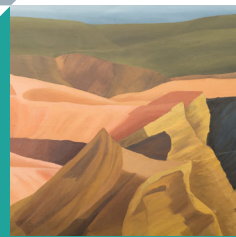
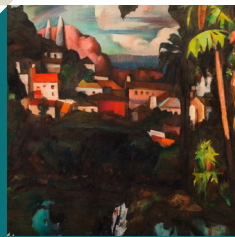
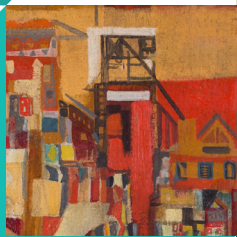
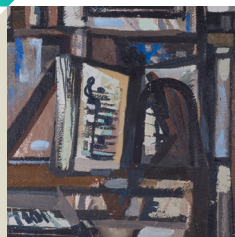
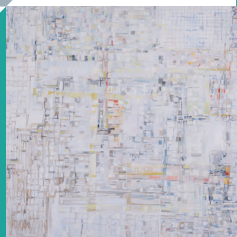
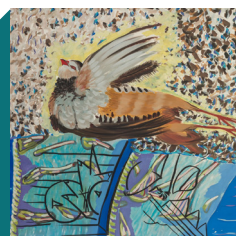
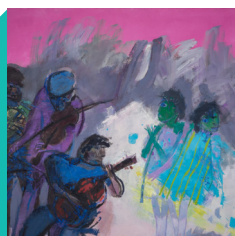


# ContArte

The Magazine of 2022 Annual Report

**novobanco**



The novobanco Cultura's mission is to reflect novobanco's commitment to uphold, promote and share its important cultural and artistic heritage with Portuguese society.

novobanco Cultura brings together novobanco's collections and cultural initiatives under a single concept, facilitating access and enjoyment of the various collections to art communities, students, researchers and the general public, both nationally and internationally.

The collections and library of novobanco Cultura are:

**The Contemporary Photography Collection**

Amongst the finest Corporate Collections in the World;

**The Painting Collection**

A set of over 90 important Portuguese and European artworks from various eras;

**The Numismatic Collection**

One of the largest and most complete collections of Portuguese numismatics;

**The Humanities Library**

One of the most valuable private libraries that specializes in the humanities.

[www.novobancocultura.pt/en](http://www.novobancocultura.pt/en)

In the 2022 Report and Accounts, are presented a set of works from the Painting Collection

**The story of the beginning of a Collection**

The Collection was created in 2017 from a dispersed set of works, from different origins and eras, coming from various rooms of the Bank's administration and branches from north to south of the country. The artistic heritage of the Bank was the starting point for the constitution of the Painting Collection, based on three objectives: the investigation and descriptive study of the works, making the works available to the public on an online platform, and above all, giving a useful meaning to the Collection, making it an active part in bringing art closer to diverse audiences, through partnerships with museums, from north to south of the country, continent and islands, with a particular focus on institutions located outside major urban centers.

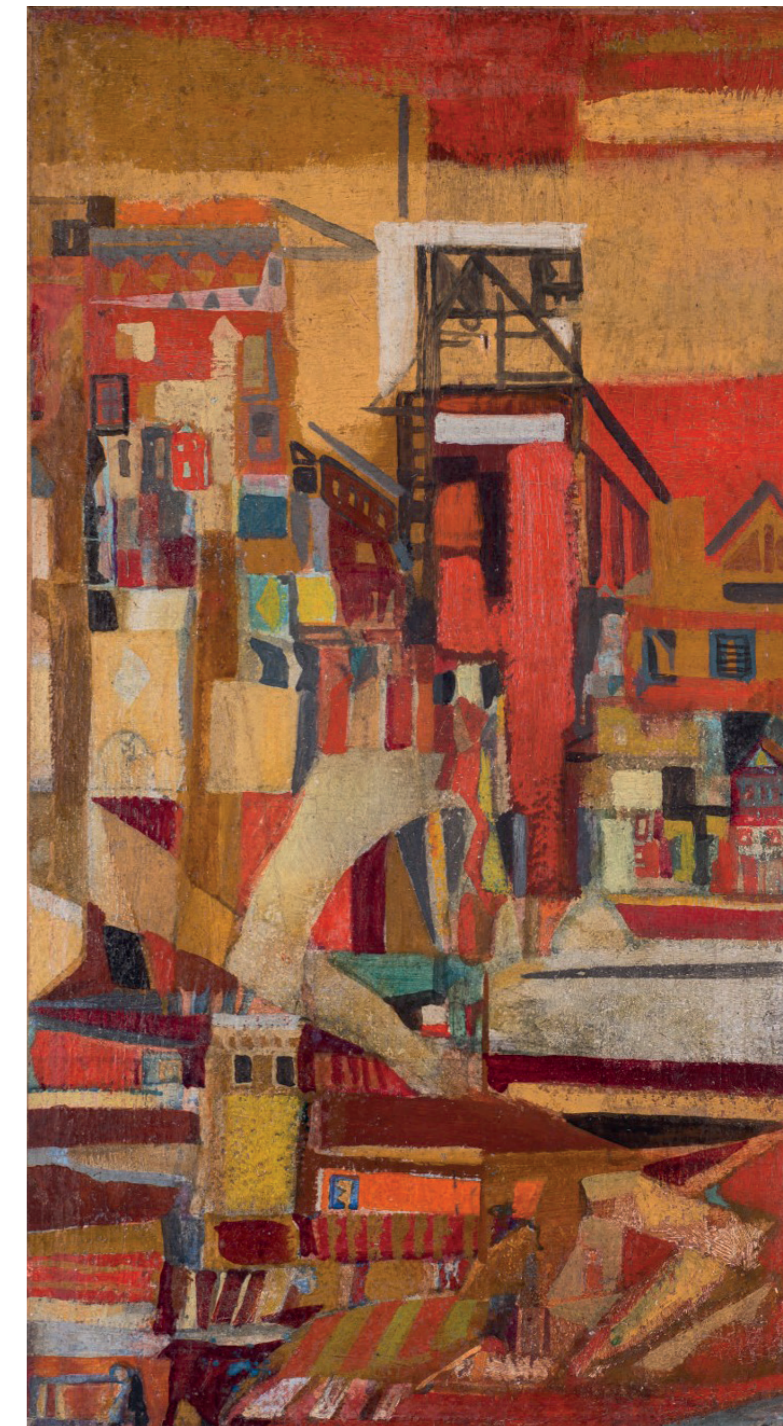


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**Lisboa XXXII, Rua do Ouro 1986**  
**Maluda (M<sup>a</sup> de Lourdes Ribeiro)**

Oil on canvas 72 x 91cm

*The city reinvents itself, through the geometric shapes of the buildings volumes, in an almost abstract image of reality, calm and silent.*

MIRANDELA  
Museu Municipal Armindo Teixeira Lopes





**Byron Haynes**  
Chairman of  
the General and  
Supervisory Board

**The viability of novobanco's business model is confirmed with significantly strengthened year-end capital ratios complying with all regulatory and guidance requirements.**

# Message from the Chairman of the General and Supervisory Board

Dear Stakeholders,

Novo Banco S.A. ("novobanco", or "the Bank") delivered significantly improved profitability with net income of €561mn for the full year 2022, reflecting the strong growth of our banking businesses and confirming the sustainability and viability of our business model.

novobanco's business model reflects its strategic program which during the year has been reshaped, simplified, and structured around four overarching pillars of being a "Customer-Centric Bank", "Simple and Efficient Operations", "Developing People and Culture" and "Delivering Sustainable Performance", to better enable the Bank "to serve the needs and expectations of our customers".

Year 2022 financial results have been underpinned by an increase in commercial banking income (+7.3%) and net loan growth (+3.8%) which has generated sustainable revenue and capital growth confirming the Bank's accretive business model. Throughout the year novobanco has continued to make significant investment (including IT with €85mn) in support of our commercial businesses and our people while keeping underlying run-rate cost discipline despite inflationary pressure.

The viability of novobanco's business model is confirmed with significantly strengthened year-end capital ratios complying with all regulatory and guidance requirements (Supervisory Review and Evaluation Process Compliance), solid year-end liquidity ratios were maintained following the partial repayment of €1.6bn of the TLTRO III in December and the year-end binding and linear (non-binding) MREL targets were exceeded.

In June 2022, following its annual review of the year-end 2021 financial statements, Moody's Investors Service upgraded novobanco's baseline credit assessment (BCA) rating by two notches to b2, long-term deposit rating to Ba3 and senior unsecured debt ratings to B3, with unchanged positive outlook. The multi-notch upgrade reflects novobanco's "improved credit profile as a result of the continued de-risking of its balance sheet and the significant restructuring of its operations over recent years".

In February 2023, the European Commission, State Aid Directorate General for Competition ("DG Comp") announced the compliance of the Restructuring Plan and commitments (Structural, Behavioural & Viability) agreed with the Republic of Portugal in October 2017 have ended and that novobanco has now exited the

Restructuring period following the Monitoring Trustee's final report which will be prepared after the submission of full year 2022 audited accounts.

During the year the Bank continued to execute the de-risking of legacy assets and non-core assets. Several real estate sales were successfully completed taking advantage of the positive market momentum in certain segments. The logistics portfolio sale completed in May 2022 had a positive impact on net income and capital. Project Crow, the sale of certain restructuring funds and assets, was successfully completed in December 2022 also on a capital accretive basis, with a neutral impact on net income. novobanco reduced the non-performing loan ("NPL") ratio to 4.3% at year-end 2022 leaving the NPL stock less than €1.4bn. Following the completion of the Spanish business sale in 2021, the Bank is formally closing the Spanish Branch entity and a subsequent opening of a Representation Office in this jurisdiction.

The Bank continued to be very vigilant and cautious with respect to managing the many different aspects of risk. In particular, in 2022 the Bank was faced with the contagion impact of the Russian / Ukraine conflict on credit risk (direct & geographic proximity), heightened levels of market risk (interest rate and credit spread market volatility on investment portfolios) and operational risk (cyber-attacks and outsourcing); the end of the credit moratoria in Portugal; and the onset of a more uncertain macro-economic environment with the increased risk of recession, increased inflationary pressures, rising interest rates and the resulting cost-of-living crisis. In addition, there has been increased focus on emerging risks like climate and environment risk. The European Central Bank ("ECB") concluded its first climate stress-test exercise on the Single Supervisory Mechanism ("SSM") banks, with novobanco receiving a "Medium Classification" in-line with the overall SSM average.

During the year the General and Supervisory Board ("GSB") appointed and approved the new Executive Board of Directors ("EBD") mandate term 2022 to 2025 under the new CEO Mark Bourke's leadership. The GSB decided to enhance and strengthen the governance structure of the EBD by increasing its members to seven and realigning certain roles & responsibilities, including the introduction of a clear separation between Risk and Credit at the executive level in line with best practices across the SSM banks in Europe.

In 2022, the Bank launched our "Sustainable Finance" project encapsulating novobanco's group-wide ESG program covering the ESG governance and organization model including target operating model and institution-wide training and business and risk management. Sustainable Finance is expected to develop on an accelerated basis following the good progress made in 2022.

**The multi-notch upgrade reflects novobanco's "improved credit profile as a result of the continued de-risking of its balance sheet and the significant restructuring of its operations over recent years.**

**For year 2023, realistic strategic goals and financial targets for novobanco have been set which include building further sustainable net income benefiting from positive momentum from the net interest income growth in the last quarter of 2022 and the continued investment in and support of our commercial businesses and our people**

As part of the "Developing People and Culture" strategic program, the Bank has recently launched some key initiatives to continue to build and empower a diverse workforce and to deliver on our commitments to diversity, equity, and inclusion.

Throughout year 2022, the GSB and its respective committees supervised and supported the EBD in the monitoring and execution of the Bank's strategic goals and financial targets as set out and agreed in the medium-term plan. For year 2022, the Bank delivered the key strategic goals and financial targets in our plans, including sustainable profitable growth supporting our corporate and retail banking customers and our people and the significant rebuilding and strengthening of our capital position.

For year 2023, realistic strategic goals and financial targets for novobanco have been set which include building further sustainable net income benefiting from positive momentum from the net interest income growth in the last quarter of 2022 and the continued investment in and support of our commercial businesses and our people, while at the same time being cautious and vigilant in managing risk through this difficult economic period.

On behalf of the GSB, I would like to thank our customers and our other stakeholders for their continued support, trust and loyalty to novobanco.

Finally, the GSB and I would especially like to thank all the EBD members and the employees of novobanco for the hard work, dedication and commitment that has allowed the Bank to better serve the needs and expectations of our customers and to realise its targets and goals, despite the challenging year of 2022.



## Main Events in 2022

### JANUARY 2022

6 JANUARY

#### novobanco informs on SPA of Non-Performing Loans and related exposures – Addendum

novobanco made further clarifications following the announcements dated 23 and 27 of December 2021, about Project “Orion” and “Harvey”, respectively.

### MARCH 2022

31 MARCH

#### novobanco announces CEO António Ramalho to step-down in August 2022

novobanco announced that the CEO, António Ramalho, informed the General and Supervisory Board (GSB) of his intention to step-down in August from his executive role following an orderly transition.

### MAY 2022

3 MAY

#### novobanco informs about 1Q22 consolidated results

A further quarter of profitability with a net income of €142.7mn. The business performance was in line with expectations, presenting the fifth consecutive quarter of profitability. The Bank has delivered further improvement despite the uncertain macro background characterized by inflationary pressures and consequent volatility of interest rates.

23 MAY

#### novobanco informs about the signing of a SPA of a Real Estate Portfolio

novobanco informed about the signing of a Sale and Purchase Agreement, following a competitive bid process, for the divestment of a real estate portfolio majority held by the real estate funds NB Património and NB Logística following the announcement made by GNB Real Estate, a subsidiary of Novo Banco S.A.

9 MARCH

#### novobanco informs about FY2021 consolidated results

novobanco announced an annual net profit of €184.5mn (vs -€1,329.3mn in 2020). This achievement represents the first annual positive net income of the Group since its creation, an important achievement for the end of the restructuring process initiated in 2017.

5 MAY

#### novobanco announces Mark Bourke for CEO and informs about EBD composition for a new mandate

novobanco noted that the General and Supervisory Board (“GSB”) decided on the 3rd of May to submit the relevant Fit & Proper documentation for the members of the Executive Board of Directors (“EBD”) of novobanco for a new mandate term 2022 to 2025.

25 MAY

#### novobanco informs about notification by Banco de Portugal of its MREL requirements

novobanco informed that it has been notified by the Bank of Portugal of its Minimum Requirement for own funds and Eligible Liabilities (“MREL”) requirements, on a consolidated basis, as determined by the Single Resolution Board for 1 Jan 2022 and 1 Jan 2026.

### JUNE 2022

21 JUNE

#### novobanco informs about multi-notch rating upgrade from Moody’s

novobanco informed that Moody’s has upgraded novobanco’s baseline credit assessment (BCA) by 2 notches, from caa1 to b2. The outlook on the long-term deposit and senior unsecured debt ratings remains positive. The multi-notch upgrade in credit rating from Moody’s reflects novobanco “improved credit profile as a result of the continued de-risking of its balance sheet and the significant restructuring of its operations over recent years”.

### AUGUST 2022

1 AUGUST

#### novobanco informs about 1H22 consolidated results

novobanco announces a net income of €266.7mn (1H21: €137.7mn; +93.7% YoY). A solid business performance delivering further improvement in profitability.

23 AUGUST

#### novobanco informs about Restructuring Funds (Project Crow)

A purchase and sale agreement and other agreements were signed with investment funds managed by Davidson Kempner, related to the sale of shares in Restructuring Funds. The perimeter of the transaction comprises around 40% of the bank’s exposure to the Restructuring Funds.

15 AUGUST

#### novobanco informs about the signing of a SPA for its current headquarters building

The Bank signed Sale and Purchase Agreement for the sale of its current headquarters building located in Avenida de Liberdade, Lisbon. The sale price totalled €112.2mn. The Campus novobanco in Tagus Park - Oeiras, currently under construction, will be the Bank’s new headquarters.

26 AUGUST

#### novobanco informs about Governing Bodies

Following the announcement of May 5th and the authorizations of the competent regulatory authorities, novobanco informs on the composition of the Executive Board of Directors for the new 2022-25 term.

