GROUP ACTIVITY AND RESULTS FIRST NINE MONTHS OF 2022

PRESS RELEASE

Lisbon, 7 November 2022

"The growth of activity in the first nine months of 2022, reflects the strategy of sustainable growth of our banking business in Portugal, resulting in revenue growth and increased capital momentum enhancing value creation for all stakeholders." *Mark Bourke, CEO*

HIGHLIGHTS

CONTINUED DELIVERY OF IMPROVED PROFITABILITY

- **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.
- **Net Interest Income was €405.9mn (-5.6% YoY),** reflecting improvement of average assets yield, impact of senior debt issuance in 4Q21 and conservative accounting for TLTRO III interest in 3Q22. Pro-forma for the amended TLTRO III terms as announced on 27 October 2022, 3Q22 Net Interest Income would have increased by €7.5mn.
- **The Net Interest Margin in the period was 1.29% (Sep/22: 1.35%)** with **Net customer loans at €24.6bn (+3.9% YTD)**, confirming trajectory of an expanding loan book in both retail and corporate segments and a more favourable rates environment.
- **Fees and commissions increased to €215.7mn (+3.8% YoY),** with a strong performance in accounts and payments fees due to pick-up in business activity and revised pricing.
- **Commercial Banking Income in the period was €621.6mn (-2.6% YoY)** and **Banking Income was also strong at €851.1mn (+26.5% YoY).** This includes the positive contribution of Other operating results of €161.3mn, driven by an accelerated deleverage of the real estate portfolio and includes the gain of €71.5mn on the sale of headquarters building in the 3Q.
- **Commercial Cost to Income ratio** was 51% (9M21: 48%), equivalent to **49% on a recurring basis**. **Operating costs of €314.2mn, (+2.8% YoY)**, with the decrease in staff costs offset by higher one-off General and administrative expenses and Depreciations, to support the continuous investment in the improvement of operational and business processes.
- **Cost of risk was 20bps** (9M21: 61bps) reflecting a decrease in **Loan impairments (-65.6%; -€75.5mn vs Sep/21) to €39.5mn,** and demonstrating resilient asset quality
- **Novobanco continued to grow its profitability, reaching a RoTE (pre-tax) of 12.4%** (1H22: 11.0%), with underlying pre-tax profitability[1] of €267.3mn in the period.

SOLID BUSINESS MODEL WITH STRONG CUSTOMER OUTCOMES

- Gross **Customers loans** increased across all segments (€25.8bn, +3.7% YTD). Total customer funds improved 3.0% YTD, with **customer deposits increasing 4.6% (+€1.3bn YTD).**
- **Further improvement of the Non-performing loans (NPL) ratio at 5.0% (Dec/21: 5.7%), with 77.2% increased coverage ratio (Dec/21: 71.4%)**, reflects the de-risking of the balance sheet and progress towards an NPL ratio in line with the European average.

STRONG CAPITAL GENERATION WITH SOLID LIQUIDITY RATIOS

CET 1 ratio increased significantly by a further 90bps in the quarter to 12.7%, reaching a total of capital generation of 160bps YTD (Dec/21: 11.1%; Jun/22: 11.8%), fully-loaded CET 1 at 12.1%. **Total capital ratio of 14.9%** (vs Dec/21:13.1%, Jun/22: 13.9%), above the 13.5% OCR requirement, thus building P2G buffer. This reflects the capital accretive business model, RWA discipline and is combined with specific management action ensuring early compliance with normalised post-pandemic capital requirements.

High liquidity levels, with the liquidity ratio (LCR) improving further to 193%[2] (Dec/21: 182%) and NSFR[2] of 108% (Dec/21: 117%).

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[1] Calculated as pre-tax net income adjusted by extraordinary items and excluding capital markets results

[2] Preliminary

GROUP RESULTS

In the first nine months of 2022, novobanco Group reported a profit of €428.3mn (+€274.3mn YoY). The underlying pre-tax profitability[3] totalled €267.3mn, equivalent to a RoTE (Return on Tangible Equity; pre-tax) of 12.4%.

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INCOME STATEMENT	30-Sep-21	30-Sep-22	Change	
			absolute	%
Net Interest Income	430.2	405.9	- 24.2	-5.6%
+ Fees and Commissions	207.9	215.7	7.8	3.8%
= **Commercial Banking Income**	**638.0**	**621.6**	**- 16.4**	**-2.6%**
+ Capital Markets Results	33.7	68.2	34.5	...
+ Other Operating Results	1.2	161.3	160.0	...
= **Banking Income**	**672.9**	**851.1**	**178.1**	**26.5%**
- Operating Costs	305.7	314.2	8.5	2.8%
= **Net Operating Income**	**367.2**	**536.8**	**169.6**	**46.2%**
+ Restructuring funds - independent valuation	0.0	0.0	0.0	...
- **Net Impairments and Provisions**	**159.6**	**22.5**	**- 137.1**	**-85.9%**
Credit	115.0	39.5	- 75.5	-65.6%
Securities	17.4	44.0	26.6	...
Other Assets and Contingencies	27.2	- 61.0	- 88.3	...
= **Income before Taxes**	**207.6**	**514.3**	**306.8**	**...**
- Corporate Income Tax	13.0	27.8	14.8	...
- Special Tax on Banks	34.2	34.1	- 0.1	-0.2%
= **Income after Taxes**	**160.4**	**452.4**	**292.0**	**...**
- Non-Controlling Interests	6.3	24.0	17.8	...
= **Net Income for the period**	**154.1**	**428.3**	**274.3**	**...**

On a quarterly basis, the positive evolution is justified by the improvement of banking income (+7.1%), operating costs control (+0.4%) and reduced level of impairments and provisions.

