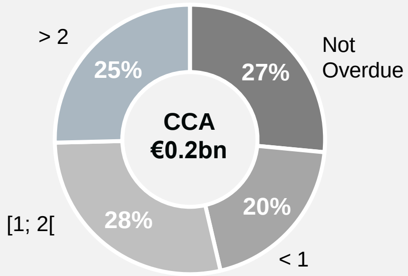
Single Names

Overdue Vintage (years)



Harvey portfolio (~9% of the portfolio) was signed in 2022 at premium to book value, reinforcing that Stage 3 exposures are provisioned in accordance with market expectations.





(1) Specific impairments and backstop

Real Estate – High quality plots

#1

Project located in the heart of Lisbon and close to various offices.

The project will include:

- Residential building with retail units
- Office building with retail units
- Common areas in an exterior garden

#2

Located in the most modern area in Lisbon. The project is for residential and office units, being in a dynamic and consolidated area. Includes:

- Co-living units
- Office units
- Retail units

#3

Project located in the wealthiest municipality in Portugal, near major office parks in the country.

This upscale residential project offers 2 different concepts, allowing great flexibility: 1 pure traditional residential scheme and 1 touristic apartments scheme, enabling Co-living, buy-to-rent or alternative sub-uses.

#4

Project located in a unique touristic destination in Algarve. Includes:

- High end luxury Hotel
- Townhouses
- Branded residences
- 5 Villas

#5

The project is located in Algarve, a major touristic destination, and close to the main beaches in the region.

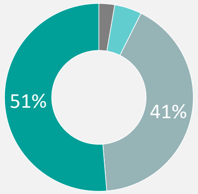
The concept includes:

- Residential units
- Touristic apartments
- Hotel

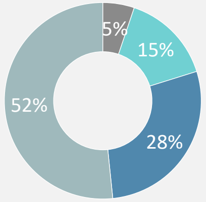
Key metrics:

#1	#2	#3	#4	#5
133,168 sqm Total GCA	**89,311 sqm** Total GCA	**81,988 sqm** Total GCA	**68,025 sqm** Total GCA	**115,506 sqm** Total GCA
570 Residential Units	**46k sqm** Office units	**11** Number of Plots	**386 / 242** Residences / Townhouses	**613 / 652** Apartments / Residences
	494 Co-living units	**1 047** Units	**150 rooms** Hotel	**153 rooms** Hotel

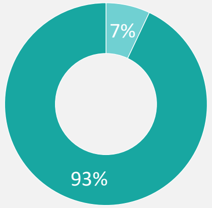
Areas (sqm):



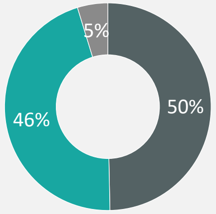
Residential: 68k
Office: 55k
Retail: 6k
Equipment: 4k



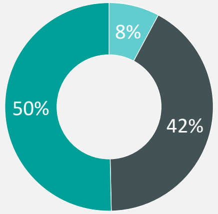
Office: 45k
Co-living: 25k
Retail: 15k
Equipment: 5k



Residential: 79k
Retail: 3k



Residential: 31k
Townhouses: 16k
Hotel: 15k
Villas: 2.5k
Amenities: 3k



Residential: 58k
Touristic ap: 39k
Hotel: 10k
Retail: 9k

Recent similar transactions:

Year	Comparable Asset	Location	Use	GCA (sqm)	€/sqm
Prime Lisbon					
2019	Project #1	Lisbon	Mix-use	80,000	900-1,000
2018	Project #1	Lisbon	Mix-use	180,000	1,500-1,600
2021	Project #1	Lisbon	Residential	15,000	1,400-1,500
2020	Project #1	Lisbon	Office	40,000	1,300-1,400