### SEPTEMBER 2022

19 SEPTEMBER

#### novobanco informs about Governing Bodies

novobanco informed about the submission of documentation related to the request for authorization - Fit & Proper - for the exercise of duties for a new member of the General and Supervisory Board (“CGS”).

### NOVEMBER 2022

4 NOVEMBER

#### novobanco informs about the share capital increase

Share capital increase, in the amount of €109,421,237.09, resulting from the conversion of conversion rights relating to fiscal years 2016 and 2017.

7 NOVEMBER

#### novobanco informs about 9M22 consolidated results

novobanco announces a net income of €428.3mn (Sep/21: €154.1mn; +178% YoY). Sustainable growth of business, demonstrating the ability to generate revenue and capital despite the uncertain macro background, increased inflationary pressures and rising interest rates.

### DECEMBER 2022

15 DECEMBER

#### novobanco announces CFO Leigh Bartlett to leave by year-end 2022

novobanco informs that the CGS agreed with Leigh Bartlett to cease his duties at the EBD, where he held the position of CFO. In the period between the end of the year and the new CFO assumes his duties, Mark Bourke (CEO) will also act as interim CFO.

29 DECEMBER

#### novobanco informs about conclusion of Project Crow

novobanco informs on the completion of the Crow Project following verification of the stipulated contractual suspensive conditions.

### FEBRUARY 2023

1 FEBRUARY

#### novobanco informs about new Chief Financial Officer

novobanco informs that GSB approved, subject to Fit & Proper, Benjamin Dickgiesser as a new member of the EBD for the current 2022-2025 term, becoming the next CFO.

13 FEBRUARY

#### novobanco informs about the end of the Restructuring Period

novobanco informed about notification from European Commission about the successful completion of novobanco’s Restructuring Period, done in the context of the sale of 75% of the Bank’s share capital, subject to the Monitoring Trustee’s final report which will be prepared after the submission of full year 2022 audited accounts.



### novobanco awarded "Best digital performer of Retail Banking" in Portugal

With the solutions for remote account opening through Digital Mobile Key or by videocall, novobanco has improved even more the experience in the first contact of the client with the bank, offering a complete, fast and intelligent onboarding value for our future customers and for the bank.



Best Digital Performer  
Europe 2021  
D-Rating

### novobanco wins at the Digital CX Awards for its digital underwriting solution for Life Insurance

This recognition demonstrates the novobanco's responsiveness in to build, in partnership with GamaLife, the most suitable solutions for the questions and challenges faced by our customers, improving their omnichannel experience with the bank, namely through the contribution of digital channels.



Digital CX  
Awards 2022

OUTSTANDING DIGITAL CX -  
BANCASSURANCE

### novobanco voted as Best Sub-Custodian Bank 2022 in Portugal

The international magazine Global Finance awarded novobanco as the best bank in Portugal when it comes to securities custodian services. This nomination is international recognition of the bank's knowledge and performance in this important business area which is essential for the financial market to function.



### GNB Gestão de Ativos distinguished with 2 awards from Jornal de Negócios/APFIPP

Awards for asset management performance in 2021:

- NB Obrigações Europa in Best Other Bond Funds category
- Multireforma Plus in Best Risk 4 Pension Fund category



### novobanco App wins at Banking Tech Awards 2022

For the second year running, novobanco App won an award at the Banking Tech Awards, this time in the Best Mobile Initiative. In the 2021 edition novobanco had already won in the Best UX/UI in Finance Initiative category, with the App, and received two honourable mentions in the 2020 edition with the Small Business Finance offer in the Best Digital Initiative category and with the Digital Onboarding solution in the Best Use of IT in Retail Banking category.



### Novobanco was the winner at the HR Awards in the "Use of Technology" category"

With robotics solutions applied to human resources processing and management tasks. This award is the result of teamwork among several departments with the aim of continuously improving and innovating our processes.



### NB PPR fund received an award in the IV Edition of the Rankia Portugal 2022 Awards

The fund managed by GNB Gestão de Ativos was considered the Best Retirement Saving Plan ("PPR") of 2022.



### novobanco voted as the best Trade Finance Provider in Portugal for the 5th consecutive time

Novobanco was voted the best bank in the area of Trade Finance, in Portugal, by the international magazine "Global Finance". This award highlights the importance of novobanco's role in supporting the activity of companies.



# Empreendedores, agora é o nosso tempo.

**novobanco**  
Juntos fazemos o futuro.





**Mark Bourke,  
Chairman  
of Executive Board  
of Directors**

**In 2022 novobanco delivered sustainable growth of business, demonstrating the ability to generate increased revenue and capital.**

# CEO Talk with Mark Bourke



**Mark Bourke, Chairman of Executive Board of Directors, gives an interview highlighting 2022 achievements and the prospects for the future of novobanco.**

After the completion of the restructuring process, novobanco is now embarking on a phase of accelerated trajectory with consolidation of profitability and sustainable business growth.

*Welcome to novobanco, and to our master branch in Lisbon. This branch is part of the 240 branches already operating under the new distribution model – redesigned to have a greater focus on customised service. In a nutshell, a customer-centric bank where face-to-face service experience is an important piece of the omni-channel architecture.*

**1: 2022 was the year of the consolidation of novobanco profitability. Which key achievements you highlight?**

During the restructuring cycle, it was the belief that together we could rebuild the bank that made it possible: i) to normalise the balance sheet; ii) to optimize our operational model, and iii) to strength the risk management model, improving its resilience and allowing novobanco to reposition its activity in the domestic market.

In the year just passed, it was that same belief, that working together we could consolidate and start to deliver the Bank that we wanted to be in the future. I would highlight three specific areas, the first being Corporate, the second retail and finally ESG, which is going to become more and more a central part of our approach.

It was that same belief, working together that permitted us to achieve or to make the same achievements in the year just passed. There 3 areas that I would highlight:

In the Corporate area, the Retail area and the ESG area.

So, in Corporate we adapted a sectorial approach, where we build on relationships on our core strengths, which is our relationship with our clients. With a sectorial approach we've been able to build our knowledge and our understanding our client needs, We've been able to build at our product sets so we can actually fulfil those needs and we are supporting the most important elements of our corporate franchise.

On the retail side it's been a continuing story. So, in the retail side we have already, for the last two or three years, we've been implementing an omnichannel approach to our clients. The continuation of that approach, the building of a segmental understanding of our clients, the understanding of those needs and then the fulfilment of those needs through an omnichannel experience. And by that we mean the ability for the client, to have his needs fulfilled through whatever channel. Be it, face to face, branch experience, be it online or be it through the call center. And we have continued to develop that this year.

And the last area I would highlight is ESG. So in ESG, we're really at the starting gates, but what we've done is that we put together the infrastructure, build a new ESG team, that ESG team reports directly to the board and we are starting to embed an ESG approach in to the entire Bank.

## **2: An impressive set of both operational and financial results were delivered in 2022. From the top to the bottom line what are the key takeaways?**

In 2022 novobanco delivered sustainable growth of business, demonstrating the ability to generate increased revenue and capital. I would highlight three elements:

The first is our Commercial Banking Income, so that is €919 million, what that represents is €625million of Net Interest Income, which is 9% on the prior year, and €293 million of fees, which is about 3 to 4% up on the prior year. And that demonstrates our ability to continue to grow our stock, to maintain our pricing and ultimately that's a foundation for a very successful level of profitability.

The second one is the Cost Income Ratio. So, our Cost Income Ratio for the year is 44%. In delivering that we show that not only can we grow the top line, but we can control our costs.

And the third one, and equally important is our Cost of Risk. So our Cost of Risk was 45 bp, which was a considerable decrease on the prior year, and that demonstrates our ability to control, monitor and manage the risk on the credit book, in the Bank.

In summary, novobanco consistent performance allowed the bank to deliver on all our medium-term targets already in 2022, in detail:

- Expanding loan book with performing commercial loan book growing 4.7% YoY (vs 2-3% target per year);
- Net Interest Margin within the 1.30-1.50% range, at 1.47%;
- Efficient operations with Cost to Income of below 45%, reaching 44% on a recurrent basis;
- Achieving moderate risk profile with Cost of Risk below 50bps, at 45bps;
- NPL converging towards EU average – at 4.3%, being lower than 5%

**Our ambition is to position novobanco as the leading ESG Bank in Portugal, which is only possible with the integration of sustainability within the Group's business model.**

- Delivering organic attractive returns with Return on Tangible Equity (pre-tax) above 10% target and totaling 14.4%;
- And accelerating capital generation with CET 1 phased-in at 13.7%, being above 12% target

Novobanco proved to have a capital accretive business model and is now positioned for its next stage of development.

## **3: Novobanco's objective is to be a customer-centric domestic bank. Apart from being customer-centric, what are the key drivers of its strategy?**

Our objective is to be the most successful corporate and retail Bank in Portugal.

Our Strategy to achieve those objectives is based in four pillars and they are Customer Centricity, Simplicity and Efficiency, People and Culture and Sustainable Banking, which is management of our risk and of our capital.

On Customer Centricity, we are really talking about is the ability to first of all understand our Customer needs, to anticipate them in many instances and to serve those needs with a really, really good Customer experience.

The Second one, Simple and Efficient is necessary if you're going to do the first on a sustainable basis. So, we have to have streamlined, simple and efficient processes, ultimately digitalise processes if we're going to achieve that objective and to do so, on a sustainable basis, in the market where we can compete and endure.

So the people and Culture pillar. The Bank is only the sum of all the people that work in it. So we need to attract, to recruit, to train and retain the best people, in order to fulfil our Customer centric objective and to serve our clients. We have to invest in training our people, we have to invest and insure their mobility, we have to give our people the chance to develop and to achieve, and to perform to their full potential. On the culture side, we need to have a culture which is open, which is honest, and which again allows people to be heard, to speak up and to contribute completely to the achieving of the Bank objectives.

The combination of these gives novobanco the confidence that its ambitious objectives will continue to be met, while becoming an exemplar of customer-centric in the European financial sector.

## **4: Looking at the future, ESG has an increased relevance in the regulatory and business landscape. What is novobanco's approach to management of ESG risks towards more sustainable financial sector?**

Our ambition is to position novobanco as the leading ESG Bank in Portugal, which is only possible with the integration of sustainability within the Group's business model. This strategy is focused on 3 main areas:

The first of those areas is to create the framework, to create the framework where we can access, monitor and ultimately manage ESG risk within the Bank, and serve our clients in doing so as well.

The second is to improve and to maximize the financial and social well-being of our staff, our customers, and the clients we serve.

And the third one is being a Bank, and being a responsible Bank, that behaves fairly, justly and maintaining the highest standards of conduct.



### 5: In practical terms, how are environmental and climate risks being accessed in novobanco business model?

One of our main challenges is supporting our customers transition towards a low carbon economy, while managing risks and opportunities.

Reaching Net Zero by 2050 will only be possible if businesses, regardless of their size, are able to transform their business models and production processes. This will pose a great challenge specially for SMEs, and we recognize the key role that banks must play in financing that transition.

So, more than just sustainable finance, we talk about transition finance.

In integrating ESG risks into our loan origination frameworks and processes we are taking a structural approach, aligned with EU Taxonomy, that will allow us to assess materiality, define alignment targets, segment exposures with a sectorial scoring model, and pilot an ESG rating model that will inform decision making and pricing methodologies which will enable full ESG integration into loan origination in line with regulatory calendar.

In parallel, we will continue to strive to reduce our environmental footprint through energy efficiency initiatives in our offices and branches, the conversion of our car fleet to electric, the strengthening of a paperless culture, or water saving and waste management initiatives.

### 6: To conclude this interview, would you like to leave a final message to novobanco stakeholders?

2022 was the year to, with no restrictions, relaunch novobanco. This was recognized not only by rating agencies (with 2 notches upgraded in 2022) but also with the successful completion and end of novobanco's restructuring period as recognized by DGCOMP.

Novobanco is now in a position to grow in a sustainable manner and to support our clients, be they individual families or corporates (with focus on SMEs), to compete and endure as a strong and independent Portuguese bank.

This journey was only possible with the dedication of our people, the confidence of our customers and the commitment of all the governing bodies of the bank. Therefore, I would like to take this opportunity to thank all our stakeholders for their continued confidence in novobanco.

## 2022 Highlights

### BUSINESS


 **1.5 million**  
clients

### PEOPLE

 **4,090**  
employees  
of Grupo Novobanco

### FINANCIAL RESOURCES


 **€25.6bn**  
Loans Granted  
(+2.9% YoY)

 **€3.9bn**  
Loans Origination  
(+€0.9bn YoY)


 **€28.4bn**  
Deposits  
(+4.0% YoY)

### PERFORMANCE

 **€560.8mn**  
of Net Income  
(2021: 184.5M€)

 **14.4%**  
RoTE (2021:  
8.8%; before taxes).

 **€625.5mn**  
Net Interest Income  
(+9.1% YoY).


 **44%**  
Recurrent Cost  
to Income

 **45bps**  
Cost of Risk  
(2021: 70pb)

 **+260bps**  
CET 1 phased-in  
to 13.7%

 **4.3%**  
NPL Ratio (-1.4pp vs 2021), with an  
increase in coverage ratios to 77.5%

### TECHNOLOGY & EXPERIENCE


 **21**  
multidisciplinary agile teams  
working on digital transformation

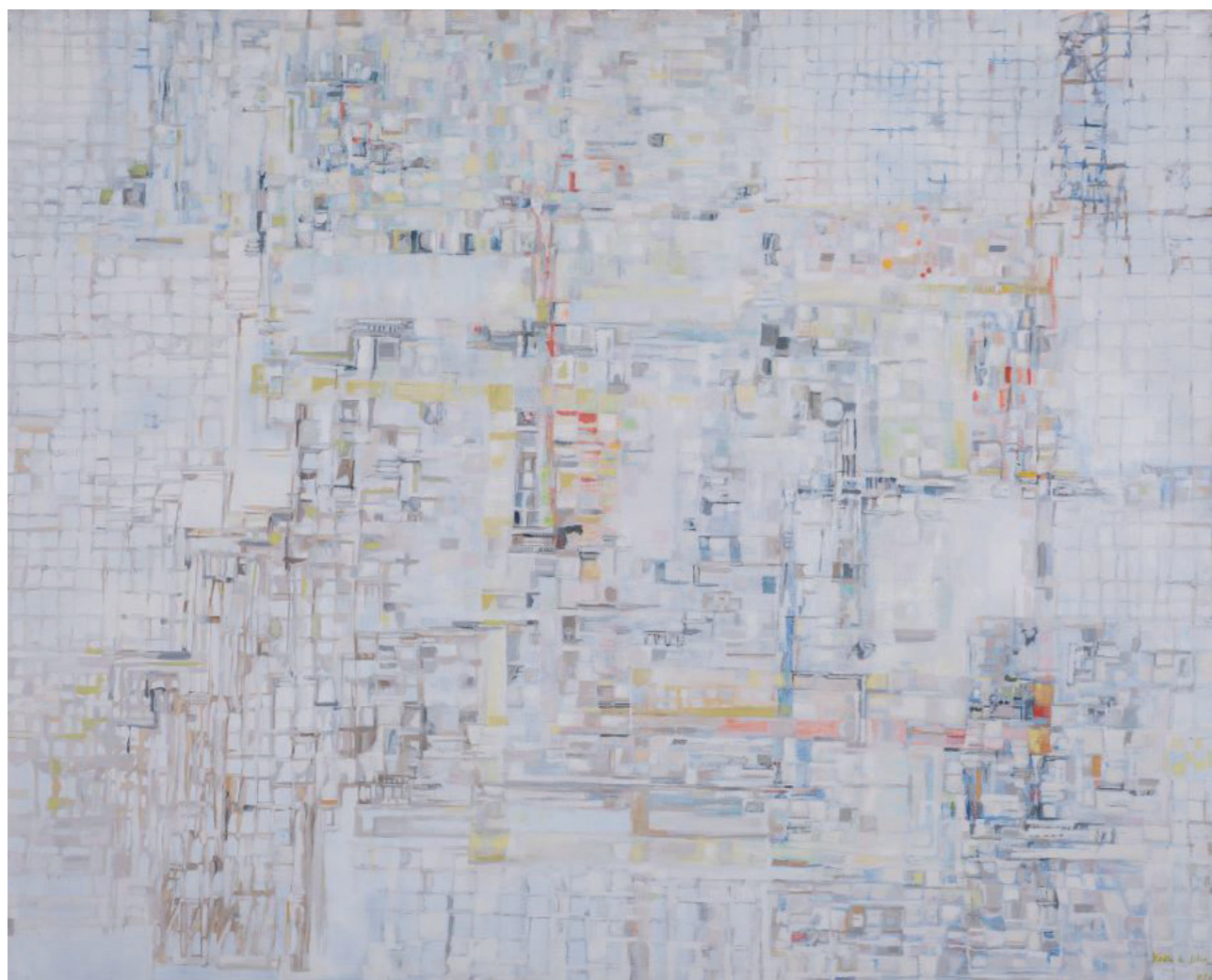
 **725 thousand**  
clients in the digital  
channels (+11% vs 2021)

 **36.3%**  
of total sales  
are digital

### SOCIETY

 **€1.6mn**  
in donations

 **94**  
paintings loaned on  
permanent exhibition in 37  
Museums across the country



**L'aube chromatique, 1969**  
**Vieira da Silva**

Oil on canvas, 81 x 100 cm

*In the 1960s Vieira da Silva was already a national and international renowned artist, with a work of great conceptual independence.*

*"L'aube chromatique" shows her deep interest in issues related with space, its structural complexity and its relationship with light, a theme of constant research in her painting. Here, the chromatic vibrations are translated into an irregular grid, dense and luminous, atmospheric, infinite and free of defined geometric lines. The mesh of hundreds shades of white, the notes in yellow and orange in horizontal brushstrokes, the thicker or diluted palette, reflects a unique and unmistakable pictorial grammar.*

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# Business Model

novobanco is a Portuguese universal bank that provides the full spectrum of financial products to individuals, corporate and institutional clients, serving the entire national territory, with a strong focus on servicing and supporting the Portuguese business community.

novobanco business model is based on two main commercial banking segments: i) corporate; and ii) retail. In both segments, novobanco seeks to anticipate and respond to the needs of its clients through its offer of innovative, effective and transparent banking products and services, based on high ethical and integrity standards and customer satisfaction assessment tools.

