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RESULTS PRESENTATION 1H 2023

July 28th, 2023

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This document includes unaudited financial information.

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

Agenda

01. Highlights & Segment Performance

02. Income Statement

03. Balance Sheet

04. Outlook & Final Remarks

01.

Highlights & Segment Performance

Consistent strategy delivering increased profitability and solid organic capital generation, with upward revision of 2023 guidance

Net income of €373.2mn (1Q23: €148.4mn; 2Q23: €224.8mn), with the continued execution of its strategy delivering sustainable growth of the business and revenues, as well as strong capital generation capacity, leading to **c.+200bps of organic capital generation YTD**.

Solid NII growth to €524.0mn (2Q23: €277.7mn; +13% QoQ), reflecting improvement of avg assets yield. **NIM increased to 2.50% (1Q23: 2.34%; 2Q23: 2.66%), above the initial 2023 guidance of >2.2%. Gross Customers loans at €25.8bn (+0.7% YTD**), with €1.8bn YTD origination supported by positive performance of new client acquisition (>25% YoY[1]), especially in mortgage and corporate loans.

Commercial Banking Income grew to €669.4mn (2Q23: €354.1mn; +12% QoQ). Cost to Income[2] ratio lower at 33.6% (2Q23: 32.0%), with Operating costs of €225.1mn (+7.8% YoY; +1.1% QoQ), reflecting both inflation and the continued investment in optimization and simplification of the bank's operations.

Cost of risk was 38bps (1H22: 40bps; 1Q23: 41bps), being consistent with 2023 guidance, given low-risk loan book post-restructuring, and including management provisioning overlay. **Continuous NPL stock reduction** (-€107mn YTD) with **net NPL ratio at 0.9%** (NPL ratio at 4.4% with coverage ratio at 80.0%, considerably above European average of 71%[3]).

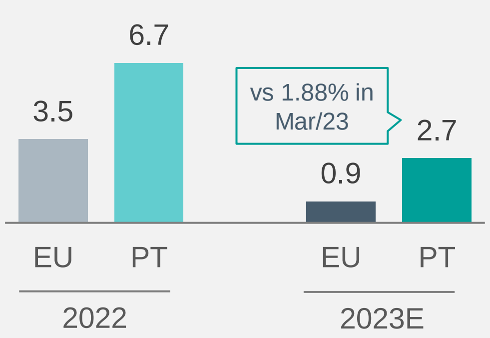
Customer deposits at €28.2bn (+2.5% vs Mar/23), with performance reflected in novobanco's market share increasing to 9.6% in May/23 (Dec/22: 9.3%). Loan to Deposits ratio remained at healthy levels of 82.6%, with net ECB funding of -€1.3bn.

Consistent capital generation with FL CET 1 increasing c.200bps to 15.1% and Total capital ratio reaching 17.8% (+c.230bps YTD). The organic capital generation reflects the capital accretive business model with strong top-line performance and disciplined capital allocation. Total capital ratio also benefited from the net increase of €100mn of Tier 2 instruments.

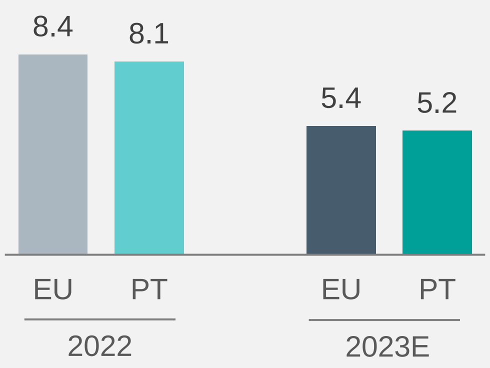
(1) Variation of new client's acquisition; (2) Cost to Income defined as Operational Costs divided by Commercial Banking Income; (3) novobanco analysis with 2022 data

Higher than expected GDP growth in 2023, with resilient private consumption, strong activity in tourism and a rise in net exports

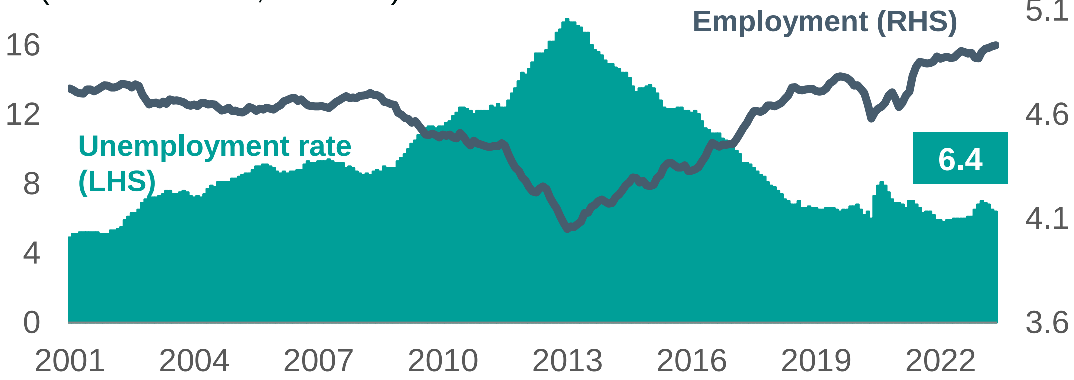
Annual GDP growth [1]
(%)