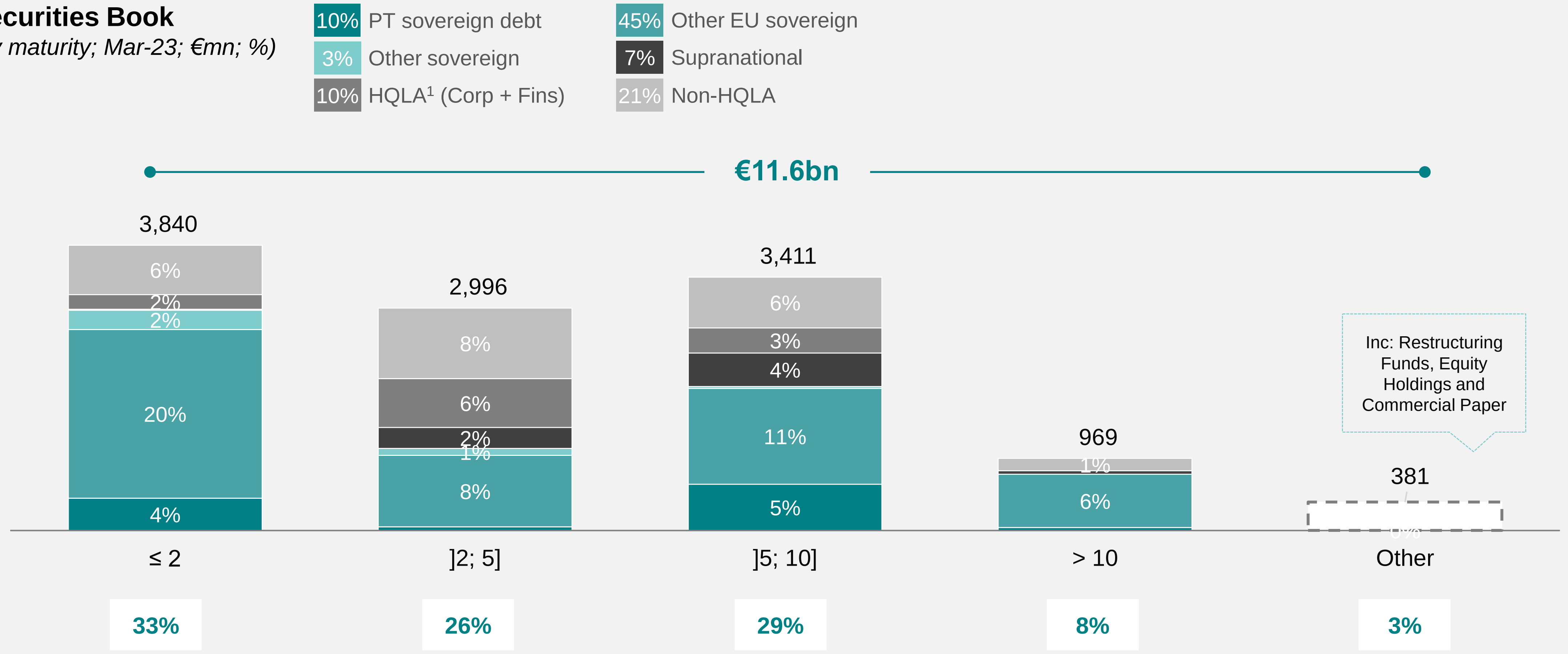
Year	Comparable Asset	Location	Use	GCA (sqm)	€/sqm
Lisbon - Other					
n.d.	Project #2	Oeiras	Residential & Retail	108,000	300-400
n.d.	Project #2	Lisboa	Residential	n.a.	550-650
2020	Project #2	Oeiras	Residential	60,000	500-600
2019	Project #3	Lisboa	Mix-use	120,000	250-350
2019	Project #2	Oeiras	Residential	6,587	750-850

Year	Comparable Asset	Location	Use	GCA (sqm)	€/sqm
Prime Algarve					
n.d.	Project #4/5	Algarve	Residential	115,000	750-850
2022	Project #4/5	Algarve	Hotel	6,800	900-1,000

Note: GCA – Gross Construction Area

Investment portfolio

Securities Book
(by maturity; Mar-23; €mn; %)

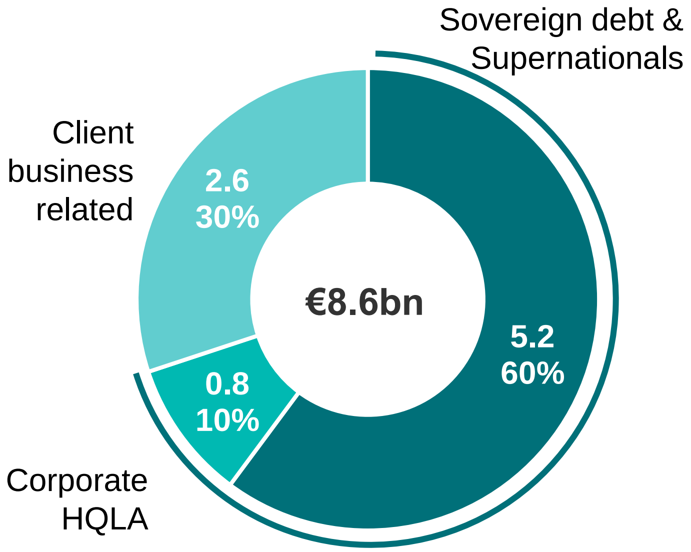


(1) HQLA: High Quality Liquid Assets

Conservative risk management with limited unrealized losses in the amortised cost securities portfolio…

Amortized Cost Portfolio

(March 2023; €bn; %)



Liquidation of securities portfolio at Amortised Cost

Conservative risk management translates in a very limited net unrealised MtM loss in the AC book with 44% of ALCO portfolio hedged

P&L impact	€mn
Net Book Value	8,604
Market Value	8,103
Unrealised Mark to Market	(501)
Fair Value Hedging Derivatives MtM	191
P&L impact (profit after tax)[1]	**(212)**

Full liquidation of the book would result in a marginal CET1 ratio phased-in impact.