## CORPORATE: a historical know-how in the sector

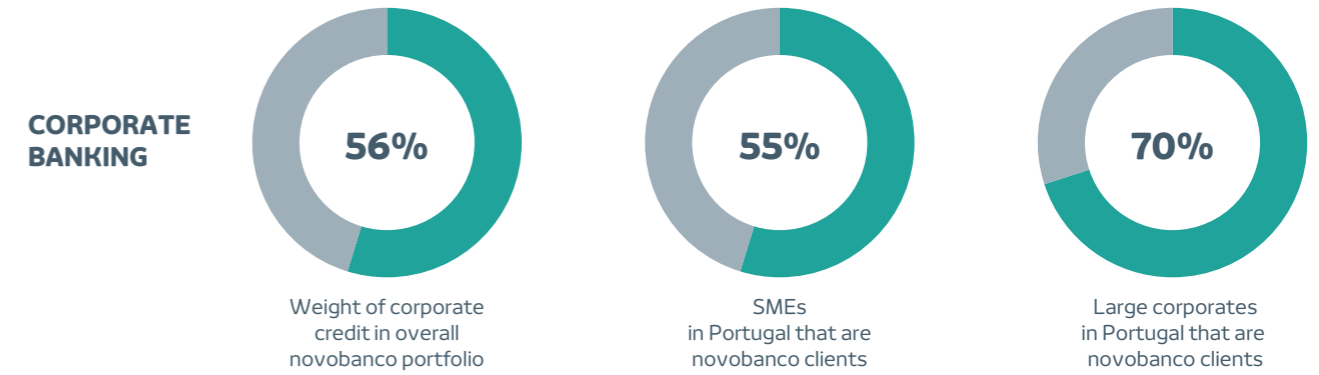
Highlights: Main offerings of products and services

<b>SUPPORT TO INVESTMENT</b> <ul style="list-style-type: none"> <li>→ Medium and long-term financing</li> <li>→ Leasing and renting solutions</li> <li>→ Credit lines under protocols with preferential conditions</li> </ul>	<b>SUPPORT TO TREASURY MANAGEMENT</b> <ul style="list-style-type: none"> <li>→ Factoring and confirming</li> <li>→ Current accounts and overdrafts</li> <li>→ Online credit for Small Businesses</li> <li>→ IFAP credit lines (pre-disbursement)</li> </ul>	<b>ACCOUNTS, CARDS &amp; PAYMENTS</b> <ul style="list-style-type: none"> <li>→ Accounts bundled for different needs; fully online opening</li> <li>→ Strong authentication system; functionalities incl: contactless, virtual cards, MB Way (...)</li> </ul>	<b>HOUSING LOANS</b> <ul style="list-style-type: none"> <li>→ Acquisition &amp; maintenance works</li> <li>→ Online loan submission</li> <li>→ Special conditions for young and non-resident</li> </ul>
<b>SECTOR-SPECIFIC EXPERTISE</b> <ul style="list-style-type: none"> <li>→ Teams specialised in factoring, confirming, leasing and trade finance</li> <li>→ Team specialised in European funds (RRP and PT2030) with access to consultancy partners</li> </ul>	<b>EXPORTS AND IMPORTS</b> <ul style="list-style-type: none"> <li>→ Documentary credit and remittances</li> <li>→ External financing</li> <li>→ International factoring</li> <li>→ Forfaiting</li> </ul>	<b>SAVINGS AND INVESTMENT</b> <ul style="list-style-type: none"> <li>→ Deposits &amp; retirement accounts</li> <li>→ Investment Funds, Unit linked, structured deposits</li> <li>→ Discretionary mgmt &amp; advisory</li> </ul>	<b>INSURANCE</b> <ul style="list-style-type: none"> <li>→ Life Protection</li> <li>→ Health and Property &amp; Casualty</li> <li>→ Special solutions for self employed workers</li> </ul>
<b>MEANS OF PAYMENT AND COLLECTION</b> <ul style="list-style-type: none"> <li>→ Collection: direct debits, POS, digital payments gateway</li> <li>→ Payments and transfers</li> <li>→ NB Express Cash to simplify cash management</li> </ul>	<b>EMPLOYEE BENEFITS</b> <ul style="list-style-type: none"> <li>→ Meal cards and credit cards</li> <li>→ Car solutions, with leasing and renting tailored to Customers</li> <li>→ Accidents at work and multi-risk insurance</li> </ul>	<b>SMALL BUSINESS</b> <ul style="list-style-type: none"> <li>→ Special small business accounts</li> <li>→ Cash and payments management solutions</li> <li>→ Multi-risk business insurance</li> </ul>	<b>CONSUMER FINANCE</b> <ul style="list-style-type: none"> <li>→ Online simulation and submission</li> <li>→ Credit insurance option with unemployment and life coverage</li> <li>→ POS lending partnership "Heypay"</li> </ul>

## RETAIL: a partner for households, with a wide range of products

# -1.5 MILLION CLIENTS<sup>1</sup>

Corporate segment includes SMEs and Large companies, being supported by 2 corporate and 20 business centre

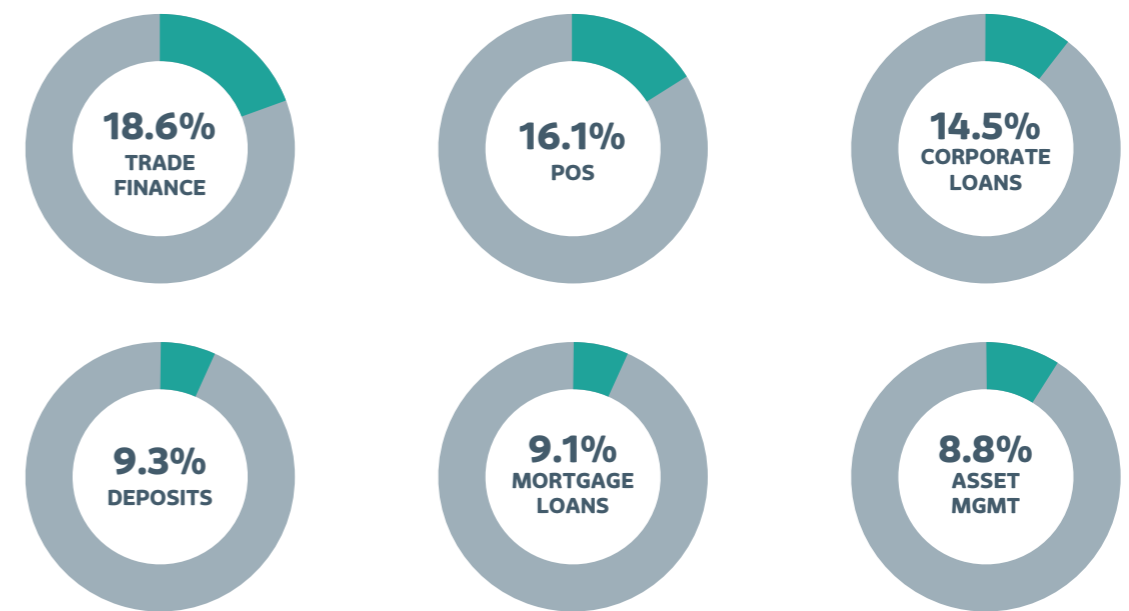


**RETAIL BANKING<sup>2</sup>**

- Specialised, diversified and distinct product offering to meet client needs
- In addition to the 292 branches, novobanco has an omnichannel approach through helpdesk services, internet, phone and mobile banking
- Universal product offering including life/non-life insurance and asset management (through GNB Gestão de Ativos)

	Deposits	Gross Loans
<b>Small Business</b>	-20%	-20%
<b>Affluent</b>	-50%	-20%
<b>Mass Market</b>	-30%	-60%

## MARKET SHARE<sup>3</sup>



(1) novobanco group clients, including Novobanco Açores and BEST ; (2) December 31st 2022, End of Period; Affluent includes upper affluent (Singular); % calculated as a proxy of management data; (3) December 2022 data; sources: Banco de Portugal, APS, APFIPP; Asset management restated (with updated methodology and regulator data) of 10.1% as of December 2021



**Luís Ribeiro**  
**Chief Commercial**  
**Officer – Retail**

**Our Bank is totally focused on Portuguese families and companies for whom we must develop innovative and competitive products, tailored to their needs. This is our challenge.**

# Interview with Luís Ribeiro

## 1 - Looking back, what were the 3 main steps forward made by novobanco in 2022 to achieve sustainable growth in the retail segment?

novobanco has underway a strategic project to reshape its retail network, developed based on the concepts of proximity and omnicanality, which already stands out as a unique banking model in Portugal.

In 2022, works were completed on more than 90% of the branch network and more than 30 new branches were opened in better locations. Simultaneously, new machines were installed that allow a wide range of operations (virtual teller machines, or VTMs).

To support the omnichannel model, 28 new marketing automation journeys were developed - the customer's unique view - and the capabilities to formalise operations remotely and digitally continued to be delivered.

New digital journeys were also developed that allow customers to subscribe to life and home insurance, make financial applications, and set up Retirement Savings Plans, and several improvements were made in the novobanco APP.

In times of great macroeconomic uncertainty, novobanco's close relationship with its customers, with professionals who know the specifics of the various economic activities, and the needs of its customers, allowed the Bank to grow its active customer base by more than 30,000 and gain market share as the clients' first Bank.

## 2 - In 2023 the complete revamping of the branch network should be concluded. Where will novobanco place its next bet in terms of the relationship with its clients?

The new distribution model stands out for its unique face-to-face service experience, centred on the customer, and a customised space with room for a relaxed but simultaneously profound relationship with the customers.

In 2023, we will continue to develop the product and service journeys that allow customers to always choose the most convenient way of relating to the Bank, namely to start the application for a personal loan online or on the App and conclude it at a branch without losing any information, or if the customer so wishes to complete the entire process without physically visiting the Bank. It will be possible to apply for credit cards, change card limits and take out auto insurance, among other new features.

novobanco also has structural projects underway in the area of savings management and financial advisory and payments which will provide the best service experiences to Portuguese families and companies.

As focus on the client is one of the strategic pillars of novobanco, in December 2022 the creation of the Cus-



tomar Experience and Satisfaction Office was approved. This office is already fully operational and will allow a better diagnosis of areas for improvement, the measurement of satisfaction using new methods, dealing with complaints more quickly and including them in the Bank's processes, and also having the capacity to measure and establish service level commitments.

### 3 - For 2023, what market trends and behaviour patterns does novobanco anticipate for the retail segment?

It's a difficult question to answer, bearing in mind the socio-economic environment we are presently living in and the huge instability. But inflation and the evolution of market interest rates will naturally have a determining influence on the behaviour of families and companies. This context will surely lead customers to restrict consumption and seek greater security in their options, so we expect to see an increase in demand for fixed-rate loans, or savings products with a guaranteed component.

In addition, the concern with sustainability and technological evolution will continue to impact financial activity, the development of products and services and the type of relationship between the Bank and its Customers.

### 4 - At a time when ESG is increasingly relevant, from both the consumer experience standpoint and the regulatory perspective, how is retail positioning itself in this area?

novobanco has long had a differentiated positioning in this regard, either in savings (namely with structured products with underlying assets that respect the ESG principles) and in credit (such as a bonus on mortgage spreads for homes with energy certification A).

In 2023, we will continue to develop new products under these principles and also study initiatives that contribute to financial literacy and digital inclusion.

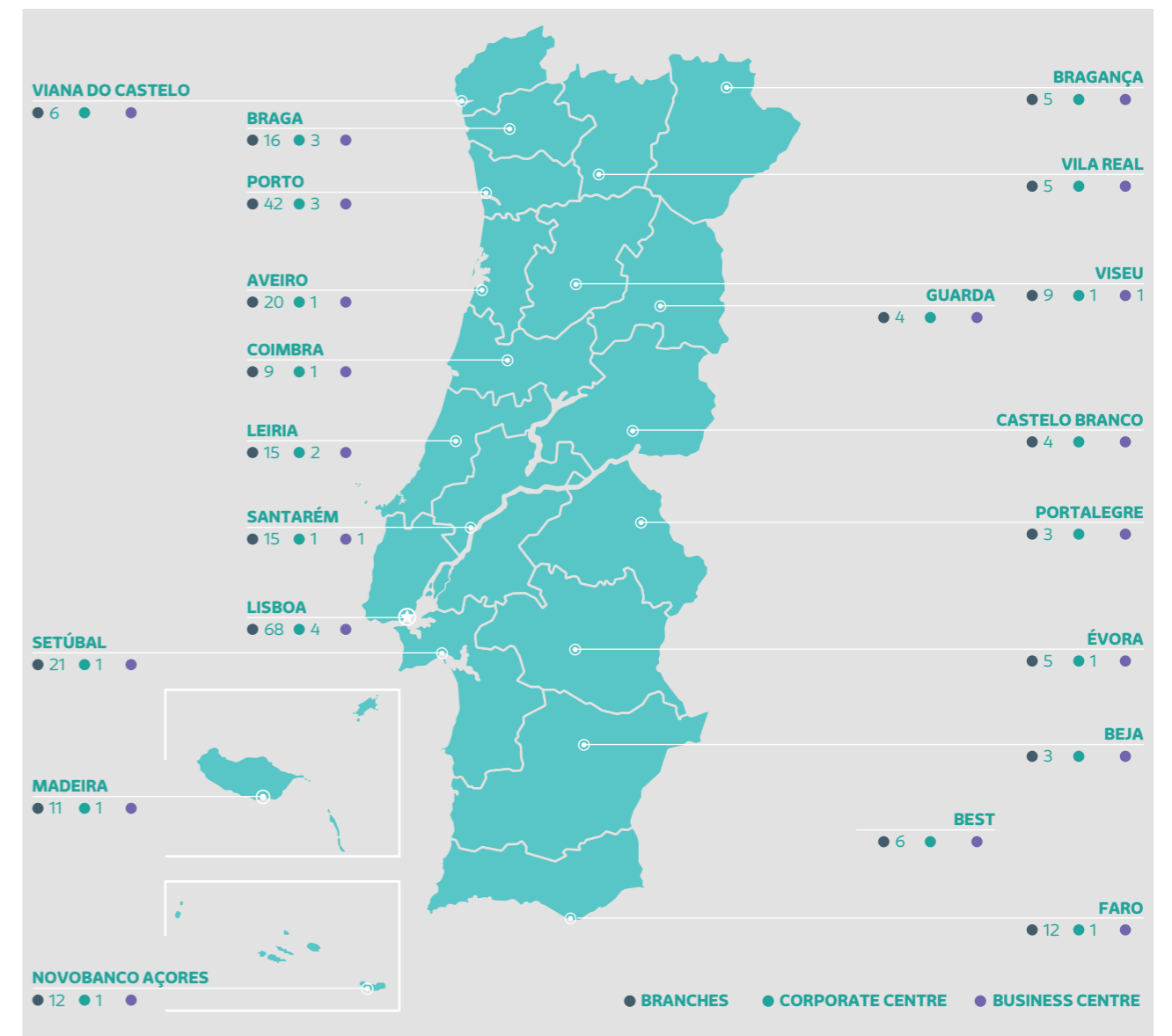
### 5 - Competition in the retail banking segment is ever-growing, both in terms of the digital experience and of consumer products. In a medium-term perspective, what are the main challenges for novobanco?