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INCOME STATEMENT	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ change	
								absolute	%
Net Interest Income	145.7	143.5	140.9	143.2	133.5	134.5	137.9	3.4	2.5%
+ Fees and Commissions	62.8	72.8	72.3	74.6	68.8	75.6	71.3	-4.3	-5.7%
= **Commercial Banking Income**	**208.5**	**216.3**	**213.2**	**217.9**	**202.3**	**210.1**	**209.2**	**-0.9**	**-0.4%**
+ Market Results	52.8	40.5	-59.7	42.2	91.4	-5.6	-17.6	-12.0	...
+ Other Operating Results	12.2	-41.3	30.3	39.2	16.7	56.5	88.0	31.5	55.6%
= **Banking Income**	**273.5**	**215.5**	**183.9**	**299.3**	**310.4**	**261.0**	**279.6**	**18.6**	**7.1%**
- Operating Costs	102.7	101.4	101.6	102.6	103.6	105.1	105.5	0.4	0.4%
= **Net Operating Income**	**170.8**	**114.1**	**82.3**	**196.6**	**206.8**	**155.9**	**174.1**	**18.2**	**11.6%**
- **Net Impairments and Provisions**	**61.8**	**27.4**	**70.4**	**193.1**	**21.8**	**-2.0**	**2.7**	**4.7**	**...**
Credit	54.9	29.8	30.3	34.4	14.3	5.0	20.2	15.2	...
Securities	0.9	15.1	1.4	30.4	11.1	30.6	2.4	-28.2	-92.2%
Other Assets and Contingencies	6.0	-17.5	38.7	128.4	-3.6	-37.6	-19.9	17.8	47.2%
= **Income before Taxes**	**109.0**	**86.7**	**11.9**	**3.5**	**185.0**	**157.9**	**171.4**	**13.5**	**8.5%**
- Taxes	4.2	16.9	-8.1	-28.2	7.4	11.6	8.9	-2.7	-23.2%
- Special Tax on Banks	32.8	1.5	0.0	-0.1	34.1	0.0	0.0	0.0	...
= **Income after Taxes**	**72.0**	**68.4**	**20.0**	**31.8**	**143.5**	**146.4**	**162.5**	**16.1**	**11.0%**
- Non-controlling Interests	1.3	1.4	3.6	1.4	0.9	22.3	0.9	-21.4	-96.1%
= **Net Income**	**70.7**	**67.0**	**16.4**	**30.4**	**142.7**	**124.0**	**161.6**	**37.6**	**30.3%**

[3] Calculated as pre-tax net income adjusted by extraordinary items and excluding capital markets results

Key features of the activity in the third quarter of 2022 are the following:

- Commercial banking income amounted to €209.2mn, driven by higher interest rates leading to a positive performance of net interest income (+2.5%; +€3.4mn) that partially mitigated the lower performance of fees and commissions (-5.7%; -€4.3mn).
- Other operating results of +€88.0mn, including the gain on the sale of headquarters building (€71.5mn; €67.0mn net of contingencies);
- Operating costs of €105.5mn, in line with last quarter, reflecting the continued investment in the business, including the New Distribution Model, the implementation of an Omnichannel delivery model, supported by a programme of digital transformation;
- Net impairments and provisions amounted to €2.7mn, including one-off release of impairments and provisions and the normalisation of the balance sheet.

Net Interest Income

Net Interest Income was €405.9mn (-€24.2mn; -5.6% YoY), reflecting the higher funding cost of the senior debt issuance in 4Q21 (-€20.7mn vs 9M21), negative rates on money market placements in 1H 2022 and accounting of TLTRO III interest in 3Q 2022, which reflected expectation of ECB depo rate evolution until TLTRO III maturity.

The business performance is in line with expectations for the period, despite the current macroeconomic conditions characterized by inflationary pressure and consequent volatility of interest rates, which has been exacerbated by the conflict in Ukraine.