Capital impact	
CET 1 ratio *fully-loaded*	**14.1%**
CET 1 ratio *fully-loaded* pro-forma liquidation	**14.0%**
Impact on CET 1 ratio (bps)	**(14)**

…and very granular and stable deposits base (c.74% retail clients; c.67% customers prior to 2014 resolution).

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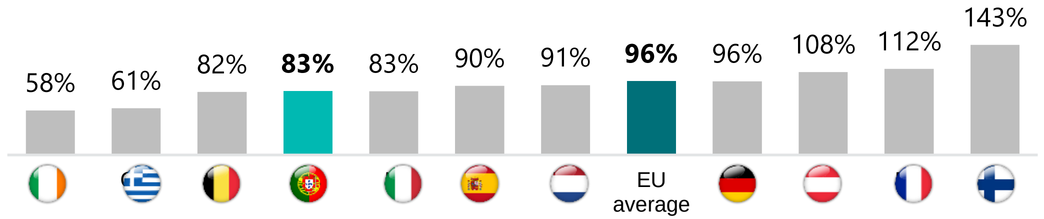
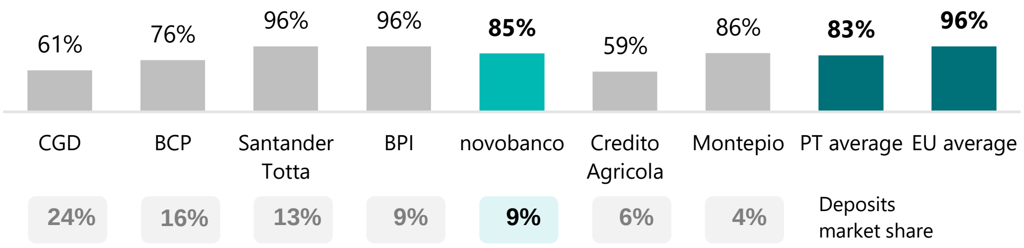
Note: novobanco analysis with reference to 13-March-2023; (1) assumes 31.5% statutory tax rate;

Overview of Portuguese deposit market in European context

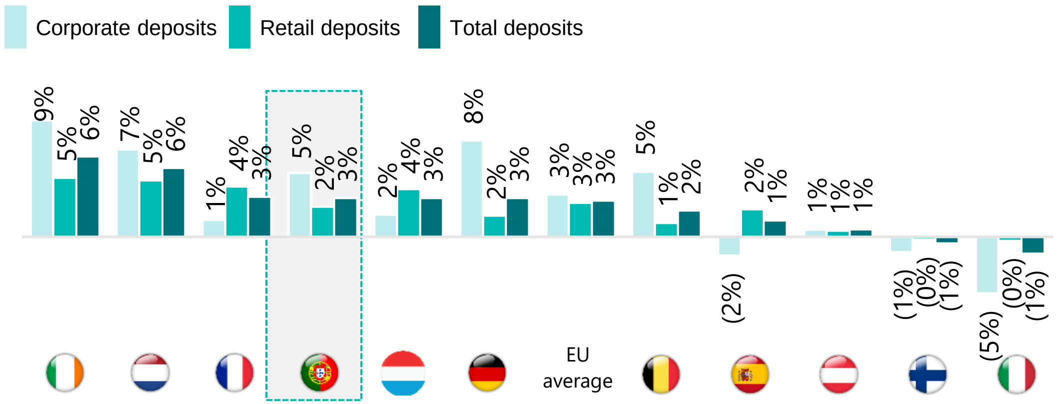
Loan to deposit ratio: PT vs. EU peers (2022)