After the successful conclusion of the restructuring process, novobanco's challenges in this regard are no different from those faced by the other banks, however we believe we have a truly differentiating model, with a physical branch network and an omnichannel approach that are unique in Portugal.

Our Bank is totally focused on Portuguese families and companies for whom we must develop innovative and competitive products, tailored to their needs. This is our challenge.

## Domestic coverage of novobanco

In December 2021, the number of branches in Portugal was 292, of which more than 240 were operating with the new distribution model and more than 190 were equipped with the VTM (Virtual Teller Machine). The new distribution model is part of a strategy to renew the image of the branches, which involves implementing different branch formats and investing in closer interaction with customers.



Additionally the physical network is further leveraged in iNOVOs spaces:

There are currently 6 iNOVOs in operation: Hospital de Santa Maria (Lisboa), Hospital de S. João (Porto), Vila Nova da Barquinha, Carrazedo de Montenegro, São João da Pesqueira and Castro Verde.

The iNOVO space is a flexible and differentiated service proposal that seeks to bring Novobanco closer to its customers even when geographical (or physical) distance becomes a more difficult obstacle to overcome.



**Andrés Baltar**  
**Chief Commercial**  
**Officer**  
**– Corporate**

**In 2022, novobanco continued to stand by the side of Companies, with the Proximity, Partnership, Professionalism and Experience that are part of its DNA, reinforcing its commitment to Customers, even in a context of uncertainty, through a set of solutions to support investment and working capital.**

# Interview with Andrés Baltar

## 1 - Looking back, what were novobanco's 3 main steps forward in 2022 to achieve sustainable growth in the corporate segment?

In 2022, novobanco continued to stand by the side of Companies, with the Proximity, Partnership, Professionalism and Experience that are part of its DNA, reinforcing its commitment to Customers, even in a context of uncertainty, through a set of solutions to support investment and working capital. I would highlight 3 main levers that enabled our sustained growth in the corporate segment and consolidated our position in support of the business community, with a market share of 14.5% in loans and 12.2% in deposits:

- **Proximity and support in the day-to-day business of Companies**, with a focus on international business, with a market share of 19% in trade finance - a leading position in support for exporting and importing Companies. Increased support to Companies' treasury, particularly through Factoring and Confirming, driving annual yoy increases of 11% in cumulative invoicing undertaken and 16% of the balance sheet balance, and resulting in a 12% market share in Factoring. In payment methods, we bet on simplification and innovation, with solutions that optimise customer collections and payments - novobanco achieved a 16% market share in POS (point of sale terminals).
- **Partnership and experience when it comes to investing**, with support lines backed by financial guarantees from Banco Português de Fomento (BPF) that provide preferential financing conditions for companies. I would also call attention to the €1,325 million financing lines with European guarantee to support Companies' liquidity and investment projects, with more than €1,100 million disbursed under the EIF/EIB EGF Lines.
- **Innovation and simplification to make our Customers' lives easier**, with a focus on the digital channels - more than 78% of our Corporate Clients are active on novobanco online for companies. Throughout the year, we launched a set of new functionalities, namely in Factoring and Confirming. In 2022, we also invested in the optimisation of internal processes, seeking to improve the Customer experience. This allowed us to grow in satisfaction and NPS levels.

## 2 - novobanco has defined a set of priority sectors. What is novobanco's strategy to promote these sectors?

novobanco's strategy continues to focus on Companies which develop viable investment projects that create employment and boost productivity and wealth for the economy.

We want to be the main bank for the best Companies in Portugal, and for that we need to invest in products, services and processes that are geared to the needs of our Customers and that work as facilitators of day-to-day activity. The experience accumulated in recent years has allowed us to understand the specific needs of each activity sector, from Agriculture, Industry, Transport, Commerce and Services, to Tourism and Real Estate,



leading us to adapt products, communication, processes and services in order to create value for our Customers.

Through partnerships with business associations and confederations, our strategy involves defining a set of priority sectors, for which the Bank is developing a differentiated sectoral offer. This approach aims to meet the Customers' needs through solutions tailored to the context of each Company and each sector of activity. Because each Customer is a Client, at novobanco we have specialised teams that are permanently available to support Companies, from factoring and confirming to trade finance and European funds. This personalised proximity service is part of our strategy, because only with proximity and professionalism can we win the trust of companies.

### 3 - For 2023, what market trends and behaviour patterns does novobanco anticipate for the corporate segment?

The economic environment this year will be challenging for Companies, with the post-pandemic aftermath and the military conflict causing high volatility and uncertainty and in turn leading to higher energy and raw material costs. In addition, against a backdrop of rising interest rates, financing costs are increasing, leading to a reduction in demand for credit, particularly in the medium to long term. In the short term, we have felt an increase in demand, with companies seeking working capital financing solutions to strengthen the liquidity of their cash cycles.

At novobanco, we are and will remain by the side of Companies, in good times, but also in bad times. In partnership with BPF, novobanco is supporting companies affected by the sharp rise in production costs, through the Line of Support for Rising Production Costs. Moreover, we also offer Customers working capital support solutions, especially Factoring and Confirming, where we are experiencing strong growth.

But not everything is a matter for concern: more than 20% of Companies grow in the two years of the pandemic, and 35% recover compared to the pre-pandemic year; 62% of Companies increase turnover compared to the previous year, with a clear acceleration driven by the post-pandemic dynamics; two thirds of the activity sectors recover their turnover, and in particular those in Real Estate, Agriculture and Business Services; more than half of Companies increase net income, the recovery in Accommodation and Catering being particularly noteworthy; 64% of Companies maintain employment levels and 20% hire more, showing that there is clear demand for qualified labour; some of the exporting sectors have the best year ever, surpassing the 2019 performance, among which Industry, Agriculture and Technology; the number of new business incorporations continues to accelerate, having increased by 14% in 2022.

**In summary, 2023 will be a challenging year, but also one with some opportunities for Companies. On our part, I reiterate that novobanco will remain side by side with Portuguese companies, as always.**

**Our priority is to support our customers in the transition to a low-carbon economy, strongly valuing circularity.**

Furthermore, despite a slight slowdown, the outlook for the Portuguese economy is positive, with growth in GDP (+1.5%), investment (+2.9%) and exports (+4.3%).

In 2023, the agenda of the Portuguese companies and Entrepreneurs will be marked by the start of applications to Portugal 2030.

In summary, 2023 will be a challenging year, but also one with some opportunities for Companies. On our part, I reiterate that novobanco will remain side by side with Portuguese companies, as always.

### 4 - At a time when ESG is increasingly relevant, from both the customers' experience standpoint and the regulatory perspective, how does the corporate segment position itself in this area?

The integration of ESG topics, and in particular climate and environmental risks, into our business model is one of novobanco's strategic priorities, with a special focus on the corporate segment.

Our priority is to support our customers in the transition to a low-carbon economy, strongly valuing circularity. We have product and service solutions designed to help our customers in their energy transition, and it is our firm resolve to position ourselves as partners of our companies in this challenge. We provide specialised financing products and are also partnering with third parties to build a robust offering that enables our clients to integrate sustainability into their strategy, and to define that journey, invest in more energy-efficient solutions, and develop their sustainability reporting models.

We believe that a more sustainable business model in novobanco involves promoting more sustainable business models in our clients, particularly companies, because those that incorporate and integrate sustainability the earliest will be the most resilient to possible future shocks and will also have the most efficient business models.

The regulatory framework and reporting requirements are very demanding for both banks and companies. In this context, we are not only developing ESG risk rating models in our loan portfolio for incorporation into lending models, but are also working with clients to develop practices for collecting ESG information on their activity that serve the reporting needs of both and at the same time permit to identify business opportunities of mutual interest.

**5 - With the arrival of Portugal 2030, how do you see the role of novobanco in the execution of European funds? How important is this community framework for the country?**

The banking sector has played a prominent role in supporting investment projects, namely with European funds. Since Portugal 2020, novobanco has sought to play a role of Partnership and Proximity with Companies that want to invest, facilitating and supporting all phases of the projects: preliminary analysis of the projects prior to the application, support in the application through a network of consulting partners specialised in European funds, short-term financing at the start of the investment and medium-long-term financing, supporting the execution and fulfilment of the objectives and goals established in the business plans.

In the Portugal 2020 community framework, which is now ending, some important goals for the country were achieved, where I stress an execution rate of 85%, with €23 million executed. Overall, a total of €24.6 million in support was executed under Portugal 2020 and Next Generation, a €4.6 million increase compared to December 2021. 2022 was thus a year of strong execution. I am sure that in the Portugal 2030 Community Framework too, the banking sector will continue to be a facilitator and partner for companies, creating wealth and jobs in Portugal.

novobanco is prepared to support applications to Portugal 2030, including: support in the application stage, advancing the incentives approved through short-term loans or on current account, the preliminary financial analysis, debt financing, issuance of bank guarantees to bring forward incentives, and Factoring and Confirming solutions to bring forward sales and/or payment to suppliers. In addition, we have a team specialised in European funds and a network of consulting partners at our Clients' disposal to support their investment project applications and implementation. In short, we have the expertise and the financing solutions to support our Clients' investment, from application to execution.

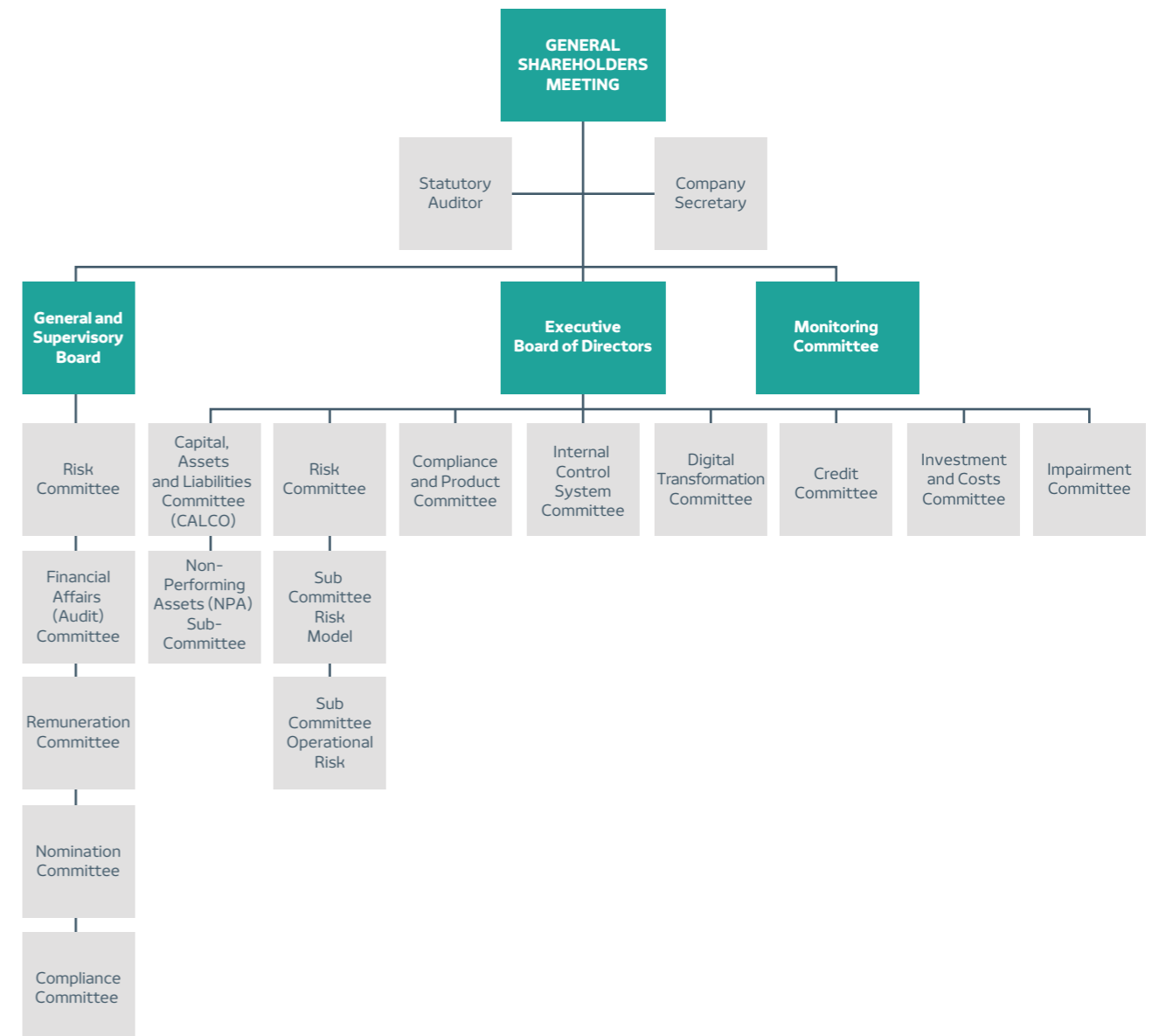
Support programmes with European funds are one of the main drivers of growth in the country. Over the next decade, Portugal will have over €40 billion available (under Portugal 2030 and the RRP), plus other European funds, namely under the Common Agricultural Policy (CAP) and centralised management instruments at European level, such as the Connecting Europe Facility or Horizon Europe.

Portugal 2030 materialises the Partnership Agreement to be established between Portugal and the European Commission, setting the major strategic objectives for the application, between 2021 and 2027, of a global amount of €23 billion. Its programming is based on five strategic objectives: Portugal i) more competitive and intelligent; ii) greener; iii) more connected; iv) more social and inclusive; v) more cohesive and closer to citizens.

# Governance Model

novobanco 's management relies on a governance model that is unique and distinct if compared with systemic banks within the Portuguese financial sector. In line with international best practices in management, and under the new shareholder structure, since 18 October 2017, the Bank changed its governance model, having a General and Supervisory Board (GSB) and an Executive Board of Directors (EBD).

The governance model was designed to ensure monitoring of the Bank's activity and achievement of its strategic objectives:







**Mulher, 1981**  
**Júlio Resende**

Oil on canvas, 153 x 123cm

*In this painting, Resende works a luminous palette, in shades of turquoise blues, greens and yellows, marking the contrast between the face, melancholic, somber, and the abstract shapes of the body, suggested in patches of blue multiples.*

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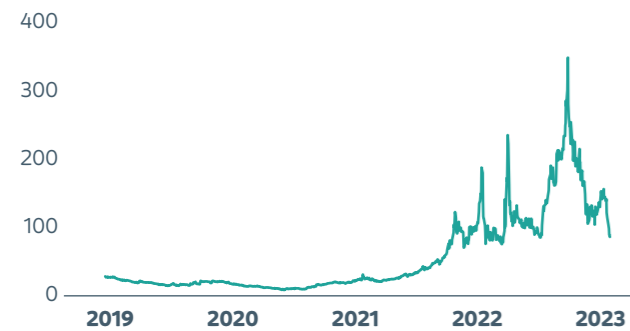
## Business Environment

The performance of the world economy and the financial markets in 2022 was strongly conditioned by the impacts of the war in Ukraine, namely an increase in energy and food prices. The annual average oil price (Brent) rose by 42%, to USD 99.9/barrel, having spiked above USD 120/barrel in the first half of the year. Despite a sharp drop at the end of the year, the annual average price of natural gas in Europe increased 179% YoY, to EUR 133/MWh, peaking at around EUR 340/MWh in August. This reflected the sharp reduction in supply of Russian gas to Europe and fears of supply disruption.