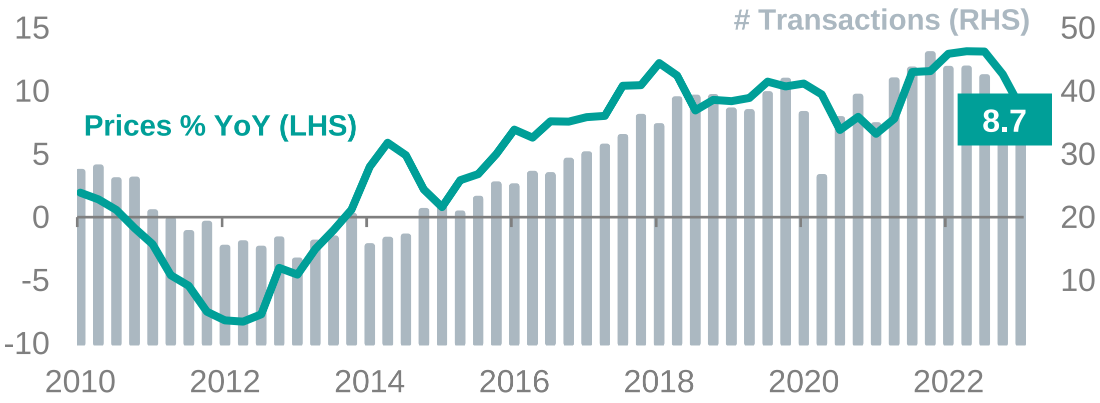
Average Inflation[1]
(%)



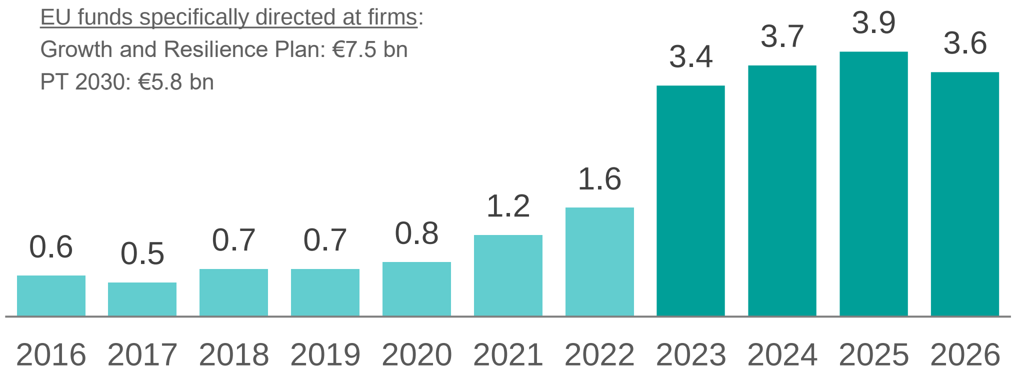
Unemployment rate
(% labour force; # million)



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



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



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

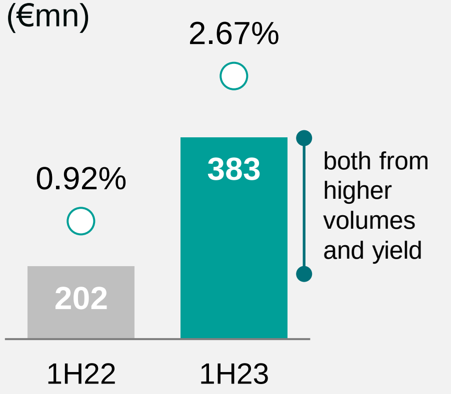
Focus on building best-in-class customer franchise in Portugal

Retail

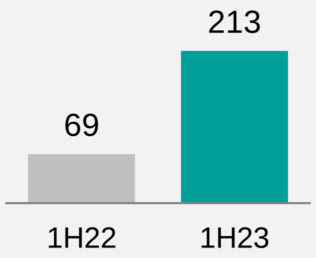
Making our customers' lives easier:

- Implementation of **New Distribution Model**: reshaping geographic presence and deeply changing the service experience, **balancing between** the convenience of the **digital channels** and the importance of **face-to-face service** to clients
- **Client acquisition** growing >25% YoY
- **Successful partnerships** with credit intermediaries

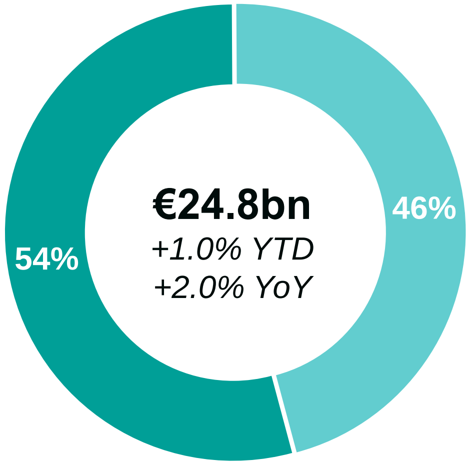
NIM & Banking Income (€mn)



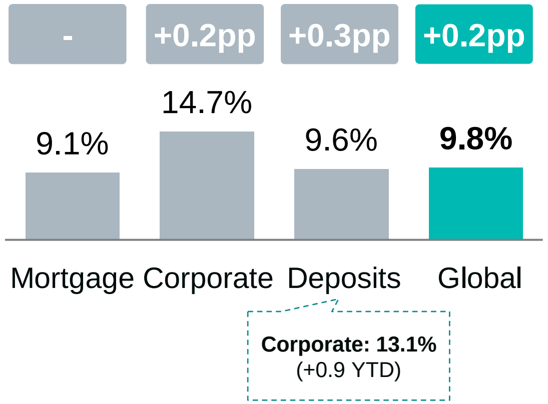
Profit Before Tax (€mn)



Segments: Customer Loans (net)



Market Share[1] ▲ YTD

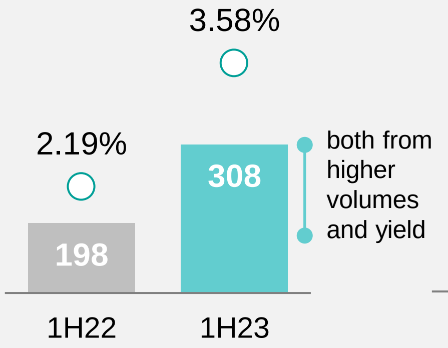


Corporate

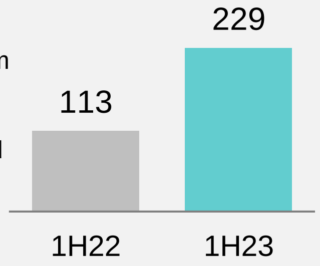
Strengthening its commitment to companies:

- **Sectoral expertise** to fulfill our Client's needs, providing tailored solutions for specific sectors, being the bank with better YoY credit growth
- **Solutions for working capital needs**, with significant growth in short-term loans (ie: Factoring: +9% YoY; 20.3% market-share in Trade Finance)
- **Solutions for investment projects** (>€830mn of new MLT credit), and systematized approach to EU Funds

NIM & Banking Income (€mn)



Profit Before Tax (€mn)



Note: See annex (slide 34) for segments disclosure; (1) Figures as of May 2023; sources: Banco de Portugal, APS, APFIPP;

02.