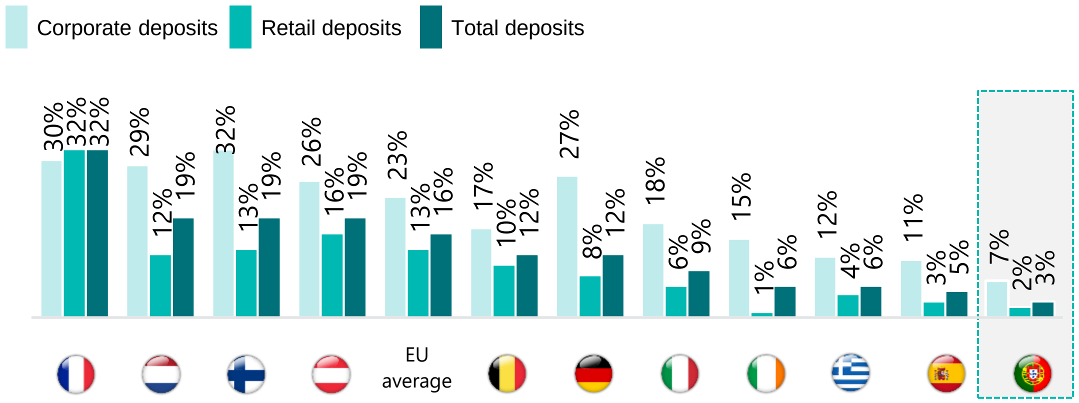
Loan to deposit ratio: novobanco vs portuguese peers (2022[1])



Customer deposits YoY growth (Feb-23)



Blended deposit beta (Feb-23)[2]



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Source: Company information, Research analysis, ECB, Associação Portuguesa de Bancos; (1) novobanco LTD ratio as of Mar-23; (2) 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 Feb-23

Bonds outstanding and MREL eligibility

€mn; Mar-23

Description	ISIN	Currency	Outstanding Notional Value	Issue Date	Book Value[1]	Maturity	MREL
Senior							
NB 3.5% 23/07/24 OBRG.	PTNOBIOM0014	EUR	300	Jul-21	307	Jul-24	Y
NB 4.25% 09/23 OBRG.	PTNOBJOM0005	EUR	275	Dec-21	276	Sep-23	N
NB 5.5% 30/12/24 OBRG.	PTNOBKOM0002	EUR	100	Dec-22	101	Dec-24	Y
BES Luxembourg 3.5% 02/01/43	XS0869315241	EUR	64	Jan-13	42	Jan-43	Y
BES Luxembourg 3.5% 23/01/43	XS0877741479	EUR	131	Jan-13	96	Jan-43	Y
BES Luxembourg 3.5% 19/02/2043	XS0888530911	EUR	97	Feb-13	62	Feb-43	Y
BES Luxembourg 3.5% 18/03/2043	XS0897950878	EUR	70	Mar-13	46	Mar-43	Y
BES Luxembourg ZC	XS0972653132	EUR	185	Oct-13	36	Oct-48	Y
Banco Esp San Lux ZC 12/02/49	XS1031115014	EUR	245	Feb-14	44	Feb-49	Y
Banco Esp San Lux ZC 19/02/49	XS1034421419	EUR	69	Feb-14	12	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	41	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
EMTN 57	XS0439764191	EUR	8	Jul-09	2	Jul-44	N
Total (Senior)			**2,249**		**1,142**		
Subordinated							
NB 06/07/2028	PTNOBFOM0017	EUR	400	Jun-18	424	Jul-28	Y
Total (Senior+Subordinated)			**2,649**		**1,566**		

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(1) Book values include accrued interests