Year-on-year inflation in the Eurozone rose from 5% to an annual high of 10.6% in October, before closing the year at 9.2%. Energy and unprocessed food prices rose by 25.7% and 12%, compared to December 2021. In addition to the adverse supply shock, which bloated production costs, the rise in inflation in 2022 reflected the ability of companies to pass on cost increases to final prices (thus improving their earnings) combined with the ability of consumers to accommodate these price increases. Private consumption growth was supported by persistently low unemployment, fiscal policy support to household income, and the use of savings accumulated during the pandemic. A gradual normalisation of global supply chains and energy price moderation in the 2nd semester allowed inflation to abate towards the end of the year, though remaining above target.

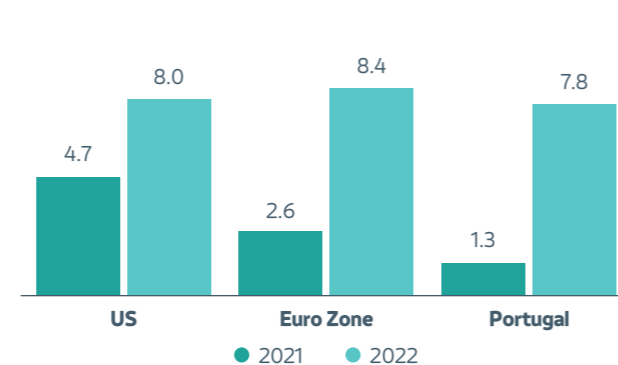
### PRICE OF NATURAL GAS IN EUROPE (EUR/MWh)

Sources: Bloomberg, BLS, Eurostat



### AVERAGE ANNUAL INFLATION RATE (%)

Sources: Bloomberg, BLS, Eurostat, INE



To tackle the risk of more persistent inflationary pressures, the main central banks brought forward and accelerated the withdrawal of monetary stimuli. The ECB raised its policy interest rates by a cumulative 250 basis points, leaving the rate on the main refinancing operations at 2.5% and the deposit facility rate at 2%. Moreover, the Eurozone monetary authority put an end to its net asset purchases under the PEPP and APP programmes.

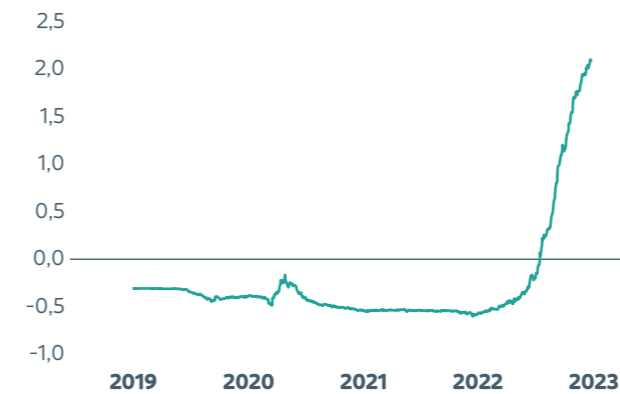
The 3-month Euribor rose by 270 basis points, to 2.132%, and the market raised its expectations regarding its future evolution. The yield on the 10-year Bund increased from -0.177% to 2.571%. Expectations of tighter monetary and financial conditions and growing fears of recession heightened volatility in the financial markets and penalised the equity and credit markets. In the US, the S&P 500 and Nasdaq stock market indices fell by 19.4% and 33.1%, respectively. In Europe, the Euro Stoxx and DAX retreated by 12.9% and 12.3%. The year 2022 was notable for the simultaneous negative returns observed in equities, public debt and credit. The euro

lost 5.9% against the dollar to EUR/USD 1.0711, trading below parity with the US currency between the end of August and the beginning of November.

The Euro Zone GDP grew by 3.5% in 2022, slowing down from its 5.2% increase in the previous year. Domestic demand was constrained by rising inflation and interest rates, which penalised families' disposable income and purchasing power. At the same time, the sharp rise in energy costs and the cooling of external demand resulted in lower industrial activity and a slowdown in exports of goods. Still, growth in the Euro Zone economy was supported by the elimination of the Covid-19 restrictions and by the strong performance of services, particularly tourism, which mainly benefited the peripheral economies. The slowdown in private consumption was mitigated by the drop in the unemployment rate, from 7% to 6.6% of the labour force.

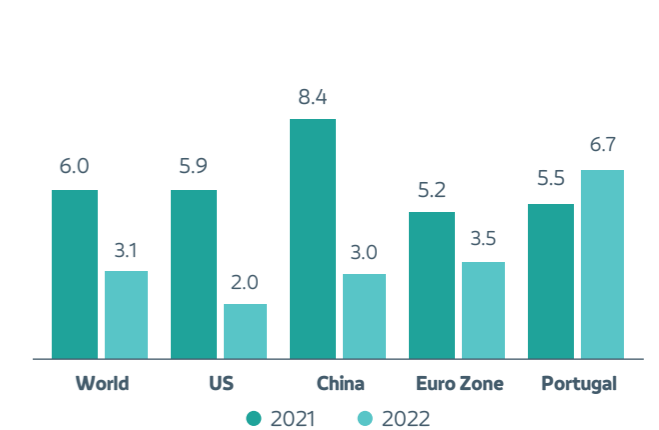
### 3-MONTH EURIBOR (%)

Sources: Bloomberg



### AVERAGE ANNUAL INFLATION RATE (%)

Sources: Bloomberg, FMI, BEA, Eurostat, INE



In Portugal, GDP growth rose from 5.5% to 6.7% in 2022. The expansion of activity is mainly explained by the favourable performance of private consumption (+5.8%) and exports (+18.1%). The end of the pandemic restrictions in early 2022 allowed catching up on postponed expenses, including in tourism and leisure activities. Private consumption also benefited from measures to support household income and from the use of savings accumulated during the pandemic. The household savings rate is estimated to have fallen from 9.8% to 4.5% of disposable income. The unemployment rate retreated from 6.6% to 6% of the labour force, with companies still struggling with labour shortages. Private consumption, however, slowed down over the year, as rising inflation and interest rates eroded families' real disposable income and confidence. Annual average inflation measured by the CPI rose from 1.3% to 7.8%.

Exports benefited from the strong contribution of tourism services which, having surged by close to 80%, outperformed pre-Covid levels in the second half of the year. Exports of goods recorded relatively high growth (around 6%), but slowed down compared to 2021. In a context of high uncertainty, higher inflation, tighter financial conditions and shortages of productive resources, investment growth fell from 10.1% to 1.3%. Loans to non-financial companies decelerated throughout the year, with annual growth retreating from 4.6% in January to 0.6% in December. Loans to individuals showed greater resilience, although also slowing down towards the end of the year. Mortgage loans grew at a rate of 3.6% in the year to December, vs. 4.4% in the year to December 2021. Consumer loans, meanwhile, saw their annual growth rate increase from 2.4% to 6%. The Non-Performing Loans ratio trended downwards throughout the year, across all segments, falling from 3.7% to 3.2%.



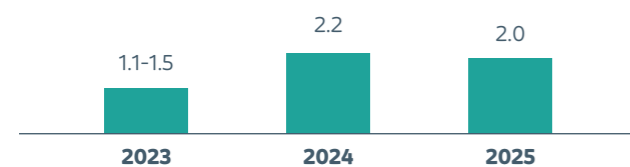
Activity in the real estate sector remained buoyant in 2022. Home prices grew at an average annual rate of 12.7% in the 3rd quarter, accelerating from 9.4% in 2021. This price escalation was supported by strong external demand, associated with the more highly-priced market segments, in a scenario of scarce supply. The number of transactions increased by 4.1% in the year. In a context of improved public accounts, the Portuguese sovereign rating was revised upwards from BBB to BBB+ by S&P and Fitch, and from BBB (high) to A (low) by DBRS. The yield spread of the Portuguese 10-year Government Bond versus the German benchmark widened in the first half of the year, from 64 bps to 108 bps, reflecting higher risk aversion bred by the beginning of the war in Ukraine, but reversed this trend as from the 3rd quarter and closed the year at 102 bps.

## Outlook

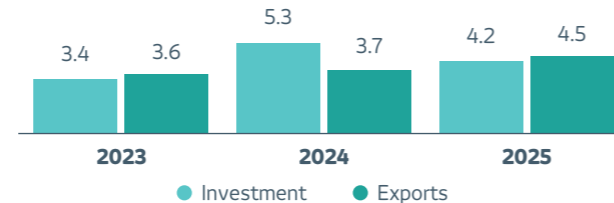
The year 2023 will likely see a slowdown in the global economy. In the Euro Zone, GDP growth is expected to fall from 3.5% to around 0.7%. This should stem from more restrictive monetary and financial conditions, with adverse impacts on demand. With inflation remaining above the 2% target, the ECB is expected to continue rising policy interest rates in the first half of the year, to around 3.5%. The economic environment should remain constrained by the high level of uncertainty surrounding the war in Ukraine. The slowdown in global activity will likely be toned down by lower inflation and the persistence of contained unemployment rates in the main economies. The reopening of China's economy following the abandonment of the Covid-zero policy should also support global demand. In the Euro Zone, growth is expected to benefit from fiscal support to households and businesses, as well as from the implementation of investment programmes under NextGenEU. The main downside risks include higher and more persistent than expected inflation, forcing further interest rate hikes and feeding a recessionary scenario. Tighter monetary and financial conditions could lead to a revaluation of assets, generating financial instability. The possibility of an intensification of the war in Ukraine, and an escalation of tensions between Russia and the West, are also relevant risks. In the US, a political and legislative stalemate in Congress could condition fiscal policy and propensity to risk in the financial markets. The main upside risks include a faster decline in inflation, halting or reversing the rise in interest rates; and a pause or end to the war in Ukraine, reducing energy and commodity costs.

In Portugal, GDP growth should retreat from 6.7% to between 1% and 1.5%. Private consumption should be penalised by higher interest rates and debt service, the loss of household purchasing power and the erosion of savings accumulated during the pandemic. Although retreating from 2022 levels, inflation should remain high, at around 4,5-5,5%. The unemployment rate should remain contained, at around 6% of the labour force. Although constrained by rising interest rates and high levels of uncertainty, private investment is expected to grow more than in 2022, leveraged by the acceleration of public investment, in the context of the execution of the Recovery and Resilience Plan. In the real estate market, there should be a moderation in the number of transactions and a deceleration in prices, reflecting the more restrictive financial conditions. Exports of goods and services are expected to slow in 2023, but with tourism activity maintaining some momentum.

**BASELINE SCENARIO - GDP GROWTH**  
(%)



**BASELINE SCENARIO - INVESTMENT AND EXPORTS**  
(%)



In 2024-25, the growth of the Portuguese economy is expected to gradually converge to its trend, around 2%. Activity should be shored up by a recovery in private consumption, also growing at close to 2%, benefiting from the decline in inflation and the recovery of real purchasing power. The execution of the Recovery and Resilience Plan should support an increase in investment growth, to around 4%-5%. After double-digit growth in 2021-22, driven by the reopening of the economies in the post-Covid period, exports growth is expected to slacken to more sustainable levels, although accelerating slightly compared to 2023. Short-term market interest rates should stabilise at around 3%, following the hikes in 2022-23.

The medium-term outlook for the Portuguese economy should be conditioned by the need to adapt to several structural transformations underway in the global economy. These include the energy transition, involving the assessment and reporting of financial climate risks and a shift of financing towards carbon neutrality; the digitalisation and automation of economic activity, and transformations in the labour market, forcing organisations to be highly agile and adaptive; changes in globalisation, leading to increased investment in production capacity and in locally and regionally sourced supply chains; and the ageing of the population, requiring an increase in spending and investment in healthcare.

# Strategic Pillars

Following the launch of novobanco's new brand and the presentation of its new strategic plan ("Fazer Futuro" / "Shaping the Future") in 2021, 2022 was a year of implementation of the various initiatives and programmes sustaining this plan, and, above all, of fulfilling its main objectives. This is reflected in the results achieved, both in the financial statements and in the bank's solvency levels, which were significantly strengthened despite the challenges of the macroeconomic context.

This performance clearly demonstrates the increased confidence of both customers and the financial markets in novobanco, the alignment of its team and, naturally, the consistency of the strategic path outlined.

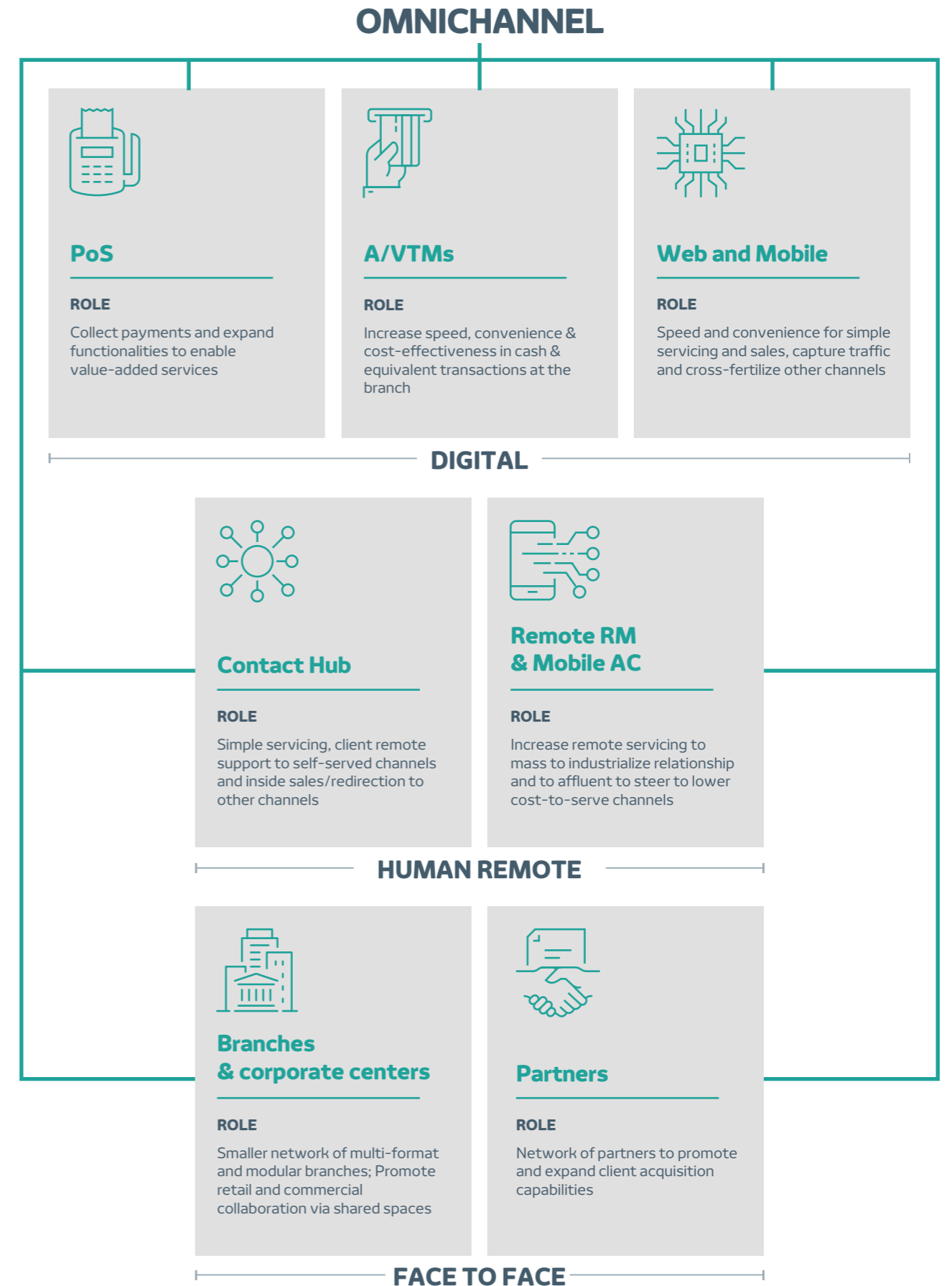
novobanco's strategy is to be focused on each of its customers, providing them with a simple and efficient experience, supported by an experienced and accessible team, and thus contributing to an organisation with robust and sustainable results.