Income Statement

Delivering sustainable business growth and increased income backed by a positive NIM trend

	Income Statement (€mn)	1H22	1H23	▲YoY €mn	2Q23	▲QoQ €mn
1	Net Interest Income	268.0	524.0	+256.0	277.7	+31.3
2	+ Fees & Commissions	144.4	145.4	+0.9	76.4	+7.5
	= Commercial Banking Income	**412.4**	**669.4**	**+256.9**	**354.1**	**+38.8**
	+ Capital Markets Results	85.8	28.0	-57.8	22.2	+16.4
	+ Other Operating Results	73.2	- 5.0	-78.2	-7.4	(9.8)
	= Banking Income	**571.5**	**692.4**	**+120.9**	**368.9**	**+45.4**
3	- Operating Costs	208.7	225.1	+16.3	113.2	+1.3
	= Net Operating Income	**362.7**	**467.3**	**+104.6**	**255.8**	**+44.2**
4	- Net Impairments & Provisions	19.8	56.0	+36.2	28.3	+0.6
	= Profit Before Tax	**343.0**	**411.4**	**+68.4**	**227.5**	**+43.5**
	- Corporate Income Tax	18.9	1.6	-17.3	0.8	+0.1
	- Special Tax on Banks	34.1	34.2	+0.0	0.0	(34.1)
	= Profit after Taxes	**289.9**	**375.6**	**+85.7**	**226.6**	**+77.5**
	- Non-Controlling Interests	23.2	2.4	-20.7	1.8	+1.1
	= Net Profit for the period	**266.7**	**373.2**	**+106.4**	**224.8**	**+76.5**

- NII performance (+12.7% QoQ) **reflecting improvement of average assets yield** in excess of the increase in the cost of funding. NIM of 2.50% (1H23), above previous guidance of > 2.2%;
- Fee income +0.7% YoY with increased contribution of Accounts and Payments (+10.5% YoY) backed by **higher volume of transactions**;
- **Commercial Banking Income was €669.4mn** (+12.3% QoQ), driven by higher NII. Capital Markets Results and Other Operating Results YoY performance was impact by 1H22 accounting of gains from the hedging of interest rate risk and €77.1mn of gains from the sale of real estate assets, respectively. In 1H23, Other Operating Results include the annual contribution to the Single Resolution Fund (€15.0mn) and the Portuguese Resolution Fund (€7.1mn);
- **Commercial Cost to Income ratio at 33.6%,** equivalent to 31.7% excluding extraordinary items. Operating costs totalled €225.1mn (+7.8% YoY; +6.3% on recurring basis), reflecting on one hand the continued strategic investment in digital transformation, optimization and simplification of the organization and on the other hand the effects of inflation;
- The **cost of risk[1] was 38bps** (vs 1H22: 40bps) considering loans and corporate securities impairments, including management overlays;
- **Net income of €373.2mn (+39.9% YoY)** reflecting consistent execution of novobanco's strategy, with the ability to grow revenue and generate capital.

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(1) Considering loans and corporate bonds

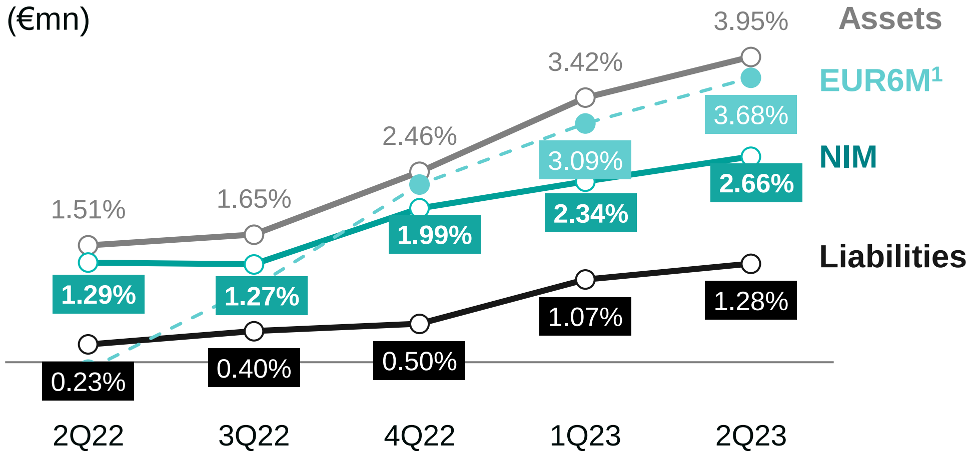
1

NII of €524mn backed by a stable loan book with increasing asset yields, which more than offset the increase in the cost of financing

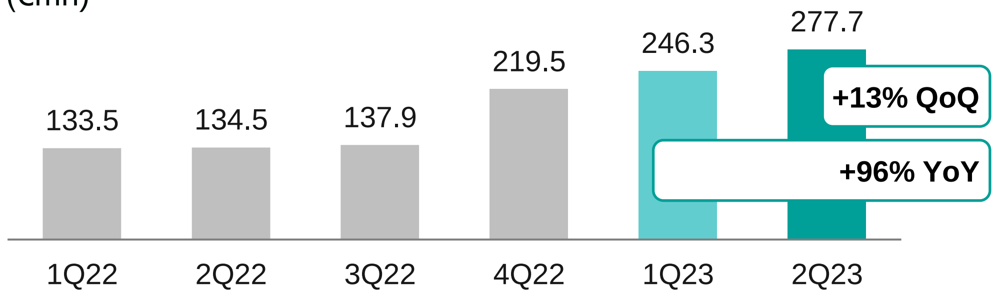
Net Interest Interest (NII) & Net Interest Margin (NIM)

