novobanco

Investor Factbook 2022

Successful turnaround plan execution leading to strong performance

Creation of Novo Banco

2017

Lone Star Acquisition

2020

Restructuring Cycle

End of 2021

Renovation & Transformation

2022 beyond

Relaunch



- Creation of Novo Banco following the Resolution applied to BES by Banco de Portugal
- Lone Star acquires 75% share capital of Novo Banco, with the remaining 25% being owned by Fundo de Resolução
- Reduction of legacy exposure and delivering commitments. demonstrating resilience and performance capacity
- New phase as a commercial bank with strong presence in the corporate sector and close customer relationship
- New strategic plan focused on maximizing value for customers, maintaining profitable operations and capital efficiency

A leading domestic franchise with renewed focus...

Market Share

18.6%

Trade Finance 16.1% POS

14.5% Corporate Loans

9.3% Customer Deposits

9.1% Mortgage Loans

8.8% Asset Management

5.2% Consumer Loans

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

FY22 Figures

Customer centric



o○o 1.5mn clients including 55% of

SMEs in Portugal



€3.9bn

Loans originated in 2022



61.9%

Active digital clients; 48% of clients are Mobile



96.8%

Satisfied corporate clients -Quality of Service

Simple and efficient



75%

Of household interactions are digital



>67%

Households: % of selfservice transactions



44%

Cost to income (recurrent basis)



€221.7k (+14% YoY) Commercial banking income per avg employee

Skilled talent pool



4 090

Employees of Grupo novobanco



54% Women



~19 yrs

Average seniority of employees



€880k

Investment in training and development

Sustainable business



14.4%

Return on Tangible Equity (pre-tax)



20.9%

MREL Ratio (above binding of 17.7%)



83.3%

Loan to Deposit Ratio



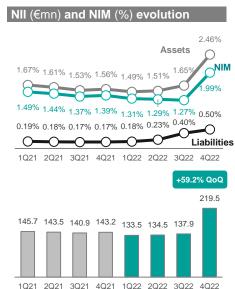
€343mn

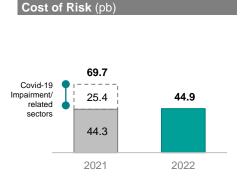
Financing in green investment (EU Taxonomy)

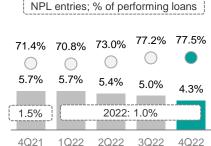
... having delivered on medium term targets already in 2022.

KPIs Performing Loan Book 2021 2022 Medium-term targets Commercial Loan Book €24.2bn €22.8bn €24.2bn 2-3% per year Expanding loan book Consumer (performing) (+4.7% YTD) & Other Net Interest Margin 1.47% [1.30 - 1.50%]Set to benefit from Euribor repricing 1.43% Mortgage Cost-to-income 48% 44%¹ < 45% Efficient operations Achieving moderate risk profile 45bps CoR 70bps < 50 bps NPL ratio < 5% Corporate 7.3% 4.3% Converging towards EU average 54% RoTE (pre-tax)2 8.2% 14.4% ≥ 10% Delivering organic attractive returns CET 1 10.9% 13.7% > 12% Accelerating capital generation Dec-22

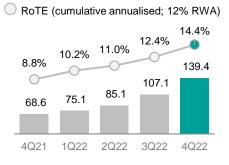
€mn	2021	2022	A	%
Net Interest Income	573.4	625.5	+52.1	+9.1%
+ Fees & Commissions	282.5	293.3	+10.8	+3.8%
= Commercial Banking Income	855.9	918.8	+62.9	+7.3%
+ Capital Markets Results	75.9	24.0	(51.9)	(68.4%)
+ Other Operating Results	40.4	183.6	+143.2	+354.4%
= Banking Income	972.2	1 126.3	+154.2	+15.9%
- Operating Costs	408.4	448.4	+40.0	+9.8%
Staff	233.3	233.7	+0.4	+0.2%
G&A	141.1	162.2	+21.1	+14.9%
Depreciation	34.0	52.5	+18.5	+54.4%
= Net Operating Income	563.8	678.0	+114.2	+20.2%
- Net Impairments & Provisions	352.7	111.2	(241.5)	(68.5%)
= Income Before Tax	211.1	566.8	+355.7	+168.5%
- Corporate Income Tax	-15.2	- 53.3	(38.1)	(251.0%)
- Special Tax on Banks	34.1	34.1	0.0	+0.1%
= Income after Taxes	192.2	585.9	+393.8	+204.9%
- Non-Controlling Interests	7.7	25.1	+17.4	+226.6%
= Net Income for the period	184.5	560.8	+376.3	+204.0%