## CUSTOMER-CENTRIC BANK

novobanco's daily routine is focused on responding in an exemplary manner to the needs of its customers, both individuals and companies, and this purpose is reflected in the first pillar of its strategy. At each moment, novobanco seeks to exceed the expectations of its customers and partners, through a distinctive value proposition that relies on digital and on the omnichannel approach as key levers of proximity and experience.

Serving customers with a full spectrum of channels with complementary roles:





New channels, services and personalised customer experience allowed a rapid rise of digital...

2019	2020	2021	2022
<b>DIGITAL ACCOUNT OPENING - CMD</b> → Launch of the account opening using Digital Key Mobile solution  <b>HOMEBUYING</b> → New Homebuying Experience (intelligent simulations, pre-credit analysis document, document upload)  <b>GUARANTEES</b> → Online guarantee request	<b>DIGITAL ACCOUNT OPENING - VIDEOCALL</b> → Launch of the video call account opening solution  <b>ONLINE CREDIT FOR BUSINESS</b> → 1st integrated and 100% digital credit solution for business  <b>HOMEBUYING</b> → From simulation to deed → Simpler, quicker & more transparent → Ecologically sustainable  <b>APP: SMARTER</b> → Adaptable, customizable, inclusive & predictive (based on data science)  <b>FINANCIAL AGGREGATOR</b> → Business Financial advisor → Analytic & predictive  <b>INVESTMENT FUNDS</b> → Subscription of third-party funds through digital channels extended; → Morningstar app solution made available to customers	<b>LIFE INSURANCE</b> → Simulation and subscription of life insurance on digital channels is made available, offering an omni-channel experience  <b>NEW WEBSITE</b> → More customization, SEO and new features; → Launch of online store for non-financial products  <b>CLIENT INFORMATION UPDATE</b> → Client information update via CMD  <b>PHYGITAL</b> → Available across the retail network, with ~40% operations coverage, saving +13 tons of paper in 2021  <b>NOVOBANCO ONLINE EMPRESAS</b> → A new online service to simplify and support the day-to-day financial management of companies	<b>PERSONAL LOANS</b> → New subscription solution on digital channels with simulation comparison feature  <b>HOMEBUYING</b> → API for credit intermediaries: reduced instalment offer  <b>INSURANCE</b> → New simulation feature for home insurance with option to save simulations → E2E subscription Home insurance  <b>PHYGITAL</b> → Increased product depth → New remote signing solutions  <b>INVESTMENTS</b> → New online Investor Profile Questionnaire → Increased off balance offer on digital Channels  <b>CREDIT CARDS</b> → New online request → Increased limit request → Pin by SMS  <b>DIGITAL CHANNELS</b> → App: New wallet features, savings widgets and budgeting, recurring ops → Online Empresas: new dashboards and functionalities (factoring, confirming,)  <b>CLIENT INFORMATION UPDATE</b> → ID card photo upload on digital channels

...unlocking current and future potential



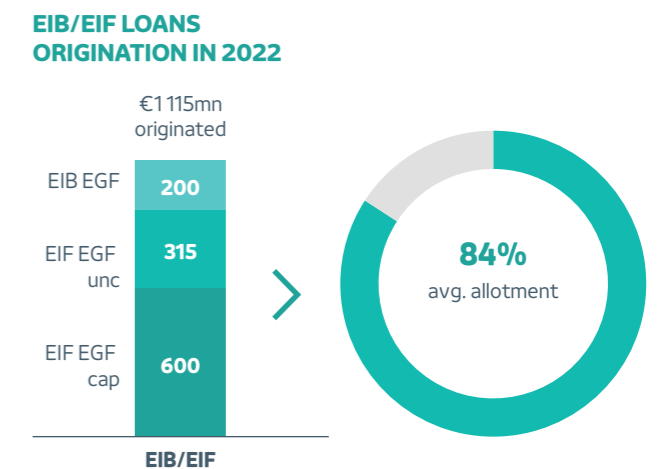
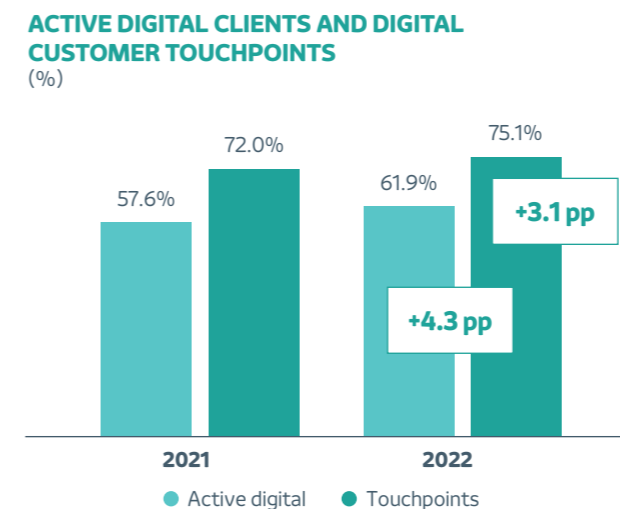
In the Corporate segment, novobanco's in-depth knowledge of the Portuguese business sector allows it to develop specialised approaches, which offer each sector of the economy, and in particular those that are key for national economic growth, a set of products and services suited to their challenges and needs, both for the domestic activity of companies and to support the internationalisation of the national economy. Alongside this vertical vision of the main sectors of our economy, novobanco is also at the forefront when it comes to promoting the business sector's access to the main programmes aiming to revitalise the European economy.

This in-depth knowledge of the market, of its opportunities, but also of its expectations and challenges, positions novobanco as the natural financial partner for large, medium and small national companies.

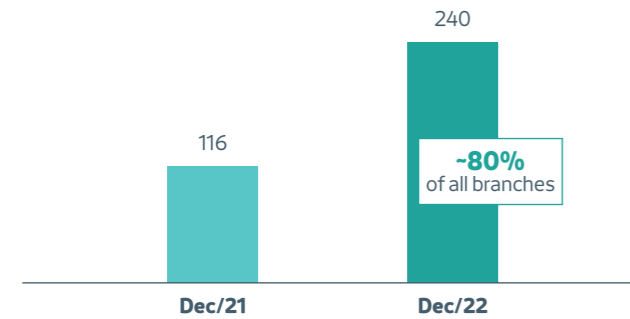
In the Retail segment, which serves families and small businesses, novobanco develops value propositions and solutions centred on these customers' needs at the most decisive moments of their professional or personal journeys, whether in consumer credit, mortgages, management of savings or means of payment, with a view to accelerating the growth of the customer base that has novobanco as its main financial partner.

As part of its strategic plan, novobanco has been implementing an approach based on a principle of increasing the omnichannel approach, thus providing customers with a consistent and integrated experience through its multiple channels.

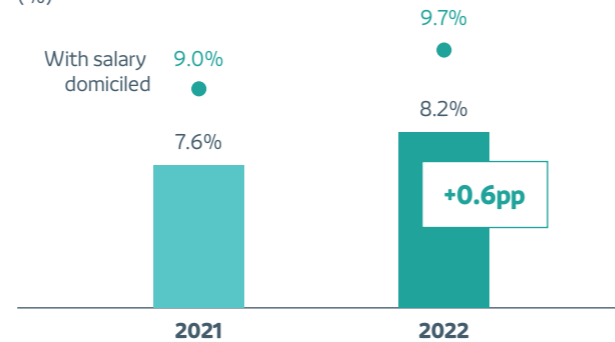
To effectively achieve these objectives, novobanco has been investing on a global transformation. The most visible faces of this reinvention are, on the one hand, the branch network, where novobanco has developed an innovative concept in the market that combines technology, proximity to the customer and openness to the community, and, on the other, digital, which has been a determining factor for the accelerated transformation of novobanco.



**NEW DISTRIBUTION MODEL**  
(# branches)



**MARKET SHARE OF 1<sup>ST</sup> ACCOUNTS**  
(%)



Source: BASEF, novobanco analysis

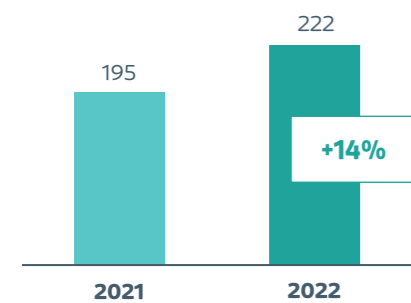
**SIMPLE AND EFFICIENT**

To address the market of today, with its very exacting clients and the challenges posed by new players, which spur the sector to evolve its operating model, the second pillar of novobanco’s strategy is to accelerate its transformation into an organisation that provides customers with a lean and straightforward experience, for which it is necessary to attain increasing levels of operating efficiency.

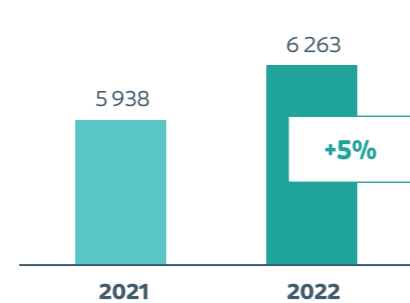
In this area, novobanco has focused on reengineering the most critical processes for customers, with a view to simplifying them and thus provide an experience that stands out in the sector, both through its simplicity and through the consistent improvement of service levels, in particular in loan granting processes, which are the most decisive for companies and families.

To this end, novobanco is implementing a transformation programme of its IT and data governance functions, focused not only on the evolution of the infrastructure, platforms and tools that support the bank’s operation, but also on the timely availability of relevant information to support process improvement, the scrupulous reformulation of the bank’s operating model, the permanent optimisation of the internal decision support models and, naturally, the regulatory commitments and requirements to which the banking sector is subject.

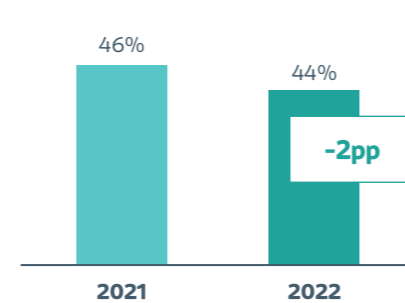
**COMMERCIAL BANKING INCOME/FTE**  
(€k)



**LOANS PER FTE**  
(€k)



**COST TO INCOME RECURRENT**  
(%)



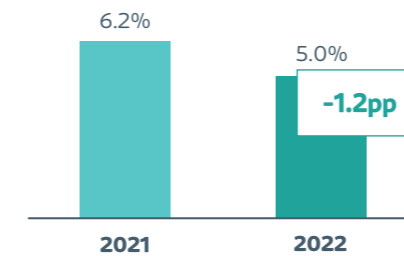
**PEOPLE AND CULTURE**

The strategic objectives of novobanco contain a high level of ambition, based on perfect alignment and total clarity within the organisation about the role and contribution of each employee to achieving them. This third pillar of novobanco’s strategy is, therefore, a critical dimension and requires a high level of dedication from the bank’s management.

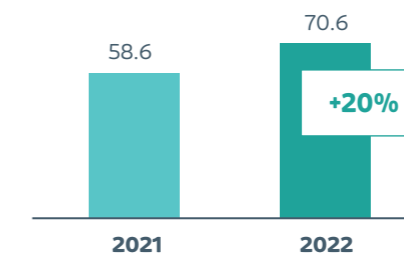
In this domain, novobanco’s strategy seeks to ensure a clear distinctiveness (i) in the value proposition for its employees, (ii) in the development of internal talent and (iii) in the promotion of the organisational culture and values. With these dimensions in mind, novobanco seeks to assert itself as an organisation characterised by:

- A strong capacity to attract, develop and retain the best talent in the sector;
- A concern with the principle of gender equity and with the importance of being able to count on diversified profiles and backgrounds;
- A daily routine supported on working methods aligned with the best international trends, both in terms of participation and collaboration practices and in terms of the working environment;
- The promotion of innovation and the generation of ideas by the organisation itself, for the benefit of customers and the national economy;
- The experiencing of values and of an organisational culture that translates and permanently reinforces these characteristics.

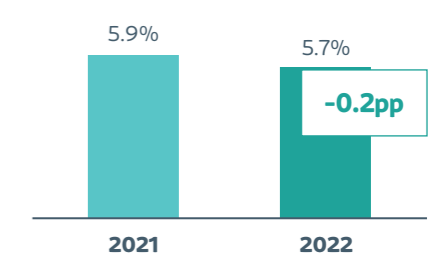
**STAFF TURNOVER**  
(%)



**ESG TRAINING HOURS**  
(k; cumulative)



**GENDER PAY GAP**  
(%)



**SUSTAINABLE PERFORMANCE**

The fourth pillar of novobanco’s strategy is driven by the bank’s resolve that its financial performance be characterised by its sustainability, by the robustness and quality of its balance sheet structure and by adequate solvency levels.

This provides the framework into which the entire programme for integrating ESG (Environmental, Social and Governance) issues into the organisation is set, which includes (i) implementing the ESG operating model and training the organisation, (ii) adapting the offer of products and services, (iii) transforming investment and risk management policies, among other dimensions. novobanco considers ESG as an opportunity for the financial sector to contribute to the important transition objectives of the world economy, which justifies the importance it dedicates to this dimension.

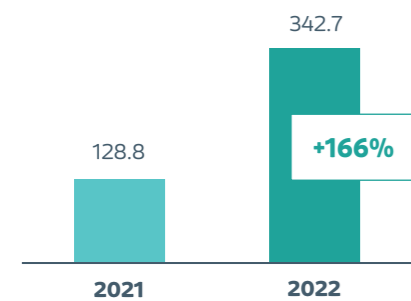


Based on the strategy and the 3 axes that reflect how material issues and Sustainable Development Goals (SDGs) are addressed, identified with the participation of stakeholders, was defined the Social Dividend model for 2022 - 2024 that integrates the three dimensions of sustainability: environmental, social and governance. Comprising three programmes - Environment, Financial and Social Well-Being and Responsible Banking -, objectives for 2024 and various initiatives, the quarterly monitoring model of ESG performance meets novobanco's strategic objectives, which include adopting the best sustainability practices in order to become an ESG benchmark in Portugal.

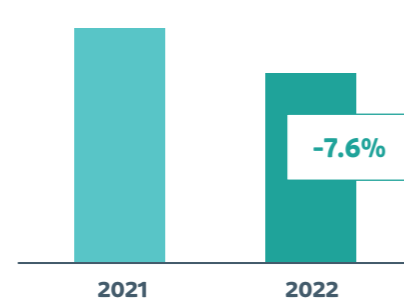
The optimised management of the Bank's capital and its various funding sources and the improvement of the risk management processes associated with its activity are also materially relevant for the sustainability of novobanco's performance. To achieve this goal, novobanco's strategic plan is deployed through different programmes aimed at strengthening the quality of credit decisions, namely by driving their automation, improving pricing models and the measurement of profitability adjusted to risk and capital consumption (economic and regulatory), increasing the sophistication of the warning systems that monitor the life of credit operations and continuously improving the internal rating models (IRB).

The combination of these dimensions gives novobanco the confidence that its ambitious medium-term objectives will continue to be met, thus allowing it to assert itself as a clear reference in the European financial sector, in terms of franchise and consistent growth, based on a robust financial profile that delivers high and sustainable levels of profitability.

**GREEN INVESTMENTS**  
(€mn)



**CO<sub>2</sub> EMISSION**  
(%; 2021=100%)



**ELECTRICITY SOURCED FROM RENEWABLE SOURCES**



Consistent performance delivering medium-term targets already in 2022, positioning novobanco for its next stage of development.