€ million; %	1H22		1H23		2Q23	
	Avg. Rate	Income/ Costs	Avg. Rate	Income/ Costs	Avg. Rate	Income/ Costs
Customer Loans	2.02%	256	**4.15%**	**534**	**4.42%**	**289**
Corporate loans	2.31%	163	4.53%	323	4.77%	173
Mortgage lending[1]	1.04%	51	3.21%	161	3.57%	90
Consumer loans and Others	5.85%	42	6.90%	50	6.79%	26
Money Market Placements	-0.32%	- 10	2.76%	66	3.22%	33
Securities and Other Assets	1.32%	65	3.07%	175	3.20%	92
Interest Earning Assets & Other	**1.51%**	**311**	**3.69%**	**776**	**3.95%**	**415**
Customer Deposits	0.15%	21	0.52%	75	0.67%	47
Money Market Funding	-0.50%	- 26	2.79%	119	2.91%	59
Other Liabilities	6.38%	46	6.66%	53	7.18%	29
Interest Bearing Liabilities & Other	**0.20%**	**41**	**1.18%**	**247**	**1.28%**	**135**
NIM / NII[2]	**1.30%**	**268**	**2.50%**	**524**	**2.66%**	**278**
Euribor 6M - Average	-0.28%		3.38%		3.68%	

Net Interest Margin: Quarterly trend (€mn)



Net Interest Income: Quarterly trend (€mn)

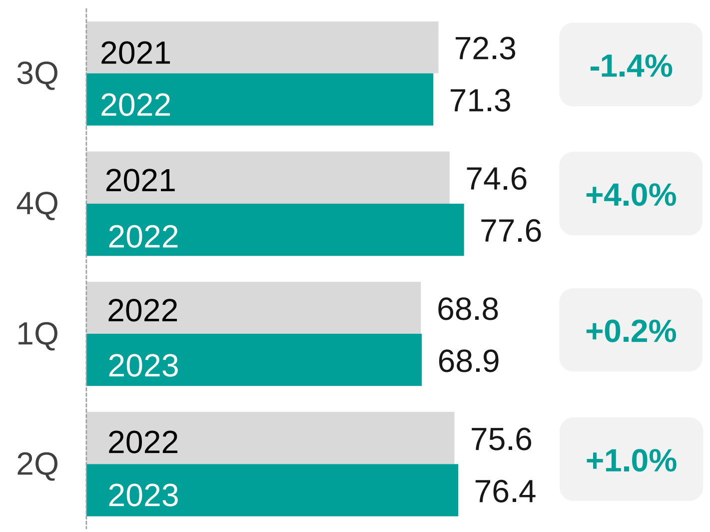


(1) Does not include cash-flow hedge, with the latest being accounted in Other Assets/Other Liabilities. As of Jul-23, ~77% of the mortgage loan book was fixed rate (7%) or hedged (70%) with an average base rate of 2.9% (see slide 18); (2) With stage 3 impairment adjustment;

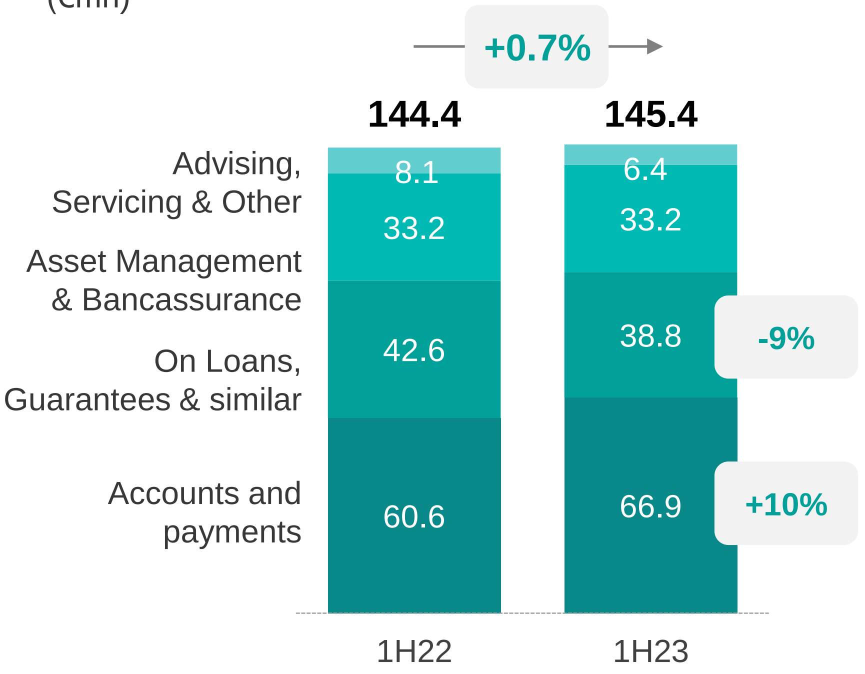
2

Stable fees, with better accounts and payments performance

Fees: Quarterly Evolution
(€mn)



Fees: evolution per type
(€mn)