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NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Sep-21			31-Dec-21			30-Sep-22		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	39 646	1.62%	487	39 799	1.60%	645	41 564	1.56%	492
Customer Loans	24 960	2.02%	383	24 954	2.01%	509	25 360	2.07%	399
Mortgage Loans	*9 891*	*1.04%*	*78*	*9 869*	*1.04%*	*104*	*9 808*	*1.12%*	*83*
Consumer Loans and Others	*1 366*	*5.90%*	*61*	*1 380*	*5.86%*	*82*	*1 436*	*5.79%*	*63*
Corporate Lending	*13 702*	*2.34%*	*244*	*13 706*	*2.33%*	*323*	*14 116*	*2.36%*	*252*
Money Market Placements	4 361	0.12%	4	4 602	0.07%	3	6 240	-0.20%	- 9
Securities and Other Assets	10 325	1.28%	100	10 243	1.28%	133	9 964	1.36%	103
INTEREST EARNING ASSETS AND OTHER	**39 646**	**1.62%**	**487**	**39 799**	**1.60%**	**645**	**41 564**	**1.56%**	**492**
INTEREST BEARING LIABILITIES	37 981	0.18%	51	38 148	0.18%	68	40 064	0.27%	83
Customer Deposits	26 512	0.20%	40	26 580	0.19%	51	28 124	0.15%	32
Money Market Funding	10 455	-0.50%	- 40	10 497	-0.51%	- 54	10 497	-0.23%	- 18
Other Liabilities	1 014	6.70%	52	1 070	6.53%	71	1 443	6.37%	70
OTHER NON-INTEREST BEARING LIABILITIES	1 664	-	-	1 651	-	-	1 499	-	-
INTEREST BEARING LIABILITIES AND OTHER	**39 646**	**0.17%**	**51**	**39 799**	**0.17%**	**68**	**41 564**	**0.26%**	**83**
NIM / NII (without stage 3 impairment adjustment)		**1.45%**	**435**		**1.43%**	**577**		**1.30%**	**409**
Stage 3 impairment			**- 5**			**- 4**			**- 3**
NIM / NII		**1.43%**	**430**		**1.42%**	**573**		**1.29%**	**406**

In the period, the average customer loan rate has started to reflect the impact of higher rates. This repricing led to a progressive improvement of the interest earning assets throughout 2022, being more visible in the 3Q22 (average rate of customer loans: 1Q22: 2.00%; 2Q22: 2.01%; 3Q22; 2.15%).

The progressive performance of commercial activity was also confirmed in the quarter, with the expansion of the loan book (Gross customer loans +€925mn YTD; +€283mn vs 2Q22) and the performance of the spread between interest on loans and customer deposits to net interest income (1Q22: €114mn; 2Q22: €120mn; 3Q22: €132mn).

In the quarter, the average asset rate increased by 14bps QoQ, from 1.51% in 2Q22 to 1.65% in 3Q22. The average rate on liabilities increased as a result of accounting for TLTRO III interest in 3Q22 based on expected ECB depo rate evolution until its maturity (+16bps), as a result the accumulated interest margin decreased slightly (9M22: 1.29%; 1H22: 1.30%), despite the interest margin in the month of September amounted to 1.35%.

Fees and Commissions

Fees and commissions were €215.7mn, representing a 3.8% YoY increase (+€7.8mn) with increased contribution of Accounts and Payments (+11.2%; +€9.5mn YoY) due to higher volume of transactions and revised pricing.

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FEES AND COMMISSIONS	30-Sep-21	30-Sep-22	Change	
			absolute	%
Payments Management	84.3	93.8	9.5	11.2%
Commissions on Loans, Guarantees and Similar	62.5	63.7	1.1	1.8%
Asset Management and Bancassurance	50.0	49.2	-0.8	-1.6%
Advising, Servicing and Other	11.1	9.1	-2.0	-18.1%
TOTAL	**207.9**	**215.7**	**7.8**	**3.8%**

Capital Markets and Other Operating Results

In the period, the results of financial operations were positive in the amount of €68.2mn mostly due to gains from the hedging of interest rate risk, reflecting the volatility of sovereign debt in the market in the first half of the year. The fair value reserves decreased by €275.1mn YTD.

Other operating results amounted €161.3mn, including gains from the sale of a real estate (logistics) assets of €77.1mn (2Q22; €77.1mn; €58.5mn net of non-controlling interests) and a gain on sale of headquarters building (3T22: €71.5mn; €67.0mn net of contingencies), offsetting €40.9mn of contributions to resolution funds (Single Resolution Fund: €24.5mn; Portuguese Resolution Fund: €15.4mn).

Operating Costs

Operating costs increased by +2.8% YoY. The evolution reflects, on one hand, the reduction of staff costs given the lower number of employees (9M22: €169.8mn; -€5.7mn YoY) and, on the other hand, the one-off increase in General and administrative costs (9M22: €115.0mn +€9.7mn YoY) and Depreciation (9M22: €29.4mn; +€4.5mn YoY). This evolution reflects the continuous investment towards transformation of the organisation and its processes as a function of its strategic programme.

Commercial Cost to Income ratio was 51% (9M21: 48%), if considered markets and other operating results the ratio totalled 37% (9M21: 45%).

Operating costs presented a slight increase of 0.3%, to €306.5mn, when adjusted by non-recurrent costs in general and administrative costs (+€0.8mn) with Cost to Income ratio of 49%.

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OPERATING COSTS	30-Sep-16	30-Sep-17	30-Sep-18	30-Sep-19	30-Sep-20	30-Sep-21	30-Sep-22	Change	
								absolute	%
Staff Costs	230.2	210.4	199.5	200.6	182.8	175.5	169.8	- 5.7	-3.3%
General and Administrative Costs	176.8	152.7	147.9	134.3	111.2	105.3	115.0	9.7	9.3%
Depreciation	42.9	31.2	16.2	26.9	24.1	25.0	29.4	4.5	18.0%
TOTAL	**449.9**	**394.2**	**363.5**	**361.8**	**318.1**	**305.7**	**314.2**	**8.5**	**2.8%**

Staff costs totalled €169.8mn (-5.7% YoY), maintaining the downward trend of recent years, as a result of increased efficiency. As of 30 September 2022, novobanco Group had 4,139 employees (Dec/21: 4,193; -54 YTD; Sep/21: 4,362; -223 YoY).