	AS ANNOUNCED ON OCT/21:	MEDIUM-TERM TARGETS	2022 EXECUTION	
<b>CUSTOMER-CENTRIC BANK</b>	Commercial Loan Book (performing)	2-3% per year	4.7% YoY ✓	Expanding loan book
	Net Interest Margin	[1.30 - 1.50%]	1.47% ✓	Set to benefit from Euribor repricing
<b>SIMPLE AND EFFICIENT OPERATIONS</b>	Cost-to-income	< 45%	44% (recurrent basis) ✓	Efficient operations
	CoR	< 50 pb	37 bps ✓	Achieving moderate risk profile
<b>DEVELOPING PEOPLE AND CULTURE</b>	NPL ratio	< 5%	4.3% ✓	Converging towards EU average
<b>DELIVERING SUSTAINABLE PERFORMANCE</b>	RoTE (pre-tax) <sup>1</sup>	≥10%	14.4% ✓	Delivering organic attractive returns
	CET 1	> 12%	13.7% ✓	Accelerating capital generation

(1) Tangible Equity = average phased-in RWA x 12%; Annualized; Considers Underlying profitability pre-tax deducted by special tax on banks (€34mn on annual basis) and contributions to Resolution Funds (€40.9mn on annual basis)



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**Coladera, 1994**  
**Júlio Resende**

Oil on canvas, 151 x 182cm

*Resende's artistic path integrates multiple aesthetic experiences, resulting from the various movements that followed in Europe from the 40's to the 80's, such as Cubism, geometric abstraction, or expressionism.*

GUARDA  
Museu Municipal da Guarda



# Sustainability Roadmap

Novobanco recognizes its important role in the current context where combating climate change is an imperative and sustainability issues dominate the world agenda. This is a defining moment, and one that calls for the adoption of a structured, ambitious and effective approach to the environmental, social and governance challenges of the transition to a sustainable and low-carbon economy and of an inclusive and fair society.

In this context, novobanco Group inscribed in its strategy the important goal of becoming a reference entity in ESG in Portugal, contributing to promote sustainable investment practices that accelerate the transition to a carbon-neutral economy and further the social and governance criteria that this transition requires.

The alignment between novobanco's sustainability strategy and its business strategy is achieved through a set of action streams aimed at transforming the business and management model to structurally incorporate ESG issues as well as internal and external communication initiatives. Such initiatives aim at gradually integrating ESG into the group's culture and promoting sustainability literacy among customers and the community.

novobanco's strategic approach addresses ESG (Environment, Social and Governance) issues not only as risks, but also as opportunities that we are incorporating into the business strategy, ensuring the evolution of the governance and risk management model and a culture of transparency in the disclosure of information. Listening to the stakeholders and defining the priorities together with them.

## Our ESG Priorities

<p><b>SUSTAINABLE BUSINESS</b></p> <p><b>Robust Financial Performance</b> Generating value for all our stakeholders</p> <p><b>Sustainable operations</b> Minimizing the negative environmental impact from our operations, promoting innovation and digitization</p> <p><b>Responsible Investment</b> Incorporating ESG risks and opportunities in our business model and commercial offer</p>	<p><b>SOCIAL AND FINANCIAL WELL-BEING</b></p> <p><b>Well-being, Diversity and Inclusion</b> Recognizing the value of our people, promoting their well-being and growth in a diverse and inclusive corporate culture</p> <p><b>Customer Experience</b> Serving our customers with convenience, proximity and transparency, ensuring a fair value exchange</p>	<p><b>RESPONSIBLE BANKING</b></p> <p><b>Role Model for Positive Impact</b> Acting transparently and ethically, within a robust governance model. Promoting equity and gender equality</p> <p><b>Community</b> Fostering Portuguese economic growth and promoting financial and digital inclusion in the communities we serve</p>
		
		

For each of these 3 strategic axes, novobanco defined 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 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.



Aware of the important role of the financial sector in sustainability, the need for its alignment with the Paris Agreement objectives, as well as of the new European directives, and in particular the Taxonomy regulation, the Bank defined as one of its strategic priorities the integration of ESG risks in its business model, with a special focus on climate and environmental risks.

novobanco adopted a structured and effective approach to face the challenges arising from the transition to a sustainable and low-carbon economy. This approach responds not only to the European Union's initiatives under its action plan on sustainable finance, but also to the expectations and recommendations of regulators, supervisors and sector associations, as well as to the needs and expectations of clients and the market.

**With this positioning we want the bank's activity to be steered by the goal of limiting the planet's temperature increase to below 2 degrees centigrade, reducing scope 1,2 and 3 CO2 emissions.**

### 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.



Bearing in mind that the well-being and prosperity of the community in which we operate depends on access to simple, safe and transparent financial services that enables customers to manage their financial resources appropriately, the Bank, under the second pillar of its ESG strategy, has set to develop an intervention plan aimed at improving the population's financial literacy skills. In this context, it provides financial products and

services tailored to the profile and needs of each customer, based on a fair value exchange, both for financing and savings solutions, consequently furthering social well-being.

Also under the second axis of its strategic plan and integrated into its operations, the Bank wants to provide the best experience to its employees so that they can develop and fulfil their potential. To this end, it has reinforced its programmes to promote holistic well-being (physical, mental, social and financial) and to attract, develop and retain talent.


novobanco also supports the most vulnerable both internally and externally, contributing to minimise the vulnerabilities that may compromise their social well-being.

**With this positioning and being aware that financial concerns play an important role in mental health and stress levels, novobanco aims to contribute to the health and financial well-being of its employees and customers, thus precluding significant risks in the future.**

**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.



Responsible Banking involves the voluntary adoption of a business model based on environmental, social and governance (ESG) factors. Accordingly, novobanco has focused its activity under a responsible business model based on values of equity, equal opportunities and gender equality, while also furthering its sustainable performance through the inclusion of ESG criteria in the relationship with its suppliers. To ensure sustainability across its value chain - downstream and upstream - it provides specialised ESG training to all its employees.

**With this positioning novobanco intend to align its culture and commercial strategy by increasing sustainable practices, favouring economic activities that create prosperity and a positive impact, with the proactive collaboration of all stakeholders, thus implementing a culture of responsible banking.**

2022 Highlights:

In 2022 novobanco continued to implement its sustainability strategy, further integrating environmental, social and governance issues into the way it runs its business, with the ambition of reducing the direct and indirect impact of its activity on the environment, supporting its clients in their transition to a carbon-neutral economy and contributing to the financial and social well-being of its clients, employees and the communities it serves.


Particular attention was paid to include products that support the clients on their ESG journey (both in the corporate and retail finance offering), and to evolve the models for assessing, quantifying and managing ESG risks, with a particular focus on climate and environmental risks.

In its own operations, novobanco Group continued to align its activity with the objectives set out in the Paris Climate Agreement, reducing consumption and emissions of greenhouse gases (GHG).


The Group supported social entrepreneurship, promoted financial, digital and sustainability literacy in the communities it serves, and developed initiatives to foster greater diversity in its team and equal opportunities, both internally and externally.

novobanco incorporates sustainability and ESG criteria across the whole business.


**ENVIRONMENT**




**-34.5%**  
Reduction of scopes 1 and 2 CO<sub>2</sub> emissions



**€342.7 million**  
Green investment\*



**148 thousand**  
Carbon-neutral accounts



**45.4 tonnes**  
Paper not consumed thanks to phygital project

**SOCIAL AND FINANCIAL WELL-BEING**



**11.9 thousand**  
Minimum banking services accounts



**€1.6 million**  
Invested in the community



**€920.6 thousand**  
In social support to employees



**293 branches**  
on which **49** in low-density municipalities

**RESPONSIBLE BANKING**



**27.5%**  
Of women in directorship and first-line management positions



**11.8 thousand**  
ESG training hours



**36.2%**  
Of women in management positions



**61.1%**  
Of suppliers with ESG scoring









## Focus on Stakeholders

The definition of the Group's business strategy is intrinsically linked to a collaborative and proactive approach to all our stakeholders.

novobanco's stakeholders are all the groups or individuals that the Group affects through its activities, products and services and that, in turn, may also affect the Group's ability to achieve its objectives. Based on this definition, novobanco recognises 7 main groups of stakeholders: customers, employees, regulators, investors, suppliers, the media and the community.

To build and nurture a seamless relationship with the stakeholders and integrate their concerns and expectations, the Group set in place a wide range of communication channels. In addition to recurring interactions, novobanco also regularly assesses the materiality of ESG issues through a questionnaire, relying on the strong involvement of the various stakeholders to identify ESG opportunities, risks and challenges in the management of the Group's business. This survey allows for the analysis of the main concerns and the definition of the issues with the greatest impact on management and value creation, not only in the medium term but also in the long term.

 <p><b>EMPLOYEES</b></p>	<ul style="list-style-type: none"> <li>→ Request for personalized or anonymized feedback via questionnaires and meetings;</li> <li>→ Intranet (Somos novobanco, Yammer and Human Resources Portal)</li> <li>→ Thematic Mailboxes Email (including "CEO Office" and "Ask the EBoD")</li> <li>→ HR dedicated manager for active and retired employees</li> <li>→ Human Resources Business Partner</li> <li>→ Executive leadership visits to the commercial network</li> <li>→ Whistleblower line</li> <li>→ Workshops and Lectures</li> <li>→ Annual Meeting and other thematic meetings, workshops, clarification sessions and webinars</li> <li>→ Workers Committee, Union Secretariat and Information and Consultation Procedure</li> </ul>
 <p><b>CLIENTS</b></p>	<ul style="list-style-type: none"> <li>→ Request for personalized feedback via phone, online and in person;</li> <li>→ Formal system for filing complaints;</li> <li>→ Branch Network, Corporate Centres and Regional Divisions;</li> <li>→ Social networks (novobanco Cultura, novobanco Facebook and LinkedIn)</li> <li>→ Events, such as novobanco Summit</li> </ul>
 <p><b>REGULATORS AND INVESTORS</b></p>	<ul style="list-style-type: none"> <li>→ Provision of mandatory and voluntary information</li> <li>→ Request for feedback by phone, online and in person.</li> <li>→ Investor Relations team</li> <li>→ Regular meetings with investors</li> <li>→ Quarterly results presentation</li> <li>→ Investors website</li> </ul>
 <p><b>SUPPLIERS</b></p>	<p>Contacts established through a specific website (Grupo novobanco Suppliers Portal), coordinating the exchange of information via e-mail, telephone and in person.</p>

 <p><b>MEDIA</b></p>	<ul style="list-style-type: none"> <li>→ Information provided in-person, by phone and online;</li> <li>→ Press conferences</li> <li>→ Quarterly results presentation</li> <li>→ Sharing of specialized knowledge through social networks and media (radio, newspapers, televisions).</li> </ul>
 <p><b>COMMUNITY</b></p>	<ul style="list-style-type: none"> <li>→ Continuous in-person, telephone and online dialogue with Associations, Private Social Solidarity Institutions, social and environmental NGOs;</li> <li>→ Corporate Social Responsibility Initiatives</li> <li>→ Participation in conferences</li> <li>→ Social networks (novobanco Cultura, novobanco LinkedIn, Instagram and Facebook)</li> </ul>





## Novobanco cultura

The novobanco cultura project brings together three collections and a library under a single concept. With the aim of making all its collections available for public enjoyment, numerous initiatives have been developed to promote and bring to light each one of them.

- **novobanco Painting Collection** – Portuguese and European painting from the 16th to the 20th century. Under a protocol with the Ministry of Culture, this Collection is displayed for public enjoyment through the permanent exhibition circuit of museums from the north to the south of the country

This project to incorporate a corporate collection in Museums, in an effort to decentralise it all over the country, is a pioneering initiative that has been much appreciated by all the partner museums.

Under this project, 97 works from the novobanco Painting Collection have been integrated into the exhibition circuits of 38 museums across the country since 2018.

In specific cases, the novobanco culture project has even given rise to new painting hubs, as was the case in the Reguengos de Monsaraz, Guarda, Barrancos, Crato, Mirandela, Ourique and Olhão museums.

- **novobanco Contemporary Photo Collection** – with more than 1,000 works by 300 artists from 38 nationalities, and representing a wide range of generations and backgrounds, in November 2018 this collection won the international prize “For the Outstanding Photography Collection of 21st century living artists” at the “Corporate Art Awards – Art Patrons of the XXI Century”. This award aims to promote international collaboration between the corporate world and the world of art. Winning it has provided an important recognition for this unique example of cultural patronage that allowed for the creation of one of the most important corporate collections of contemporary art in the world, composed of 21st century living artists. This award was yet another accolade to the Collection’s already vast and acclaimed international curriculum.
- **novobanco Library of Humanistic Studies** – one of the most valuable private libraries specialising in humanistic studies, it has been placed with the Faculty of Letters of the Lisbon University for safekeeping.
- **novobanco Numismatic Collection** – one of the largest and most complete Portuguese numismatic collections, it is accessible to the public by appointment. Under a partnership with the Faculty of Social and Human Sciences (FCSH) of Universidade Nova, it is also available to students, researchers, and for academic studies.

As a symbol of this intended proximity to the public, the project’s website - novobancocultura.pt - encompasses all the different collections, and for the Painting Collection, it also includes a Collection Roadmap. In the map of Portugal (mainland and autonomous regions) it shows all the places where works from the Collection have been incorporated.

Believing that art and culture belong and should reach each and every one - the premise of novobanco Cultura -, throughout 2023 novobanco will continue to roll out its project of sharing its artistic and cultural heritage with society, and is planning to add another ten or more works from the Painting collection to museums throughout the country.



### Exposição Dream House, Gregory Crewdson

Espaço Coleção de Fotografia do novobanco  
Marquês de Pombal 3A





**Pássaro, 1983**  
**Graça Morais**

Acrylic on canvas, 126 x 94cm

*Reality becomes painting, with color, imagination, and a poetic vision of multiple associations that the painter's brush interprets in an unmistakable creative process.*

LOUSÃ

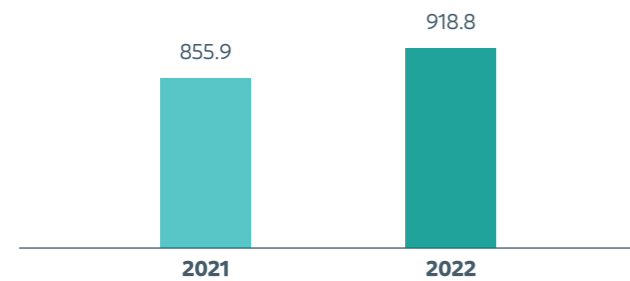
Museu Municipal Professor Álvaro Vieira de Lemos

# Financial Highlights

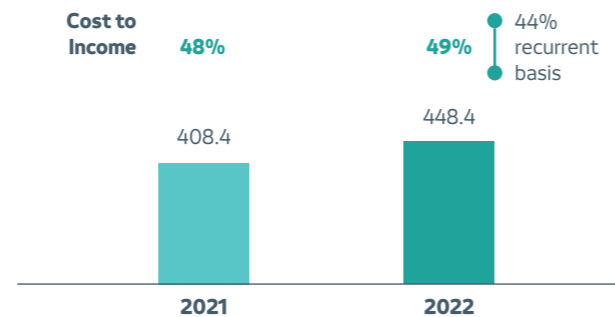
## CONSISTENT STRATEGY DELIVERING INCREASED PROFITABILITY

Novobanco announces a net income of €560.8mn, the outcome of a strategic focus delivering a sustainable growth of business with increased revenues and capital generation despite the uncertain macro background.

