novobanco

Investor Factbook 1Q23

Successful turnaround plan execution leading to increased profitability and sound capital generation

2014 – Creation of Novo Banco
- Creation of Novo Banco following the Resolution applied to BES by Banco de Portugal

2017 – Lone Star Acquisition
- Lone Star acquires 75% share capital of Novo Banco, with the remaining 25% being owned by Fundo de Resolução

2020 – Restructuring Cycle
- Reduction of legacy exposure and delivering commitments, demonstrating resilience and performance capacity

End of 2021 – Renovation & Transformation
- New phase as a commercial bank with strong presence in the corporate sector and close customer relationship

2022 beyond – Relaunch
- New strategic plan focused on maximizing value for customers, maintaining profitable operations and capital efficiency

A leading domestic franchise with renewed focus…

Market Share February 2023						
19.7% (+0.9pp YTD) Trade Finance	**15.1%** (-1.0 pp YTD) POS	**14.6%** (+0.1 pp YTD) Corporate Loans	**9.4%** (+0.1 pp YTD) Customer Deposits	**9.1%** (= YTD) Mortgage Loans	**8.8%** (+0.1 pp YTD) Asset Management	**5.3%** (+0.1 pp YTD) Consumer Loans

…and a strategic plan focused to maximize value for customers, maintaining profitable operations and capital efficiency,…

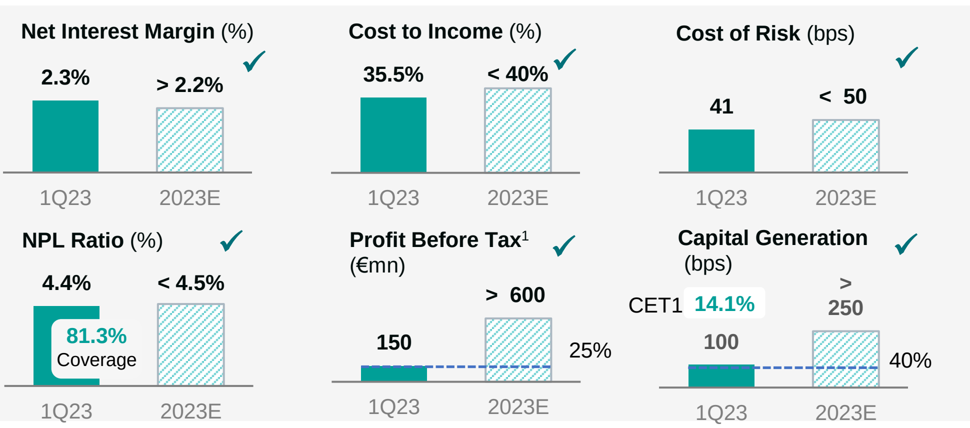
1Q23 Figures

Customer centric	**1.5mn clients** including 55% of SMEs in Portugal	**€0.9bn** Loans originated in 1Q23	**62.8%** Active digital clients; >50% are Mobile	**93%** Satisfied corporate clients – Quality of Service
Simple and efficient	**78%** Of household interactions are digital	**86%** Of branches under new distribution model	**33%** Cost to income (recurrent basis)	**€305.7k** (+63% YoY) Commercial banking income per avg employee
Skilled talent pool	**4 105** Employees of Grupo novobanco	**54%** Women	**~19 yrs** Average seniority of employees	**26.9%** Of Women in Senior leadership roles
Sustainable business	**+100 bps** CET1 YTD on a Fully Loaded basis	**21.2%** MREL Ratio (above binding of 17.7%)	**180%** LCR	**€416mn** Financing in green investment (EU Taxonomy)

…being on track to deliver 2023 guidance, as a strong and independent domestic bank