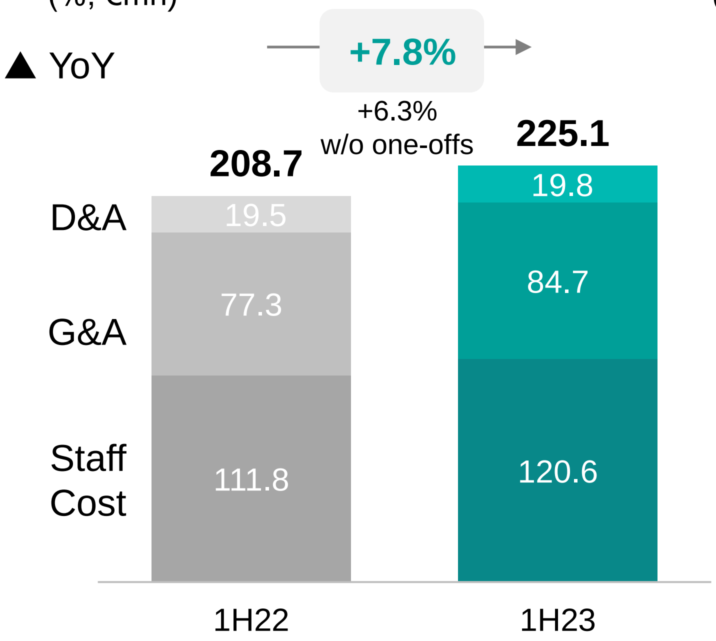


- **Accounts and Payments** (+€6.4mn; +10.5%) due to a higher volume of transactions and new pricing implemented for customer accounts and POS usage.
- **Commissions on Loans, Guarantees and similar** (-€3.7mn; -8.8% YoY) mainly from regulatory headwinds.
- **Asset management & bancassurance fees** (unchanged YoY): with the increase in variable and management fees offset by lower volumes.

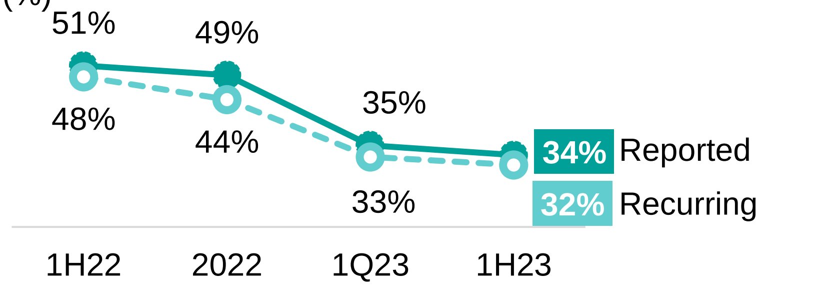
Stable fee income to date with some headwinds from legislative changes expected in 2H23.

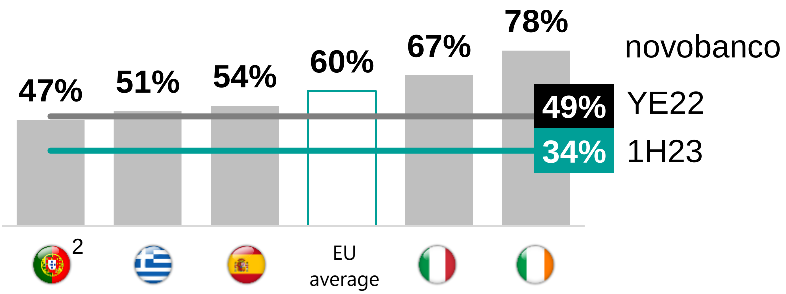
3 Cost to Income ratio improving to 34%, from operating jaws supported by a sharp increase in commercial banking income

Operating Costs
(%; €mn)

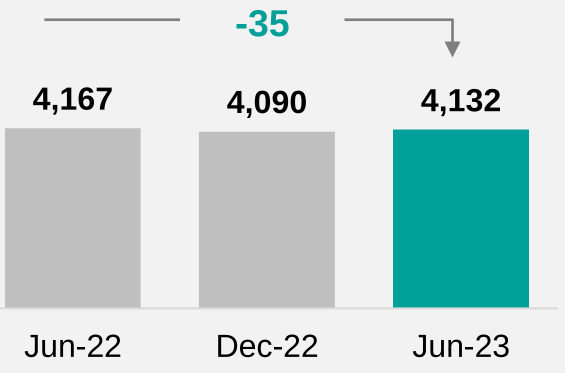


Cost to Income Ratio[1]
(%)