The total number of branches as of 30 September 2022 was 300 (Dec/21: 311; -11 branches YTD; Sep/21: 334; -34 YoY), of which 205 operating within the new distribution model, providing an integrated digital and customer experience.

Net Impairments and Provisions

Until 30 September 2022, novobanco Group recorded net impairments and provisions amounting to €22.5mn, a reduction compared to the first nine months of 2021 (-85.9%; -€137.1mn).

The cost of risk was 20bps benefiting from the de-risking strategy (vs 9M21: 61bps).

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NET IMPAIRMENTS AND PROVISIONS	30-Sep-21	30-Sep-22	Change	
			absolute	%
Customer Loans	115.0	39.5	-75.5	-65.6%
Securities	17.4	44.0	26.6	...
Other Assets and Contingencies	27.2	- 61.0	- 88.3	...
TOTAL	**159.6**	**22.5**	**- 137.1**	**-85.9%**

ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

Customer Loans

Novobanco's strategy is to support the domestic business community combined with a robust and disciplined lending policy. This support has been provided across all industry sectors and all companies, with an emphasis on exporting SMEs and those that focus on innovation in their products, services or production systems.

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CUSTOMER LOANS	30-Sep-21	31-Dec-21	30-Sep-22	YTD Change	
				absolute	%
Loans to corporate customers	**13 673**	**13 710**	**14 524**	**814**	**5.9%**
Loans to Individuals	**11 245**	**11 189**	**11 299**	**111**	**1.0%**
Residential Mortgage	9 847	9 782	9 918	136	1.4%
Other Loans	1 398	1 406	1 381	- 25	-1.8%
Customer Loans (gross)	**24 918**	**24 899**	**25 823**	**925**	**3.7%**
Provisions	1 495	1 248	1 238	- 10	-0.8%
Customer Loans (net)	**23 423**	**23 651**	**24 585**	**934**	**3.9%**

Loans to customers (gross) totalled €25,823mn (+3.7% YTD), of which corporate customers represented 56% (+1pp vs Dec/21), mortgage loans to households 39% (-1pp vs Dec/21) and other loans to households 5%. Confirming the positive trend of customer loans, in the first nine months of the year, origination totalled €2.9bn (3Q22: €0.9bn), of which 57% corporate, 33% mortgage and 10% consumer and others.

The 5.9% growth in loans to corporate customers reflects novobanco commitment towards its domestic market and the Portuguese companies, enhancing products dedicated to support clients' funding needs, promoting credit lines with financial guarantee by Banco Português de Fomento, financing lines with EIF/EIB guarantee to support companies' liquidity needs and investments, sectoral financing lines, among others.

The asset quality indicators of September 2022, and comparison with previous year, are presented below:

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ASSET QUALITY AND COVERAGE RATIOS	30-Sep-21	31-Dec-21	30-Sep-22	YtD Change	
				absolute	%
Overdue Loans > 90 days	565	290	446	156	53.7%
Non-Performing Loans (NPL)[1]	2 195	1 749	1 605	- 144	-8.2%
Overdue Loans > 90 days / Customer Loans (gross)	2.3%	1.2%	1.7%	0.6 p.p.	
Non-Performing Loans (NPL) [1] / Customer Loans (gross) + Deposits with Banks and advances to Banks (gross)	**7.2%**	**5.7%**	**5.0%**	**-0.7 p.p.**	
Credit Provisions / Customer Loans	6.0%	5.0%	4.8%	-0.2 p.p.	
Coverage of Overdue Loans > 90 days	264.7%	430.2%	277.8%	-152.4 p.p.	
Coverage of Non-Performing Loans [1]	**81.5%**	**71.4%**	**77.2%**	**5.8 p.p.**	

[1] Includes Deposits and Loans and advances to Banks and Customer Loans

The stock of Overdue loans decreased by €156mn on a year-on-year basis, with the increase versus December 2021 driven by a specific debtor, already classified as non-performing loan.

In the period, the new entries of non-performing loans remained contained, which together with cures and recoveries led to a continuous decrease of the non-performing loans stock (including deposits with Banks and loans and advances to Banks), and consequently an improvement in the respective asset quality ratio to 5.0% (Sep/21: 7.2%). As of September 2022, NPL coverage by impairments (including deposits with Banks and loans and advances to Banks) was 77.2% (+5.8pp vs Dec/21).

Securities

The securities portfolio, which is the main source of assets eligible for funding operations with the European Central Bank (ECB), amounted to around €11.4bn on 30 September 2022, representing 24.2% of assets.

net of impairment | mn€

Securities portfolio	30-Sep-21	31-Dec-21	30-Sep-22	YTD Change	
				absolute	relative
Portuguese sovereign debt	3 207	3 056	2 170	- 886	-29.0%
Other sovereign debt	3 216	3 197	4 385	1 188	37.2%
Bonds	3 417	3 413	4 182	769	22.5%
Other	861	805	648	- 157	-19.5%
Total	**10 701**	**10 471**	**11 385**	**915**	**8.7%**

Funding

Total customer funds amounted to €34.8bn as of September 2022, an increase of 3.0% YTD, driven by an increase in deposits (+4.6% YTD), which represent 92.7% of total customer funds.