Capital ratios

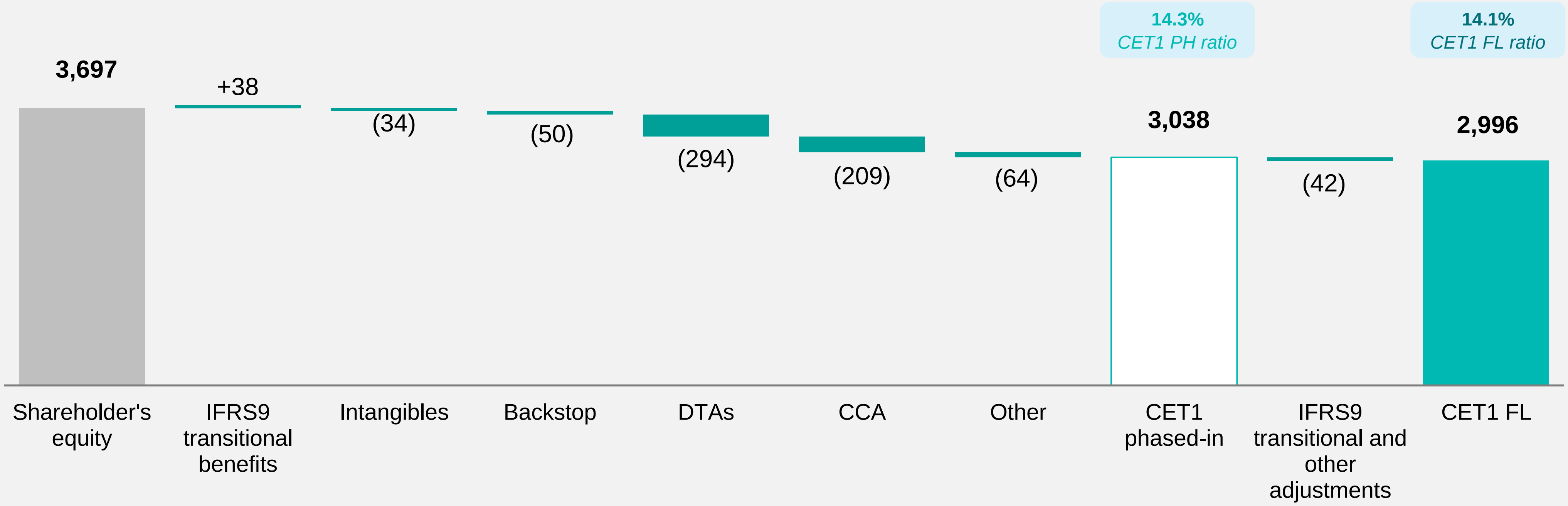
€mn

CAPITAL RATIOS (CRD IV/CRR)		31-Mar-22 *(Phased-in)*	31-Mar-22 *(Fully loaded)*	30-Jun-22 *(Phased-in)*	30-Jun-22 *(Fully loaded)*	30-Sep-22 *(Phased-in)*	30-Sep-22 *(Fully loaded)*	31-Dec-22 *(Phased-in)*	31-Dec-22 *(Fully loaded)*	31-Mar-23 *(Phased-in)*	31-Mar-23 *(Fully loaded)*
Risk Weighted Assets	(A)	23 761	23 622	23 058	22 914	22,848	22,695	21 355	21 233	21,241	21,205
Own Funds											
Common Equity Tier 1	(B)	2 571	2 419	2 711	2 558	2,906	2,746	2 927	2 787	3,038	2,996
Tier 1	(C)	2 572	2 420	2 712	2 559	2,908	2,747	2 928	2 789	3,039	2,998
Total Own Funds	(D)	3 076	2 925	3 214	3 061	3,409	3,248	3 418	3 279	3,530	3,489
Common Equity Tier 1 Ratio	(B/A)	10.8%	10.2%	11.8%	11.2%	12.7%	12.1%	13.7%	13.1%	14.3%	14.1%
Tier 1 Ratio	(C/A)	10.8%	10.2%	11.8%	11.2%	12.7%	12.1%	13.7%	13.1%	14.3%	14.1%
Solvency Ratio	(D/A)	12.9%	12.4%	13.9%	13.4%	14.9%	14.3%	16.0%	15.5%	16.6%	16.5%
Leverage Ratio		5.5%	5.2%	5.7%	5.4%	5.9%	5.6%	6.1%	5.8%	6.5%	6.4%

novobanco has built a strong regulatory capital position, 14.1% CET1 FL ratio, increasing by c.100bps in the quarter

CET1 build-up from shareholder's equity

(March 2023, €mn; provisional)