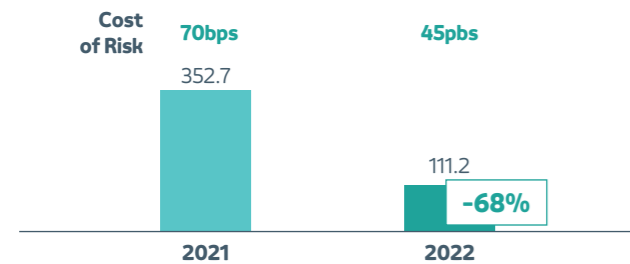
### COMMERCIAL BANKING INCOME (€mn)



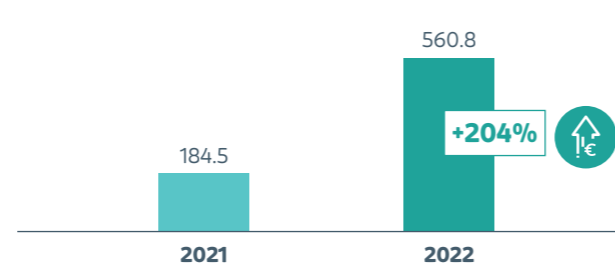
### OPERATING COSTS (%; €mn)



### IMPAIRMENT AND PROVISIONS (€mn)

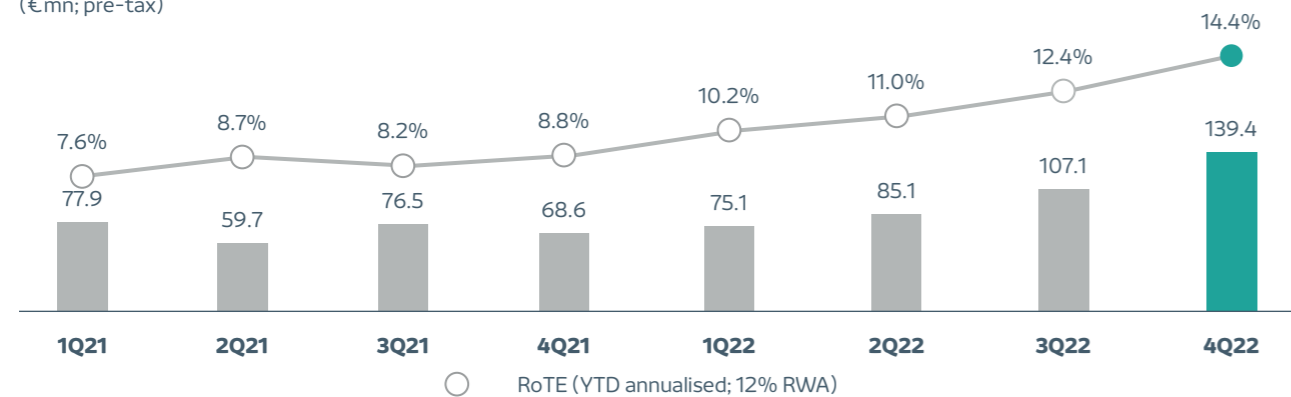


### NET INCOME (%; €mn)



Underlying pre-tax profitability totalled €406.7mn, equivalent to a RoTE (before tax) of 14.4%.

### RECURRENT PROFITABILITY (€mn; pre-tax)

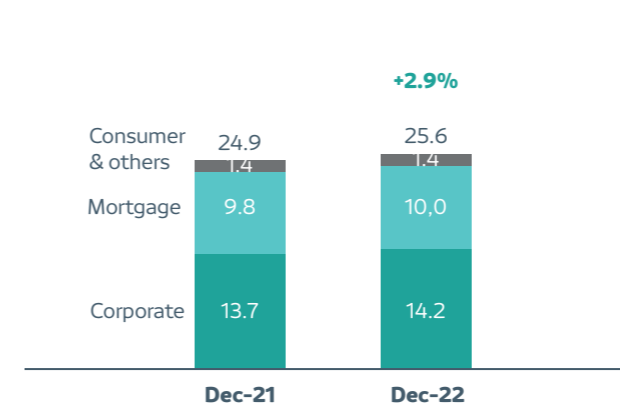


1. Calculado como Resultado líquido antes de impostos ajustado de efeitos extraordinários. Custo do Risco inclui as imparidades para crédito e obrigações corporate

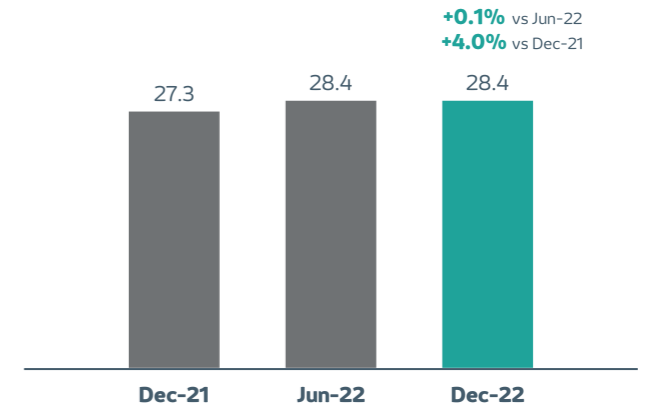
## SOLID BUSINESS MODEL WITH STRONG CAPITAL GENERATION

Net Customers loans increased to €24.6bn, confirming trajectory of an expanding loan book in both retail and corporate segments in a more favourable rates environment. Total customer funds improved 3.1% YTD, with customer deposits increasing 4.0% (+€1.1bn YTD).

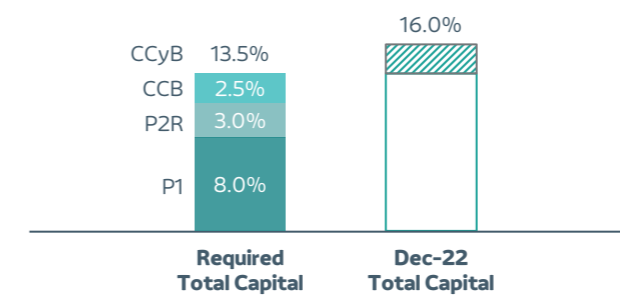
### LOANS TO CUSTOMERS (€bn; Gross Book Value)



### CUSTOMER DEPOSITS EVOLUTION (€bn)



### TOTAL CAPITAL (phased-in; %)



On a fully loaded basis, CET 1 increased 300bps in the year to 13.1% (13.7% on a phased-in basis) and Total capital ratio reached 15.5% (+330bps YTD; 16.0% on a phased-in basis), reflecting the capital accretive business model, RWA discipline, which combined with specific management actions, ensure a buffer above the normalised post-pandemic capital requirements and comfortably exceeds SREP requirement.



## Income Statement

In 2022, novobanco Group reported a profit of €560.8mn (+€376.3mn YoY), with annual performance underpinned by the improvement of its operating results (+€114.2mn; +20.2%) and a lower level of impairments and provisions (-€241.5mn; -68.5%).

The underlying pre-tax profitability totalled €406.7mn, equivalent to a RoTE of 14.4% (2021: 8.8%).

Income Statement (mn€)	31-Dec-21	31-Dec-22	Change	
			absolute	%
Net Interest Income	573.4	625.5	52.1	9.1%
Fees and Commissions	282.5	293.3	10.8	3.8%
<b>Commercial Banking Income</b>	<b>855.9</b>	<b>918.8</b>	<b>62.9</b>	<b>7.3%</b>
Capital Markets Results	75.9	24.0	-51.9	-68.4%
Other Operating Results	40.4	183.6	143.2	-
<b>Banking Income</b>	<b>972.2</b>	<b>1,126.3</b>	<b>154.2</b>	<b>15.9%</b>
Operating Costs	408.4	448.4	40.0	9.8%
<b>Net Operating Income</b>	<b>563.8</b>	<b>678.0</b>	<b>114.2</b>	<b>20.2%</b>
<b>Net Impairments and Provisions</b>	<b>352.7</b>	<b>111.2</b>	<b>-241.5</b>	<b>-68.5%</b>
Credit	149.4	34.5	-114.8	-76.9%
Securities	47.8	67.6	19.9	41.6%
Other Assets and Contingencies	155.6	9.0	-146.5	-94.2%
<b>Income Before Taxes</b>	<b>211.1</b>	<b>566.8</b>	<b>355.7</b>	-
Corporate Income Tax	-15.2	-53.3	-38.1	-
Special Taxon Banks	34.1	34.1	0.0	0.1%
<b>Income After Taxes</b>	<b>192.2</b>	<b>585.9</b>	<b>393.8</b>	-
Non-Controlling Interests	7.7	25.1	17.4	-
<b>Net Income for the Period</b>	<b>184.5</b>	<b>560.8</b>	<b>376.3</b>	-

## Balance Sheet

Assets	Dec-21	Dec-22	Δ YTD	
			€mn	%
Loans and advances to banks	5 922	6,643	721	12.1%
Customer loans (net)	23 651	24,551	900	3.8%
Real estate	824	614	(210)	-25.5%
Securities	10 471	10,864	394	3.8%
Non-current assets held for sale	9	60	50	-
Current and deferred tax assets	780	956	176	22.6%
Other assets	2 962	2,308	(654)	-22.1%
<b>Total Assets</b>	<b>44 619</b>	<b>45,995</b>	<b>1,377</b>	<b>3.1%</b>

Liabilities & Equity	Dec-21	Dec-22	Δ YTD	
			€mn	%
Customer deposits	27,315	28,412	1,097	4.0%
Due to central banks and banks	10,745	9,705	(1,040)	-9.7%
Debt securities	1,470	1,584	115	7.8%
Non-current liabilities held for sale	1	15	15	-
Other liabilities	1,938	2,766	828	42.7%
Total liabilities	41,469	42,483	1,014	2.4%
Equity	3,149	3,512	362	11.5%
<b>Total Liabilities and Equity</b>	<b>44,619</b>	<b>45,995</b>	<b>1,377</b>	<b>3.1%</b>

### Balance Sheet Highlights

Loans to customers (gross) totalled €25,617mn (+2.9% YTD), of which corporate customers represented 56% (+1pp vs Dec/21), mortgage loans to households 39% (in line with Dec/21) and other loans to households 5%.

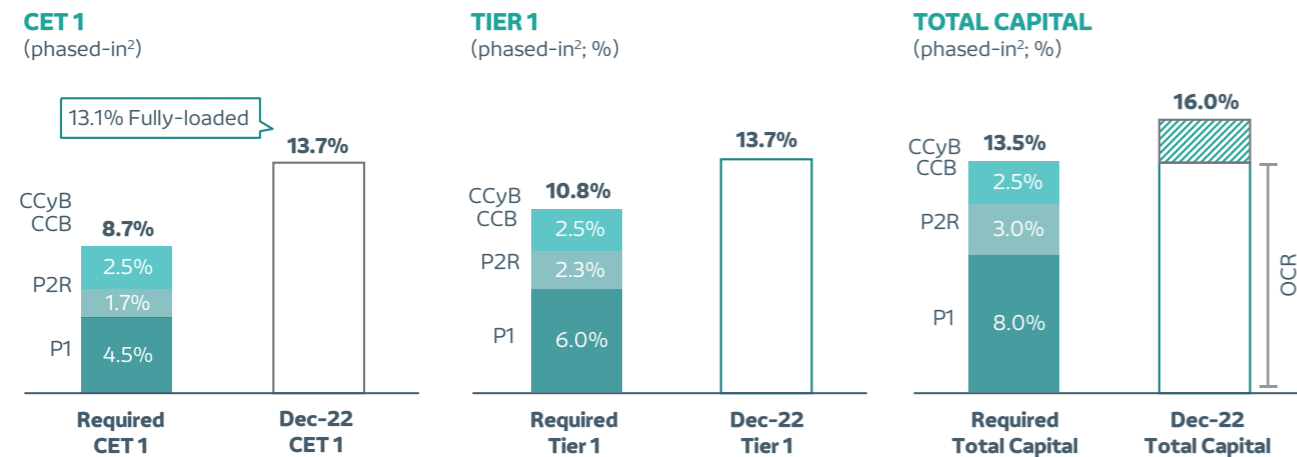
In the period, the new entries of non-performing loans were reduced. This together with the improvement in commercial activity led to a continuous decrease of the non-performing loans, and consequently an improvement in the respective asset quality ratio to 4.3% (2021: 5.7%). As of December 2022, NPL coverage by impairments increased to 77.5% (+6.1pp vs Dec/21).

The securities portfolio, which is the main source of assets eligible for funding operations with the European Central Bank (ECB), is €10.9bn on 31 December 2022, representing 23.6% of assets.

Total customer funds were €34.8bn, an increase of 3.1% YTD, driven by the solid customer deposits performance (+4.0% YTD), which represent 81.7% of total customer funds.

# Capital and Liquidity

Driven by strong bottom-line profitability and RWA reduction, as of 31 December 2022, CET 1 ratio was 13.7% (+260bp YTD; Dec/21: 11.1%) and Total capital ratio reached 16.0% (+290bp vs Dec/21: 13.1%), above 13.5% OCR requirement (applicable as of 1 January 2023) and P2G buffer.



(1) P2G of 1.5% applicable as of 1-Jan-23; (2) Preliminary; The inclusion of positive results depends on an authorization from the ECB

As the financial markets experienced a major disruption in 2022, which translated into significant credit spread widening, the Bank adjusted its market funding plans and managed to comply with all regulatory requirements, without having to access the financial markets. As such, the bank did not exercise the call option on its €275mn senior preferred bond as the replacement would not have been at attractive terms.

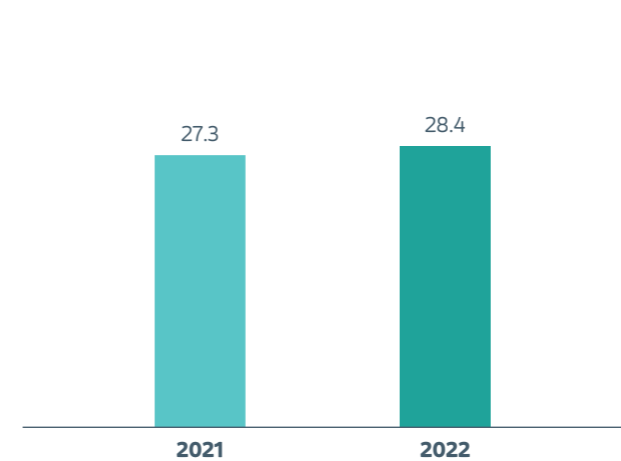
Throughout 2022, novobanco managed to improve its liquidity position. As of 31 December 2022, deposits at the ECB totalled €5.9bn (Dec/21: €5.3bn; +€0.7bn YoY), while net funding from the ECB (funding taken from the ECB minus deposits with the Europeans Central Banks) reduced to €0.4bn, from €2.7bn in 31 December 2021.

At the end of 2022, novobanco's customer deposits totalled €28.4bn (€27.3bn in 2021), having increased by €1.1bn YoY, with a strong contribution from the retail segment.

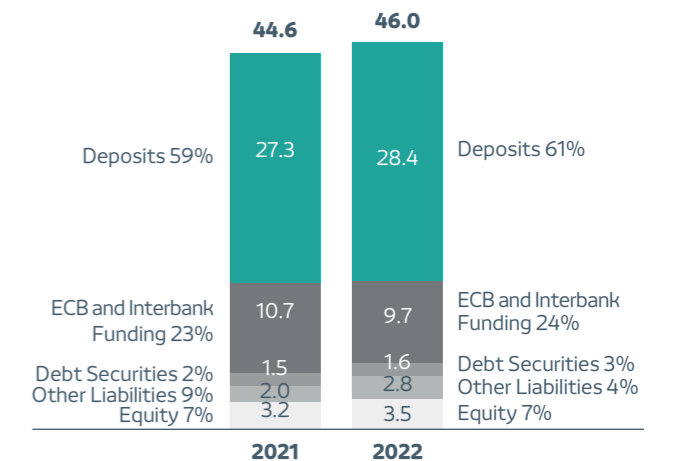
At the end of 2022, customer deposits remained the bank's main funding source, accounting for 62% of its funding structure (61% at the end of 2021), of which 73% were deposits from the retail segment.

In terms of asset evolution, the loan portfolio (gross) increased by €0.7bn to €25.6bn as of December 2022 (Dec/21: €24.9bn).

## CUSTOMER DEPOSITS (€bn)



## FUNDING STRUCTURE (€bn)



On 31 December 2022, gross funding from the ECB amounted to €6.3bn fully composed of the TLTRO III representing a decrease of €1.6bn YoY, as a result of a prepayment executed in December 2022. Throughout 2023 an additional amount of €5.4bn of the TLTRO III will mature, and the remaining €0.95bn are set to mature in December 2024. Given the maturity of these lines novobanco adopted as an exit strategy from TLTRO III, including among others, the reduction of the size of the balance sheet and the increase of other stable financing instruments, mainly collateralised interbank funding and customer deposits. In 2022, collateralised funding through medium-term repo agreements increased by €2.5bn.

As a result, in December 2022, novobanco maintained (i) the liquidity ratios above the regulatory levels, with LCR standing at 210% (Dec/22: 182%), and the NSFR at 113% (Dec/22: 117%). The NSFR reduction is mostly explained by TLTRO III maturity profile and other medium long-term funding maturity shortening; ii) a diversified and stable funding structure, with deposits representing the majority of the funding structure.



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