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TOTAL FUNDS	30-Sep-21	31-Dec-21	30-Sep-22	YTD change	
				absolute	%
Deposits	26 508	27 315	28 582	1 267	4.6%
Other Customer Funds [1]	295	267	795	528	...
Debt Securities [2]	778	1 054	1 060	6	0.5%
Subordinated Debt	407	415	407	- 8	-2.0%
Sub -Total	**27 987**	**29 052**	**30 844**	**1 792**	**6.2%**
Off-Balance Sheet Funds	4 710	4 711	3 941	- 770	-16.3%
Total Funds	**32 697**	**33 762**	**34 785**	**1 022**	**3.0%**

(1) Includes checks and pending payment instructions, Repos and other funds.

(2) Includes funds associated to consolidated securitisation operations.

Liquidity

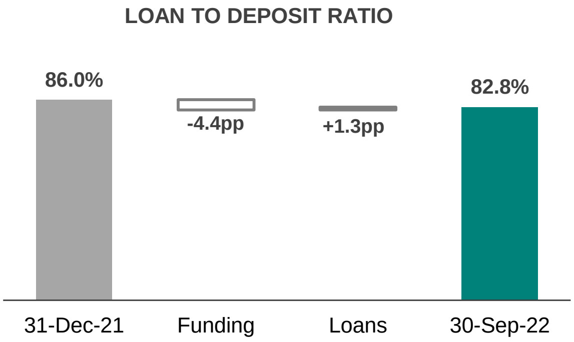
In the first nine months of 2022, novobanco maintained liquidity ratios above the regulatory requirements, with Liquidity Coverage Ratio (LCR) standing at 193% (Dec/21: 182%) and Net Stable Funding Ratio (NSFR) at 108% (Dec/21: 117%).

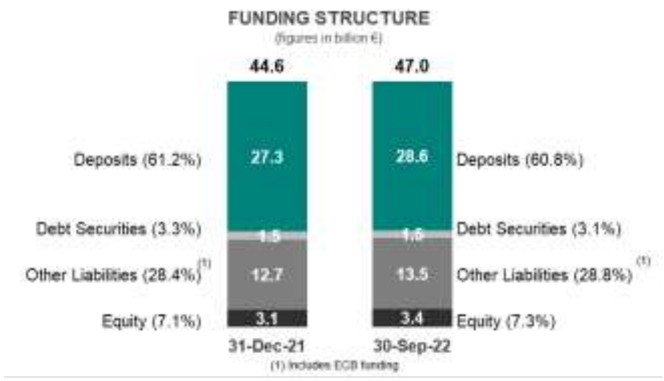
In the first nine months of 2022 customer deposits increased by c. €1.3bn YTD, to €28.6bn, mainly explained by the performance of the retail segment. Customer deposits remained the main source of funding, representing 66% of total liabilities and 61% of total assets.
In terms of asset evolution, in the period, the loan portfolio (gross) increased by €925mn, to €25.8bn, compared to December 2021, driven by the growth of the corporate segment.

In the first nine months of the year, the deposits with ECB remained constantly above €5.0bn and stood at €5.9bn at the end of September (vs. €5.3bn in Dec/21). As a result, net funding from the ECB (funding taken from the ECB minus deposits with the European Central Bank) was €2.1bn in September 2022 vs €2.7bn in December 2021 (-€0.6bn YTD).

On 30 September 2022, Gross funding from the ECB amounted to €8bn, being fully composed by the TLTRO which will start maturing in December 2022, in the amount of €1.6bn. Throughout 2023 €5.4bn additional amount will mature and the remaining €1.0bn will mature in December 2024. Given the maturity of these lines novobanco adopted a strategy to maintain stable funding instruments, by replacing the TLTRO funding with interbank funding and customer deposits.

On 30 September 2022, the eligible assets portfolio available for use as collateral with the European Central Bank increased by €0.5bn versus 31 December 2021, totalling c. €17.0bn (net of haircut). In addition, including HQLA assets non-eligible for ECB rediscount purposes, as well as deposits with ECB, the total liquidity buffer in the first nine months of 2022 increased by €0.6bn, to €13.1bn, mostly composed of highly liquid assets (90%).





Capital

Driven by strong bottom-line profitability, as of 30 September 2022, CET 1 ratio was 12.7% (+90bp vs Jun/22: 11.8%) and Total capital ratio reached 14.9% (+100bp vs Jun/22: 13.9%), above 13.5% OCR requirement (applicable as of 1 January 2023) and allows building of P2G buffer.

In this context, it is important to highlight the fact that the European Central Bank (ECB) disclosed during March 2020 several measures that allow Banks to operate temporarily below the required capital level. These measures aim to prevent Banks from suspending financing to the economy in an adverse economic environment. In addition, changes were introduced to the regulatory framework, in force since June 2020, regarding the calculation of capital ratios, aimed at mitigating the impacts of the Covid-19 pandemic. In these circumstances, novobanco adhered to the dynamic option of the transitional regime of IFRS 9.