Deferred Tax Assets

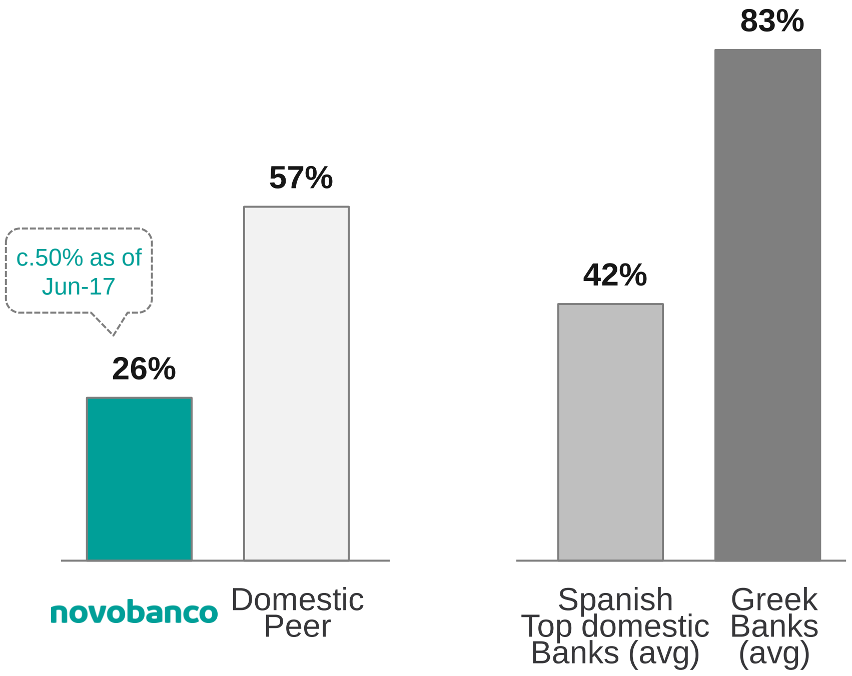
Overview of Deferred Tax Assets

(€ millions)	Dec-22	Mar-23	*Of which in CET 1*
Total DTAs on Balance Sheet	**922**	**923**	***629***
Timing-Difference DTAs – under Special Regime[(1)]	295	295	*295*
Timing-Difference DTAs – other	564	558	*334*
Tax Losses carried forward	64	69	-
Off-Balance Sheet	**1 651**	**1 687**	**-**
Timing-Difference DTAs	239	239	-
Tax Losses carried forward	1 412	1 448	-

- Tax losses carried forward are recognised to the extent they are expected to be recovered with future taxable income;
- novobanco conservatively assesses the recoverability of tax losses carried forward considering its projected taxable income over a 5 year period, assuming average of base case and stressed cases of the business plan;
- DTAs under Special Regime: YoY change reflects tax audit correction related to 2018 and 2019.

Deferred Tax Assets as % of Equity[2]

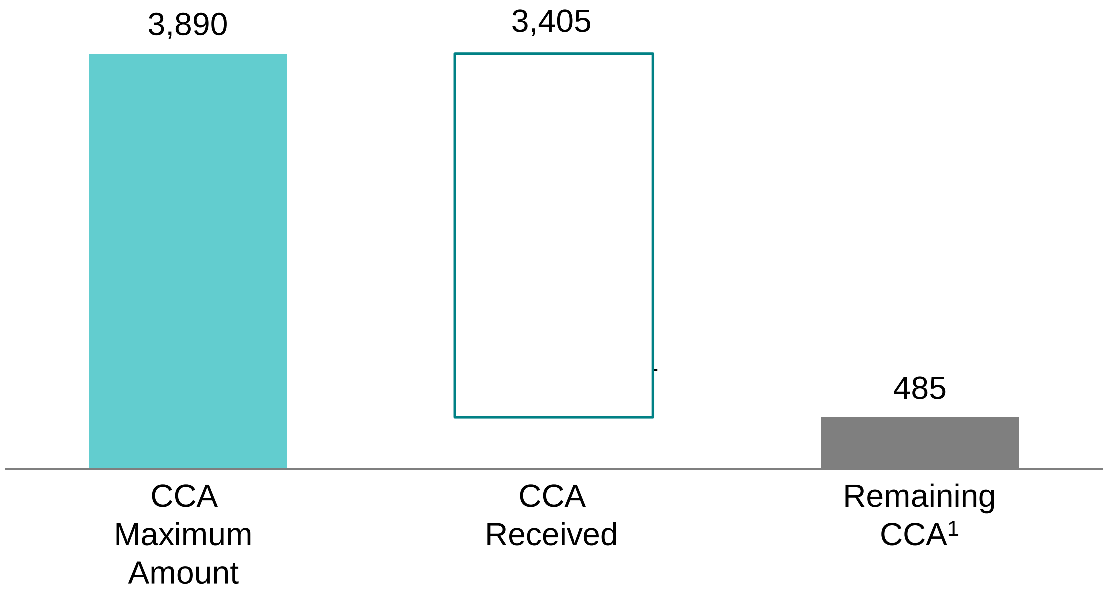
novobanco vs listed Banks and average by market



(1) Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014, of August 26; (2) Novobanco analysis; average data considers 2022 available information; Spanish Banks includes Caixabank, Bankinter, Unicaja and Sabadell; Greek banks includes NBG, Eurobank, Alpha Bank and Piraeus Bank

CCA: €485mn available

CCA - Contingent Capital Agreement Compensation amounts
(€ million)



- As agreed in Oct-2017, at sale process of novobanco, a Contingent Capital Agreement ("CCA") was entered into between the Resolution Fund ("FdR") and the Bank.
- Outstanding divergences between novobanco and the Resolution Fund (amounts not recognized in CET1 capital as of 31 Dec 2022):
    1. IFRS9 treatment
    2. 2020 unpaid CCA Call: €165mn
    3. 2021 unpaid CCA Call: €209mn
- Up to an additional €485mn remains available for losses recognised in a predefined portfolio of assets ("CCA Assets") and other CCA covered losses (the "CCA Losses") in case CET1 ratio decreases below 12%.
- The mechanism is in place until Dec-25 (the "CCA Maturity Date"), which date can be extended, under certain conditions, by one additional year.