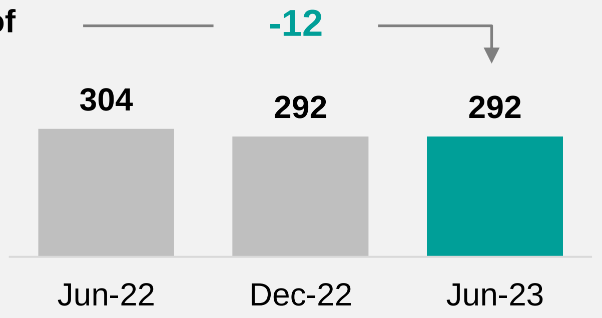




Employees



Number of branches

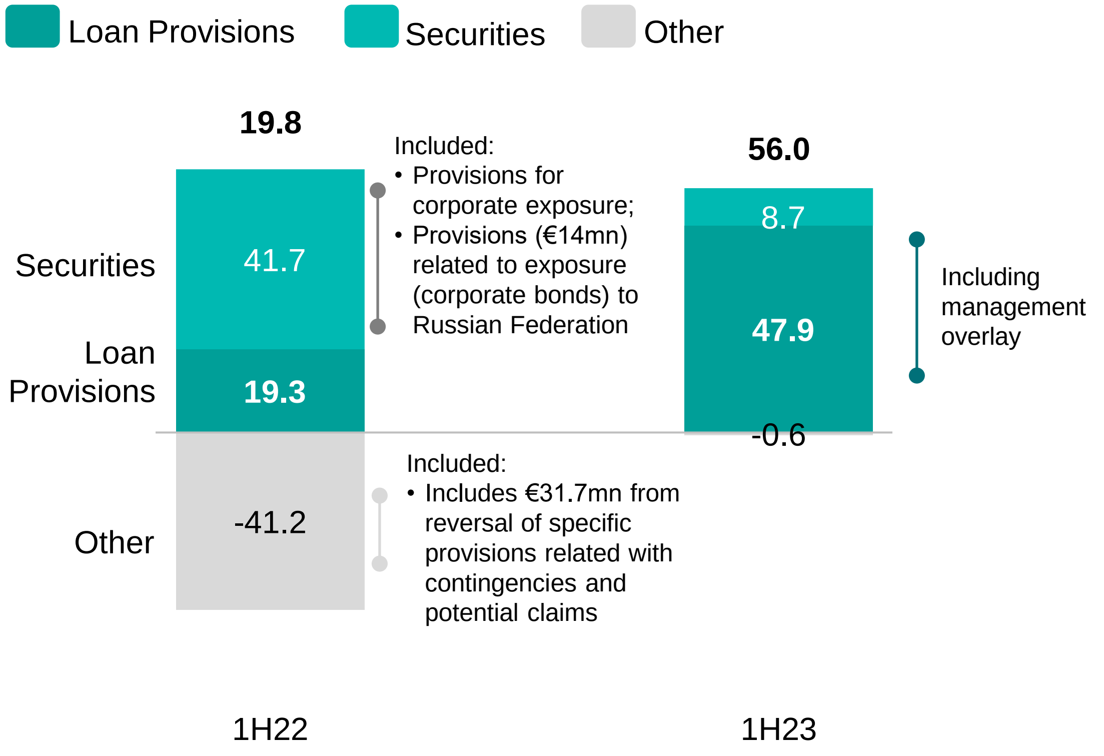


Efficient operations with revenue growth offsetting cost inflation and investment in people and culture, reaching a best in class C/I ratio.

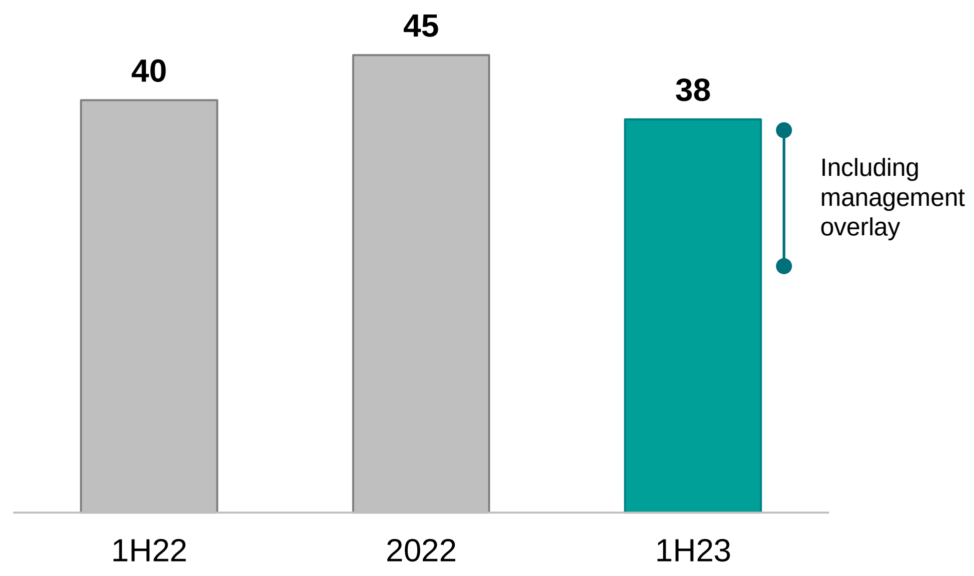
(1) Peers data as of YE2022, Defined as Operating Cost divided by Commercial Banking Income; Commercial Banking Income being equal to Net Interest Margin plus Fees and Commissions; (2) Portuguese average excludes novobanco

4 Provisions below run-rate, reflecting a benign economic environment in 1H23 with no early indicators of asset quality deterioration

Impairment and Provisions
(€mn; %)



Cost of Risk
Including loans and corporate bonds
(bps)



Note: As of Jun-23 total exposure to corporates from Russian Federation was €4.4mn recorded at fair value through other comprehensive income; no Russian Federation sovereign exposure.

03.

Balance Sheet

Simple balance sheet reflecting novobanco's sustainable business model

Balance Sheet (€mn)

	Assets	Dec-22	Jun-23	▲YTD €mn	▲YTD %
	Loans and advances to Banks	6,643	3,473	(3,169)	-47.7%
1	Customer loans (net)	24,551	24,793	242	1.0%
2	Real estate	614	583	(31)	-5.0%
3	Securities	10,646	11,754	1,108	10.4%
	Non-current assets held for sale	60	58	(1)	-1.9%
	Current and deferred tax assets	956	997	41	4.3%
	Other assets	2,526	2,241	(285)	-11.3%
	Total Assets	**45,995**	**43,900**	**(2,095)**	**-4.6%**

	Liabilities & Equity	Dec-22	Jun-23	▲YTD €mn	▲YTD %
4	Customer deposits	28,412	28,219	(193)	-0.7%
	Due to central banks and Banks	9,705	6,252	(3,453)	-35.6%
	Debt securities	1,584	1,888	303	19.1%
	Non-current liabilities held for sale	15	15	(1)	-4.4%
	Other liabilities	2,766	3,545	779	28.2%
	Total Liabilities	**42,483**	**39,920**	**(2,564)**	**-6.0%**
5	**Equity**	**3,512**	**3,981**	**469**	**13.4%**
	Total Liabilities and Equity	**45,995**	**43,900**	**(2,095)**	**-4.6%**

Assets

- Loans and advances to Banks lower YTD, includes the effect of TLTRO III reimbursement in the period.
- **Net customer loans at €24.8bn** (+1% YTD) with €1.8bn origination partially offset by increased amortization. Performing loan book of €24.5bn (+€0.3bn YTD).