2023 execution on track

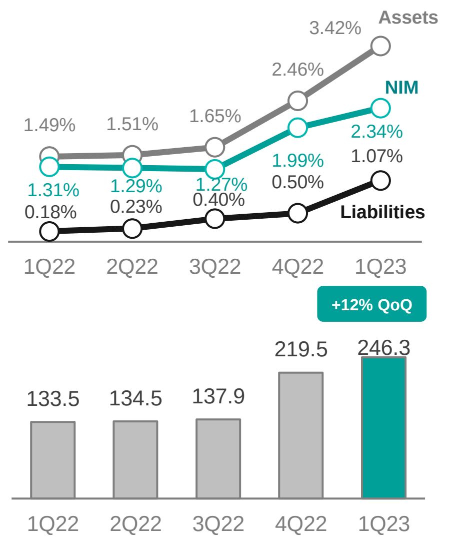
- SOUND COMMERCIAL ACTIVITY
- ONGOING LOAN BOOK REPRICING
- STRICT COST CONTROL
- DE-RISKING STRATEGY



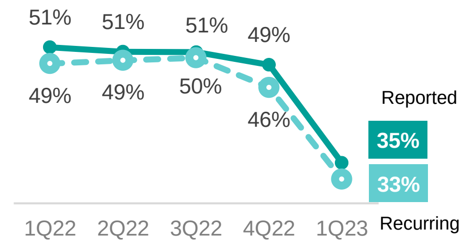
(1) PBT deducted by Special Tax on Banks

€mn	1Q22	1Q23	▲	%
Net Interest Income	133.5	246.3	+112.8	+84%
+ Fees & Commissions	68.8	68.9	+0.2	+0%
= Commercial Banking Income	**202.3**	**315.3**	**+113.0**	**+56%**
+ Capital Markets Results	91.4	5.8	(85.6)	(94%)
+ Other Operating Results	16.7	2.4	(14.3)	(86%)
= Banking Income	**310.4**	**323.5**	**+13.1**	**+4%**
- Operating Costs	103.6	111.9	+8.3	+8%
Staff	55.7	58.3	+2.6	+5%
G&A	38.2	43.8	+5.7	+15%
Depreciation	9.8	9.8	+0.0	+0%
= Net Operating Income	**206.8**	**211.6**	**+4.8**	**+2%**
- Net Impairments & Provisions	21.8	27.7	+5.9	+27%
= Income Before Tax	**185.0**	**183.9**	**(1.1)**	**(1%)**
- Corporate Income Tax	7.4	0.7	(6.6)	(90%)
- Special Tax on Banks	34.1	34.1	0.0	+0%
= Income after Taxes	**143.5**	**149.0**	**+5.5**	**+4%**
- Non-Controlling Interests	0.9	0.7	(0.2)	(22%)
= Net Income for the period	**142.7**	**148.4**	**+5.7**	**+4%**

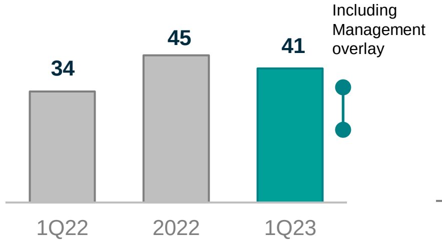
NII (€mn) and NIM (%) evolution



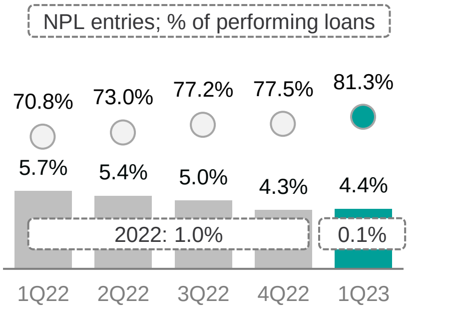
Cost to Income Ratio (%)



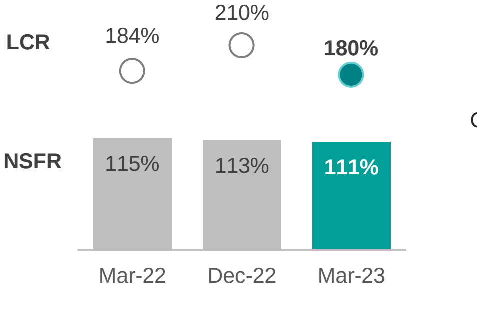
Cost of Risk (bp)