(1) Funds not included in Capital Ratios

Ratings

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

Metrics	Based on Moody's report (Jul-22)			New report Apr-23			Based on run-rate 1Q23	
	FY 2021	Raw score	Assigned score	Historical Ratio	Raw Score	Assigned Score	1Q 2023	Raw score
Asset Risk (25%)								
Problem Loans / Gross Loans	9.8%	b1	**b1**	7.3%	ba3	ba3	5.0%	**ba2**
Capital (25%)								
TCE ratio	10.7%	ba2	**b2**	15.4%	a3	ba1	16.1%	**a2**
Profitability (15%)								
Net Income / Tangible Assets	-1.6%	caa3	**b1**	-0.6%	caa2	baa3	1.3%	**baa1**
Funding Structure (20%)								
Market Funds / Tangible Banking Assets	27.4%	ba2	**b1**	25.2%	ba2	ba1	23.1%	**baa3**
Liquid Resources (15%)								
Liquid Banking Assets / Tangible Bank Assets	30.6%	baa1	**ba1**	29.7%	baa2	ba1	25.6%	**baa2**
Aggregate Financial Profile		**ba3**	**b1**		**ba2**	**ba2**		**baa2**
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**		

Solvency (65%)

Liquidity (35%)

2 notches haircut incorporated

1 notches haircut incorporated

+3 notches organic improvement

Indicative unmodified 'initial' BCA score continues to suggest substantial rating upside when using run rate 1Q23 (+4 notches to Investment Grade).

Ratings

Moodys 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	

Our ESG action priorities and medium-term objectives

PILLAR 1: SUSTAINABLE BUSINESS INDIRECT IMPACT ON THE ENVIRONMENT AND CLIMATE

To contribute to a more sustainable economy and socio-economic development by supporting clients on their sustainability journey and integrating ESG principles into investment decisions.

- To promote "green investment", through dedicated products and services, supporting clients in taxonomy-aligned investments;
- To support investment in the Circular Economy, Climate Transition, Renewable Energies, and Low-Carbon Mobility at both corporate and individual level.

PILLAR 2: SOCIAL AND FINANCIAL WELL-BEING

We run our business based on social criteria, promoting the social and financial well-being of our employees while also contributing to the social and financial well-being of our customers and the community we serve

- To promote the development and fulfilment of our employees' potential and their physical and mental well-being;
- To contribute to increasing the digital skills of the population in the day-to-day management of financial services;
- To provide our customers with skills on how to deal with finances in our daily lives and a range of products suited to each family budget.

PILLAR 1: SUSTAINABLE BUSINESS DIRECT IMPACT ON THE ENVIRONMENT AND CLIMATE

To act within an operational model that minimises the direct impact on the environment, reducing consumptions and CO2 emissions.

- To promote the continuous reduction of paper consumption, becoming an increasingly digital bank;
- To reduce electricity consumption and use of renewable energy sources;
- To promote green and sustainable mobility, both through fleet vehicles and available infrastructures, and through travel policies.

PILLAR 3: RESPONSIBLE BANKING

To do banking in a responsible, ethical and transparent manner that maximises long-term financial sustainability and promotes a culture of diversity and inclusion.

- To promote gender equality;
- To respect ESG conduct principles and demand respect for them from suppliers and partners;
- To select our suppliers with a responsible attitude and based on ESG criteria;
- To ensure the integration of ESG risks in the bank's management and performance assessment models.

ESG Strategy I Timeline

4Q 2021
Announcement of novobanco strategic plan & Internal definition of ESG targets

2023
Roll-out of Climate & Environment (C&E) risks into the loan origination framework

2024
Comprehensive assessment of the new methodology's performance

Business Environment:

- Definition of annual goals for green investment, agreed with key business lines and considering potential alignment with EU Taxonomy (conservative approach as compared with current market practices).
- Definition of Key Risk Indicators for physical risk and exposure to relevant sectors that began monitoring in 2022
- Comprehensive sectoral scoring of the portfolio and risk materiality assessment is underway with results in 1Q23

Risk management framework:

- Developments for full integration of C&E risks into the loan origination framework are underway, comprising the development of risk methodologies (top down and bottom-up, incl. ‘rating’), based on which the on-boarding procedures (ie: required data) and decision framework will be adjusted.
- These methodologies will provide an integrated assessment in terms of the client/ transaction risk profile and EU Taxonomy (alignment) classification.
- Implementation schedule: a) 2022YE technical developments concluded; b) 2023E pilot (covering sampled sectors)/ silent-run and roll-out (for remaining key sectors).