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CAPITAL RATIOS (CRD IV/CRR)		31-Dec-21[1] (Phased-in)	31-Dec-21[1] (Fully loaded)	30-Jun-22[2] (Phased-in)	30-Jun-22[2] (Fully loaded)	30-Sep-22[2] (Phased-in)	30-Sep-22[2] (Fully loaded)
Risk Weighted Assets	(A)	24 929	24 689	23 058	22 914	22 848	22 695
Own Funds							
Common Equity Tier 1	(B)	2 768	2 507	2 711	2 558	2 906	2 746
Tier 1	(C)	2 769	2 509	2 712	2 559	2 908	2 747
Total Own Funds	(D)	3 276	3 016	3 214	3 061	3 409	3 248
Common Equity Tier 1 Ratio	(B/A)	11.1%	10.1%	11.8%	11.2%	12.7%	12.1%
Tier 1 Ratio	(C/A)	11.1%	10.1%	11.8%	11.2%	12.7%	12.1%
Solvency Ratio	(D/A)	13.1%	12.2%	13.9%	13.4%	14.9%	14.3%
Leverage Ratio		6.0%	5.4%	5.7%	5.4%	5.9%	5.6%

(1) Updated values
(2) Preliminary

Novobanco's Common Equity Tier 1 (CET1) ratio is protected up to a predetermined threshold for the amounts of losses verified in a perimeter of assets as outlined by the Contingent Capital Agreement. The amount of compensation requested with reference to 2021 was €209.2mn (€198.2mn net of amounts to be paid to the Resolution Fund). This amount is not included in the calculation of regulatory capital with reference to 31 December 2021 and considers the losses incurred in the assets covered by the Contingent Capital Agreement, as well as the minimum capital condition applicable at the end of the same year under the Contingent Capital Agreement.

Regarding the amount requested from the Resolution Fund for the year 2020, there are two divergences between novobanco and the Resolution Fund, i.e. (i) the provision for discontinued operations in Spain and (ii) valuation of participation units, which are subject to an arbitration decision. Novobanco considers these amounts (in aggregate equal to €165mn) as due from the Resolution Fund under the Contingent Capital Agreement and has triggered the legal and contractual mechanisms at its disposal.

Additionally, novobanco and the Resolution Fund have a divergence, subject to arbitration, concerning the application by novobanco, at the end of 2020, of the dynamic option of the transitional regime of IFRS 9.

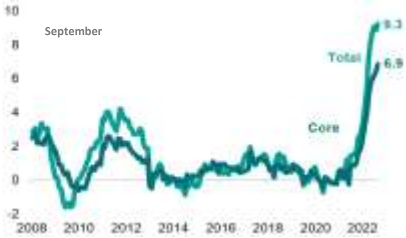
ECONOMIC ENVIRONMENT

Global economic activity and the performance of financial markets were heavily constrained, in the first 9 months of 2022, by the impacts of the war in Ukraine, which were mainly felt through a strong increase in energy and food prices. Even after falling in the third quarter, Brent oil prices advanced 13% YTD. In Europe, natural gas prices jumped from EUR 76 Mwh at the end of 2021 to EUR 340 Mwh in August, reflecting lower gas inflows from Russia and fears of supply disruptions. Progress in rebuilding reserves and measures announced by the European Commission aimed at mitigating the energy shock later contributed to a fall in prices, to EUR 175 Mwh by the end of the third quarter – still a 130% increase year-to-date. In the Euro Area, consumer inflation rose from 5% to 9.9% YoY between January and September, with energy and food prices rising 40.8% and 12.7%, respectively, compared with September 2021.

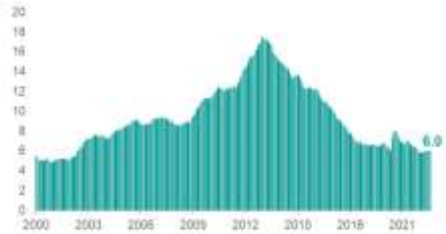
With the aim of countering the risks of more persistent inflationary pressures, the main central banks – led by the US Federal Reserve – anticipated and accelerated the removal of monetary policy stimuli. In the Euro Area, the ECB increased its policy rates in July (50 bps) and in September (75 bps), leaving the main refinancing rate at 1.25% and the deposit facility rate at 0.75%. A further 75 bps increase in these rates was expected in October. The Euro Area monetary authority also ended its net asset purchases under the PEPP and APP programmes. The 3 month Euribor rose 175 bps, to 1.17%, and the market significantly increased its expectations for this rate. The 10 year Bund and PGB yields increased from -0.177% to 2.108% and from 0.465% to 3.175%, respectively. Reflecting a relatively more hawkish stance from the Fed, as well as the higher exposure of Europe to the war in Ukraine and a general environment of risk aversion, the euro depreciated 14% against the US dollar, falling below parity, to EUR 0.979. Euro Area GDP expanded 0.7% in the first quarter and 0.8% in the second quarter, benefiting from the end of Covid-19 restrictions. But confidence levels, as well as consumption and investment spending, were hurt by the rise in uncertainty and by the increase in inflation, and this contributed to a deceleration in activity growth in the third quarter, to 0.2%. The expectation of restrictive monetary and financial conditions, and the growing fears of a global recession, led to higher volatility in financial markets, and to lower valuations in risk assets. In the US, the S&P 500 and the Nasdaq equity indices fell 24.8% and 32.4% year-to-date, respectively. In Europe, the Euro Stoxx 600 and the DAX lost 20.5% and 23.7%. The PSI fell 4.8%.