Liabilities

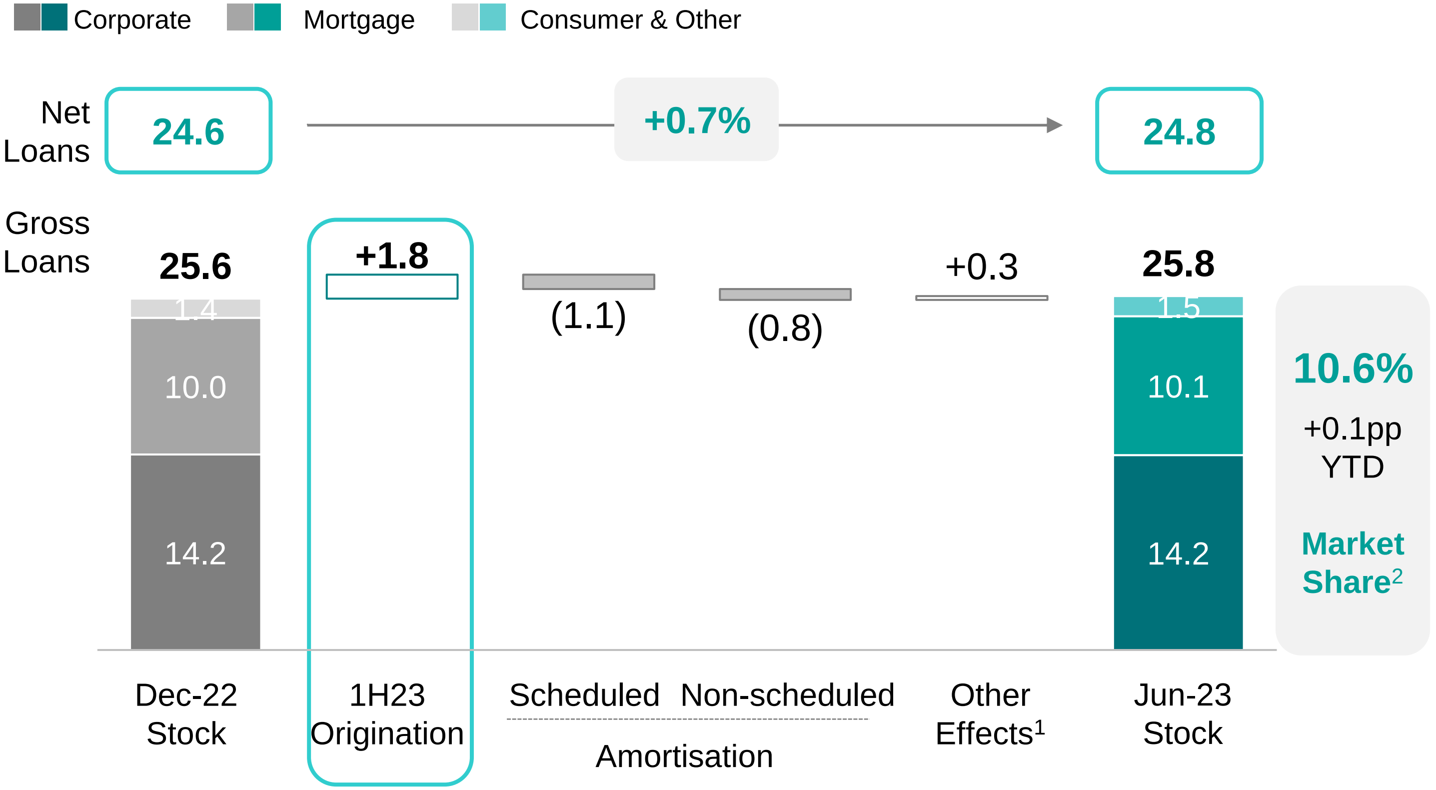
- Total customer funds of €35.7bn (+2.5% YTD), reflecting the recovery in Deposits in the 2Q23 (+2.5% QoQ). Despite the lower YTD deposits volume (-0.7%), **novobanco's deposit market share increased to 9.6% in May/23 (+0.3pp YTD).**

Capital & Liquidity

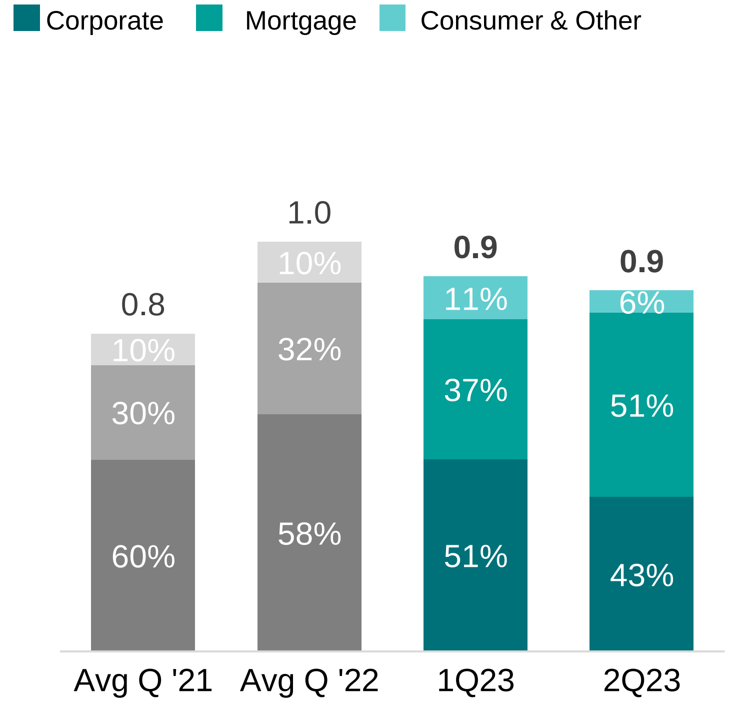
- **Total Capital FL ratio increasing by c.230bps to 17.8%** (CET1: 15.1%; +c.200bps). The organic capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation.
- **Strong liquidity position: LCR of 147% and NSFR of 117%,** as well as liquidity buffer of €13.8bn as of Jun-23.