Credit Risk:

- Simplified approaches are already in place for pricing (ie: specific credit products have been designed to include ESG criteria broadly consistent with the Taxonomy requirements; promotional pricing allowed in those cases, as they are assessed as better prepared to face the transition risks).
- Once structural developments in terms of the risk methodologies are concluded, novobanco will be able to assess the performance of the classified exposures and, therefore, introduce any change to its pricing policy/ model.
- Methodologies to be deployed during 2023, with 2024 targeted for a comprehensive assessment of the new methodology's performance.

ESG

novobanco 2024 commitments

Group novobanco	ESG	**+ 4.5 p.p.** women in senior leadership positions[11]	**- 18%** GHG emissions (scope 1 and 2)[5]	**+ 50%** low emissions vehicles (electric or hybrid)	**100%** green electricity procurement[15]	
novobanco	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)	**-18%** CO_2 emissions from own operations[5] (ton. vs. 2021)
novobanco	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)	**+ 9,594 hours** from employees volunteering service initiatives[10] (vs. 2021)
novobanco	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 1Q23 achievements

Sustainable Business

- **€415.6mn** Green investment[1] (2022-1Q23 cumulative)
- **-12.2%** Electricity Consumption (YoY)
- **~100%** Of electricity sourced from renewable sources
- **3.7%** Investment products with ESG features (include only funds with article 9)[2]
- **- 1000 kg** Paper consumption (YoY)
- **-7.6%** CO_2 emission (YoY)[3]

Social & Financial Well-being

- **1.9 K** Participations in 5+ program (promoting physical and mental health, well-being and work-life balance for employees launched in June 22)
- **Extra** measures to support employees facing higher interest rates environment
- **€185K** In donations
- **557** Hours volunteered by employees to social and environmental initiatives

Responsible Banking

- **5.5%** Gender pay-gap[4] (vs 6.0% in Jun-22)
- **26.9%** Of women in senior leaders' roles5
- **60.7%** Of suppliers with Sustainability scoring
- **85.6K** Hours of cumulative ESG training to employees

- New partnerships with industry experts to strengthen our ESG offer and provide our clients with services that hep them develop their ESG and decarbonization strategy
- Publication of novobanco's Financing Principles, including Excluded and Minimum Safeguards sectors
- 58 kgs of expired bank cards sent to recycling and used to produce urban furniture

- 2nd edition novobanco and novobanco dos Açores bundle accounts support social responsibility causes: i) Social - Semear Project (Sow Project); ii) Cultural – O que uma imagem pode falar (What a picture ca say), and; iii) Environmental (Reforestation of Leiria Pine Forest)
- Setting minimum gross monthly wage for employees at €1,100

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Note: (1) Novo Banco S.A; Includes financing and investment in 8 sectors inherently aligned with EU Taxonomy and in Green Bonds (as labeled by Bloomberg). Does not include remaining Taxonomy eligible sectors or other ESG/Sustainable/ Social linked bonds and loans; (2) Novo Banco , SA, 3) December 2023 - biannual monitoring (3) Adjusted by function; (4) includes EBoD team and senior managers;

Income Statement	
Fees and commissions	Fees and commissions income less fees and commissions expenses
Commercial banking income	Net interest income and fees and commissions
Capital markets results	Dividend income, gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets mandatorily at fair value through profit or loss, gains or losses on financial assets and liabilities designated at fair value through profit and loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on derecognition of non-financial assets, other operating income, other operating expenses, share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method
Banking income	Net interest income, fees and commissions, capital markets result and other results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net operating income	Banking income - operating costs
Provisions and impairments	Provisions or reversal of provisions, impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates and impairment or reversal of impairment on non-financial assets
Balance Sheet / Liquidity	
Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as nontradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through orther comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accouting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off- balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

Asset Quality and Coverage Ratios	
Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of initial fair value, impairment charges accounted in the period for credit risk and corporate bonds with gross customer loans and corporate bonds portfolio.
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.
Efficiency and Profitability Ratios	
Efficiency (Staff costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Efficiency (Operating costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
Return on tangible equity (RoTE)	Ratio of return for the period and tangible equity. The return corresponds to the annualized result before tax, less the contribution on the banking sector and contributions to resolution funds, being adjusted for events considered extraordinary. Tangible equity calculated as risk weighted assets x 12%.

Glossary

Designations & abbreviations	
YTD	Year-to-date
YoY	Year-on-Year
ECB	European Central Bank
QE	Quantitative Easing
CRD IV	Capital Requirements Directive 2013
CRR	Capital Requirements Regulation
NIM	Net Interest Margin
€, EUR	euro
€mn	millions of euro
€bn	billions of euro
€k	thousands of euro
bps	basis points
p.p.	percentage points
tCO_2e	tonnes of carbon dioxide equivalent
RWA	Risk weighted assets

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