GDP growth
(% QoQ and YoY)

Headline and core inflation rate
(CPI, % YoY)



Unemployment rate
(% labour force)



In Portugal, GDP increased 2.4% in the first quarter and 0.1% in the second quarter (12% and 7.4% YoY). In the third quarter, economic activity expanded 0.4%, or 4.9% YoY. The expansion in activity in 2022 is mainly explained by the favourable performance of private consumption (which benefited from the end of Covid-19 constraints and from policy measures supporting household income) and by strong exports growth, mainly (but not only) associated with the recovery of tourism. The indirect impacts from the war in Ukraine became increasingly visible, though. Inflation rose from 3.3% to 9.3% YoY, with companies reporting difficulties stemming from high energy costs and from input shortages. The unemployment rate remained contained, however, rising only from 5.9% to

6% of the labour force between January and August, below the annual average of 6.6% observed in 2021. The NPL ratio fell to 3.4% in the second quarter of 2022, down from 4.3% one year earlier and from 3.7% at the end of 2021. Residential house prices accelerated from 11.6% to 13.2% YoY in the first half of 2022, in part supported by strong external demand.

FINANCIAL STATEMENTS

MAIN HIGHLIGHTS	30-Sep-21	31-Dec-21	30-Sep-22
ACTIVITY (mn€)			
Net Assets	45 342	44 619	46 992
Customer Loans (gross)	24 957	24 899	25 823
Customer Deposits	26 508	27 315	28 582
Equity	3 212	3 149	3 411
SOLVENCY [3]			
Common EquityTier I / Risk Weighted Assets [3]	10.9%	11.1%[4]	12.7%
Tier I / Risk Weighted Assets [3]	10.9%	11.1%[4]	12.7%
Total Capital / Risk Weighted Assets [3]	12.8%	13.1%[4]	14.9%
Leverage Ratio	6.2%	6.0%[4]	5.9%
LIQUIDITY (mn€)			
European Central Bank Funding [2]	2 733	2 742	2 065
Eligible Assets for Repo Operations (ECB and others), net of haircut	16 726	16 476	17 017
(Total Credit - Credit Provision) / Customer Deposits [1]	87%	86%	83%
Liquidity Coverage Ratio (LCR)	150%	182%[4]	193%
Net Stable Funding Ratio (NSFR)	115%	117%[4]	108%
ASSET QUALITY			
Overdue Loans > 90 days / Customer Loans (gross)	2.3%	1.2%	1.7%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	7.3%	5.7%	5.0%
Credit Provision / Overdue Loans > 90 days	264.7%	430.2%	277.8%
Credit Provision / Customer Loans (gross)	6.0%	5.0%	4.8%
Cost of Risk	0.61%	0.60%	0.20%
PROFITABILITY			
Net Income for the Period (mn€)	154.1	184.5	428.3
Income before Taxes and Non-controlling interests / Average Net Assets [1]	0.6%	0.5%	1.4%
Banking Income / Average Net Assets [1]	2.0%	2.9%	2.5%
Income before Taxes and Non-controlling interests / Average Equity [1]	8.7%	7.1%	21.5%
EFFICIENCY			
Operating Costs / Banking Income [1]	45.4%	42.0%	36.9%
Operating Costs / Commercial Banking Income	47.9%	47.7%	50.5%
Staff Costs / Banking Income [1]	26.1%	24.0%	19.9%
EMPLOYEES (No.)			
Total	4 362	4 193	4 139
- Domestic	4 343	4 165	4 120
- International	19	28	19
BRANCH NETWORK (No.)			
Total	334	311	300
- Domestic	333	310	299
- International	1	1	1

(1) According to Banco de Portugal Instruction n. 16/2004, in its version in force
(2) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending
(3) Preliminary
(4) Updated values

NOVO BANCO, S.A.

CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2022 AND 2021

thousands of Euros

	30.09.2022	30.09.2021
Interest Income	552 947	554 244
Interest Expenses	(147 007)	(124 071)
Net Interest Income	**405 940**	**430 173**
Dividend income	4 500	8 058
Fees and commissions income	247 492	238 985
Fees and commissions expenses	(34 588)	(34 951)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(71 520)	10 224
Gains or losses on financial assets and liabilities held for trading	150 898	29 282
Gains or losses on financial assets mandatorily at fair value through profit or loss	(10 972)	34 551
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	4	42
Gains or losses from hedge accounting	(6 057)	11 057
Exchange differences	2 427	6 848
Gains or losses on derecognition of non-financial assets	76 659	3 249
Other operating income	178 467	81 450
Other operating expenses	(91 385)	(143 414)
Operating Income	**851 865**	**675 554**
Administrative expenses	(284 789)	(280 766)
Staff expenses	*(169 769)*	*(175 489)*
Other administrative expenses	*(115 020)*	*(105 277)*
Cash contributions to resolution funds and deposit guarantee schemes	*(41 155)*	*(40 535)*
Depreciation	*(29 436)*	*(24 955)*
Provisions or reversal of provisions	*32 863*	*10 939*
Commitments and guarantees given	*14 538*	*21 780*
Other provisions	*18 325*	*(10 841)*
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	*(83 362)*	*(162 255)*
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	*19 704*	*871*
Impairment or reversal of impairment on non-financial assets	*8 298*	*(9 174)*
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	6 484	2 060
Profit or loss before tax from continuing operations	**480 472**	**171 739**
Tax expense or income related to profit or loss from continuing operations	(27 811)	(13 016)
Current tax	(6 412)	(9 745)
Deferred tax	*(21 399)*	*(3 271)*
Profit or loss after tax from continuing operations	**452 661**	**158 723**
Profit or loss from discontinued operations	(270)	1 635
Profit or loss for the period	**452 391**	**160 358**
Attributable to Shareholders of the parent	**428 342**	**154 067**
Attributable to non-controlling interests	24 049	6 291
	452 391	**160 358**