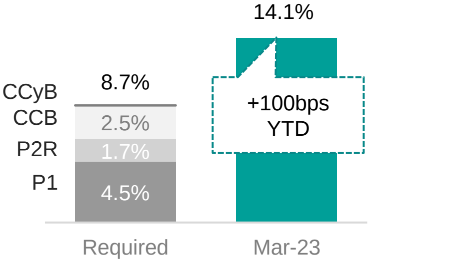
NPL ratio and Coverage (%)



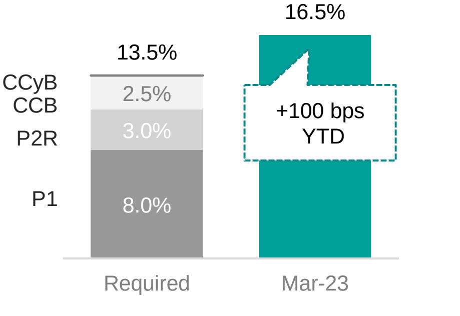
Liquidity Ratios (%)



CET 1 (fully loaded; %)



Total Capital (fully loaded; %)



Highlights:

- Net income of €148.4mn (1Q22: €142.7mn; +4% YoY), with the continued execution of its strategy delivering sustainable growth of the business, increased revenues and capital generation, leading to +100bps of organic capital generation.
- Solid NII growth to €246.3mn (+84% YoY; +12% QoQ), reflecting improvement of avg assets yield. NIM increased to 2.34% (1Q22: 1.31%; 4Q22: 1.99%), above 2023 guidance of 2.2%. Net customer loans stable YTD at €24.6bn, with €0.9bn loan origination being offset by increased pre-payments.
- Commercial Banking Income grew to €315.3mn (+55.8% YoY). Cost to Income1 ratio decreased to 35.5% (1Q22: 51.2%), with Operating costs of €111.9mn (+8.0% YoY; +5.9% YoY excluding exceptional items), reflecting both inflation and the continued investment in optimization and simplification of the Bank's operations.
- Cost of risk was 41bps (1Q22: 34bps), being consistent with 2023 guidance given low-risk loan book post-restructuring. NPL ratio stood at 4.4% (Dec/22: 4.3%), with a €87mn NPL stock YTD reduction, and coverage ratio increased to 81.3% (Dec/22: 77.5%) being considerably above European average.
- Total customer funds of €34.2bn (-1.6% YTD), reflecting the outflows of deposits in the Portuguese market towards government saving products (-2.7% as of Feb/23). Despite the lower YTD deposits volume, novobanco' deposit market share increased from 9.3% in Dec/22 to 9.4% in Feb/23. Most recent Apr/23 month-on-month figures showing positive performance.
- Accelerating capital generation with CET 1 increasing 100bps to 14.1% (fully-loaded basis; 14.3% phased-in) and Total capital ratio reached 16.5% (+100bps YTD). The organic capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation.

…and positioning novobanco for its next stage of development

Guidance update supported by:		2023 guidance[1]
SOUND COMMERCIAL ACTIVITY	NET INTEREST MARGIN	**> 2.20%** *Assuming 2.7% DFR; 20-30% deposits beta*
	COST-TO-INCOME	**< 40%** *(including one-offs)*
LOAN BOOK REPRICING	CoR (bps)	**< 50 bps**
	NPL RATIO	**< 4.5%**
	RECURRENT PBT	**> €600mm**
STRICT COST CONTROL	CAPITAL GENERATION	**> 2.5% of RWAs** *(FL basis)*
	CET1	**Medium-term target of c. 12%** *Implying €2.6bn CET 1 capital in 2023E*
DE-RISKING STRATEGY	FUNDING	**Organic capital generation and balance sheet optimisation expected to satisfy MREL capital needs in 2023.**
	RATING	**To achieve investment grade rating in the medium term**