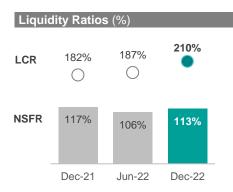


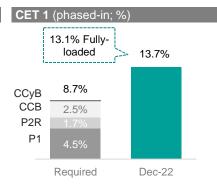


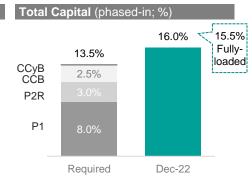
NPL ratio and Coverage (%)



Underlying Profitability (€mn; pre-tax)







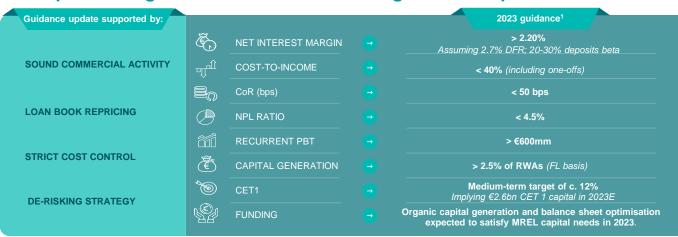
Consistent Strategy Delivering Increased Profitability:

- Deliberate strategy execution leading to a net income of €560.8mn; 4Q22: €132.5mn). Underlying pre-tax profitability totalled €406.7mn, equivalent to a RoTE (before tax) of 14.4% (2021: 8.8%).
- Solid NII growth (+9.1% YoY) to €625.5mn (4Q22: €219.5mn; +59% QoQ), reflecting improvement of average assets yield, which more than offsets the cost of senior debt issued during 2021 and the change of TLTRO III interest rates. In 2022, NIM increased to 1.47% (2021: 1.42%; 4Q22: 1.99%) and Net customer loans grew by €0.9bn (+3.8% YTD), reflecting an expanding loan book.
- Fees and commissions increased to €293.3mn (+3.8% YoY; +8.9% QoQ), backed by customer activity in accounts and payments fees, as a result of a pick-up in business activity across retail and commercial.
- Commercial Banking Income grew to €918.8mn (+7.3% YoY; +42% QoQ). Banking Income was also strong at €1,126.3mn (+15.9% YoY), including the positive contribution of Other operating results of €183.6mn, driven by an accelerated deleverage of the real estate portfolio, which also includes the gain on the sale of novobanco' headquarters.
- Cost control and continued strategic investment resulted in a Commercial Cost to Income of 48.8% (2021: 47.7%), equivalent to 44.1% excluding extraordinary items. Operating costs totalled €448.4mn (+9.8% YoY), +2.4% YoY when adjusted for extraordinary items.
- Demonstrating resilient asset quality, CoR was 45bps (2021:70bps; considering loan impairments and corporate bonds; 2022: €133.3mn)

Solid business model with strong capital generation:

- Net Customers loans increased to €24.6bn (+3.8% YTD), confirming trajectory of an expanding loan book in both retail and corporate segments. Total customer funds improved 3.1% YTD, with customer deposits increasing 4.0% (+€1.1bn YTD).
- Accelerating capital generation with CET 1 increasing 300bps YTD to 13.1% (fully loaded basis; 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, which is set to
 produce strong capital generation, and RWA discipline which ensured a buffer above the target.

...and positioning novobanco for its next stage of development



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 1023

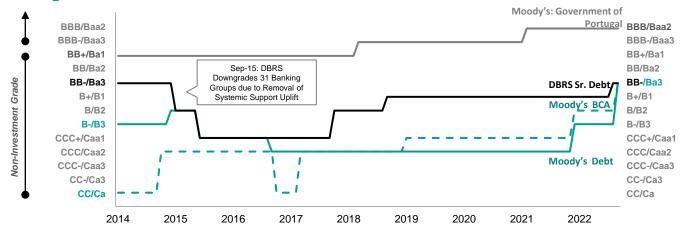
Pick management framework

- 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

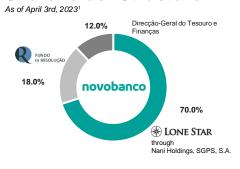
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- Simplified approaches for pricing
- Assess performance of the classified exposures and introduce any change to its pricing policy/ model once structural developments in terms of the risk methodologies are concluded
- Methodologies to be deployed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

Ratings



Shareholder Structure



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.

General Meeting Statutory Auditor Company Secretary **Executive Board of General & Monitoring Committee Supervisory Board Directors** Risk Committee Committees: Risk Financial Affairs Committee · Financial & Credit · CALCO Remuneration Committee · Internal Control System • Compliance & Product Nomination Committee · Digital Transformation Compliance Committee · Costs & Investments Impairment

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