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2022 AND 31 DECEMBER 2021

thousands of Euros

	30.09.2022	31.12.2021
ASSETS		
Cash, cash balances at central banks and other demand deposits	1 009 724	5 871 538
Financial assets held for trading	181 346	377 664
Financial assets mandatorily at fair value through profit or loss	577 879	799 592
Financial assets at fair value through other comprehensive income	2 574 653	7 220 996
Financial assets at amortised cost	38 346 080	26 039 902
Securities	8 218 014	2 338 697
Loans and advances to banks	5 543 227	50 466
Loans and advances to customers	24 584 839	23 650 739
Derivatives – Hedge accounting	523 410	19 639
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(366 319)	30 661
Investments in subsidiaries, joint ventures and associates	123 922	94 590
Tangible assets	821 389	864 132
Tangible fixed assets	250 842	238 945
Investment properties	570 547	625 187
Intangible assets	71 034	67 986
Tax assets	873 165	779 892
Current Tax Assets	36 379	35 653
Deferred Tax Assets	836 786	744 239
Other assets	2 243 173	2 442 550
Non-current assets and disposal groups classified as held for sale	12 121	9 373
TOTAL ASSETS	**46 991 577**	**44 618 515**
LIABILITIES		
Financial liabilities held for trading	125 235	306 054
Financial liabilities measured at amortised cost	42 137 669	40 215 994
Deposits from central banks and other banks	10 532 385	10 745 155
Due to customers	29 377 009	27 582 093
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 511 436	1 514 153
Other financial liabilities	716 839	374 593
Derivatives – Hedge accounting	13 238	44 460
Provisions	373 717	442 834
Tax liabilities	10 671	15 297
Current Tax liabilities	9 826	12 262
Deferred Tax liabilities	845	3 035
Other liabilities	918 454	443 437
Liabilities included in disposal groups classified as held for sale	1 802	968
TOTAL LIABILITIES	**43 580 786**	**41 469 044**
EQUITY		
Capital	6 054 907	6 054 907
Accumulated other comprehensive income	(1 188 216)	(1 045 489)
Retained earnings	(8 577 074)	(8 576 860)
Other reserves	6 672 719	6 501 374
Profit or loss attributable to Shareholders of the parent	428 342	184 504
Minority interests (Non-controlling interests)	20 113	31 035
TOTAL EQUITY	**3 410 791**	**3 149 471**
TOTAL LIABILITIES AND EQUITY	**46 991 577**	**44 618 515**

GLOSSARY

INCOME STATEMENT	
Fees and Commissions	Fee and commission income less fee and commission expenses
Commercial banking income	Net interest income and fees and commissions
Capital markets results	Dividend income, gains or losses on the derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets that must be accounted for at fair value through profit or loss, gains or losses on financial assets and liabilities accounted for at fair value through profit or loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on the derecognition of non-financial assets, Other operating income, Other operating expenses, Proportion of profits or losses from investments in subsidiaries and joint ventures and associates accounted for using the equity method
Banking Income	The sum of Net interest income, Fees and commissions, Capital markets results and Other operating results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net Operating Income	Banking income - Operating costs
Provisions and Impairments	Provisions or reversal of provisions, Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates and Impairment or reversal of impairment of non-assets financial
BALANCE SHEET / LIQUIDITY	
Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as non-tradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off- balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.
ASSET QUALITY AND COVERAGE RATIOS	
Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.

EFFICIENCY AND PROFITABILITY RATIOS	
Efficiency (Staff costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Efficiency (Operating costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
Return on tangible equity (RoTE)	Ratio of return for the period and tangible equity. The return corresponds to the annualized result before tax, less the contribution on the banking sector and contributions to resolution funds, being adjusted for events considered extraordinary. Tangible equity calculated as risk weighted assets x 12%.

ABREVIATIONS	
€mn	million euros
€bn	billion euros
pp	percentage points
bps	basis points
QoQ	quarter-on-quarter
YoY	year-on-year
OCR	Overall Capital Requirements
P2G	Pillar 2 Guidance

CONFERENCE CALL: 9M22 RESULTS

Novo Banco 9M 2022 Results Presentation
Date: **Monday, November 7, 2022**
Time: **13:00 Lisbon/London**
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Password: Novo Banco

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