ESG Strategy I Timeline

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

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

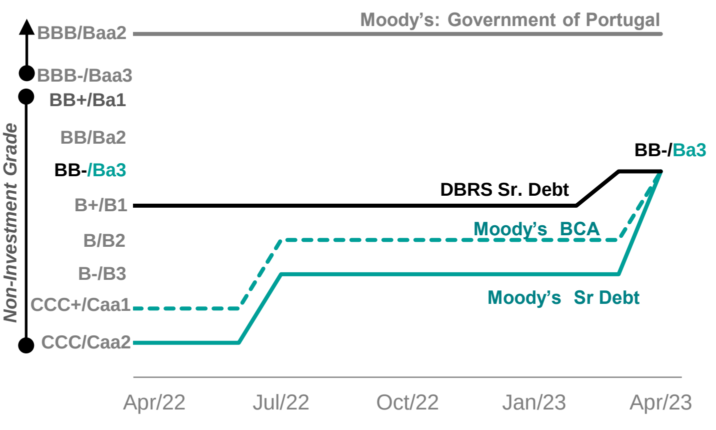
2024
Comprehensive assessment of the new methodology's performance

Business Environment:
- Definition of annual goals for green investment, agreed with key business lines and considering potential alignment with EU Taxonomy
- Definition of Key Risk Indicators for physical risk and exposure to relevant sectors that began monitoring in 2022
- Comprehensive sectoral scoring of the portfolio and risk materiality assessment is underway with results in 1Q23

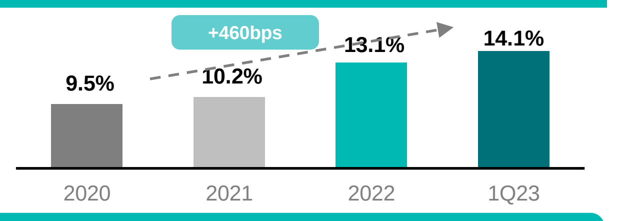
Risk management framework:
- Developments for full integration of C&E risks in the loan origination framework are underway, comprising the development of risk methodologies based on which the on-boarding procedures and decision framework.
- The methodologies will provide an integrated assessment in terms of the client/ transaction risk profile and EU Taxonomy (alignment) classification.
- Implementation schedule: a) 2022YE technical developments concluded; b) 2023E pilot

Credit Risk:
- Simplified approaches for pricing
- Assess performance of the classified exposures and introduce any change to its pricing policy/ model once structural developments in terms of the risk methodologies are concluded
- Methodologies to be deployed during 2023, with 2024 targeted for a comprehensive assessment of the new methodology's performance.

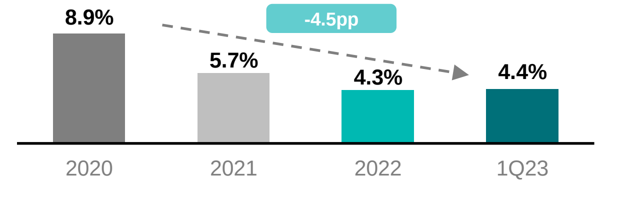
Ratings- Road to Investment Grade



CET1 FL ratio

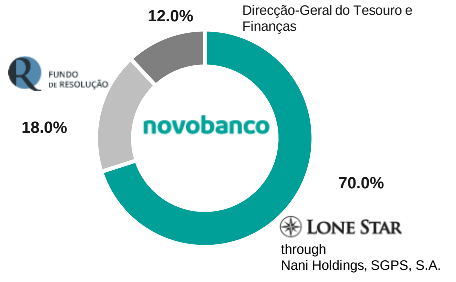


Asset quality – NPL



Shareholder Structure

As of April 3rd, 2023[1]



General Meeting

- Statutory Auditor
- Company Secretary

General & Supervisory Board
- Risk Committee
- Financial Affairs Committee
- Remuneration Committee
- Nomination Committee
- Compliance Committee

Executive Board of Directors

Committees:
- Risk
- Financial & Credit
- CALCO
- Internal Control System
- Compliance & Product
- Digital Transformation
- Costs & Investments
- Impairment

Monitoring Committee

1) As a result of the agreements between the Resolution Fund and Lone Star in the context of the sale of 75% of novobanco, only the Resolution Fund will see its participation diluted with the conversion of the conversion rights.

Novo Banco S.A.
www.novobanco.pt/english
Investor.relations@novobanco.pt