1 Stable loan book with YTD origination at €1.8bn offset by increased amortisation

Loans to Customers
(€bn; %)



Origination of Loans to Customers
(Average per quarter; €bn; %)



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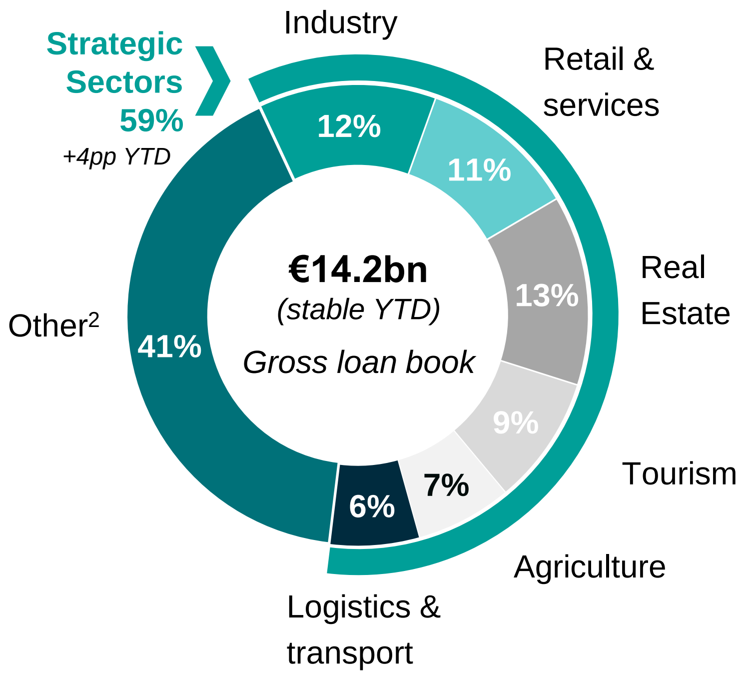
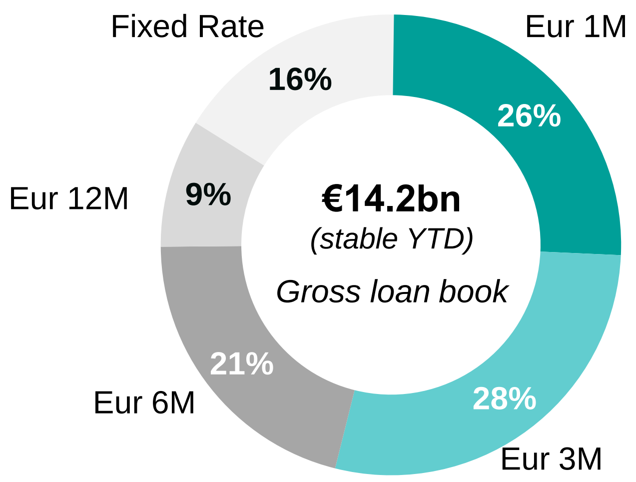
(1) Includes restructured contracts, short-term and impairment variations and other novobanco group entities; (2) Stock figure as of May 2023; sources: Banco de Portugal, APS, APFIPP;

1 €0.8bn YTD Corporate loans origination, reaching €14.2bn loan book and an increasing market share by 0.2pp to 14.7%

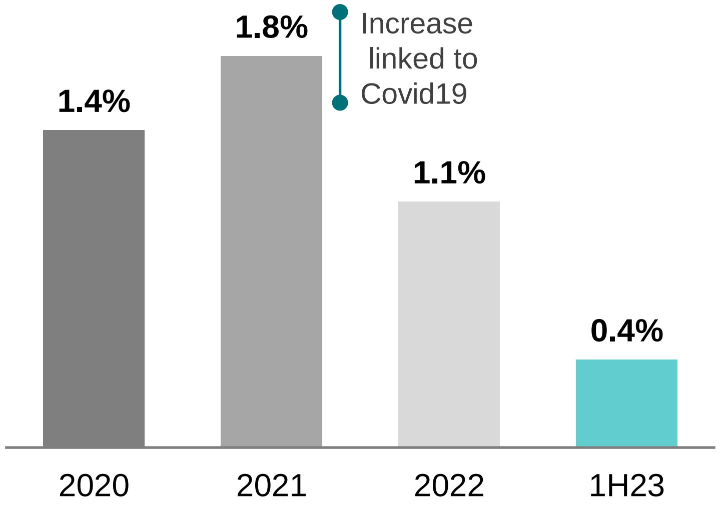
Corporate loan book[1] by Sector
(Jun-23; %)



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



Stage 1 and 2 migration to stage 3
(%)



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

~90% of the Corporate book is floating (incl. hedges), majority with Euribor 0% floor

Running at benign levels of stage 3 formation in 1H23

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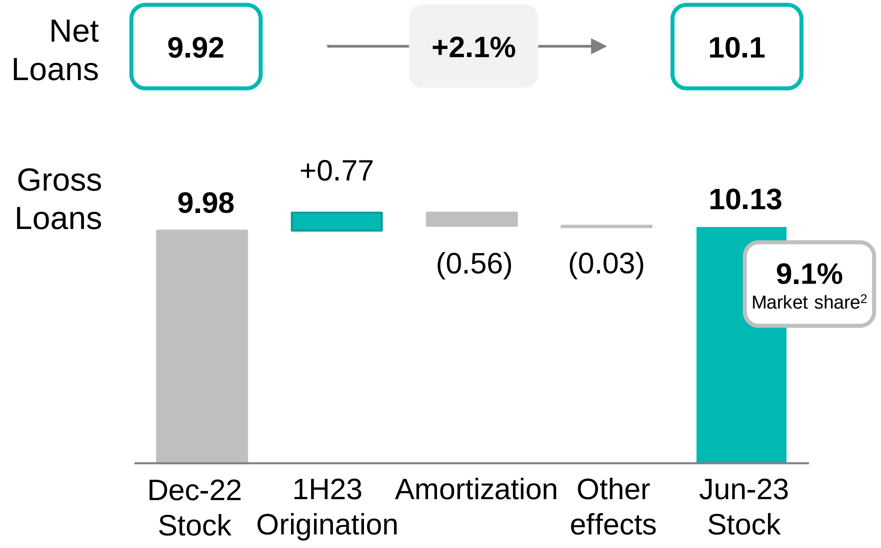
(1) Considers small business (classified under retail segment), SME and large corporates; (2) Other/ Non strategics sectors includes Construction, Investment funds and holdings, professional services, Public administration & institutions, Auto & electronics, Energy, Health, Insurance, Water and others

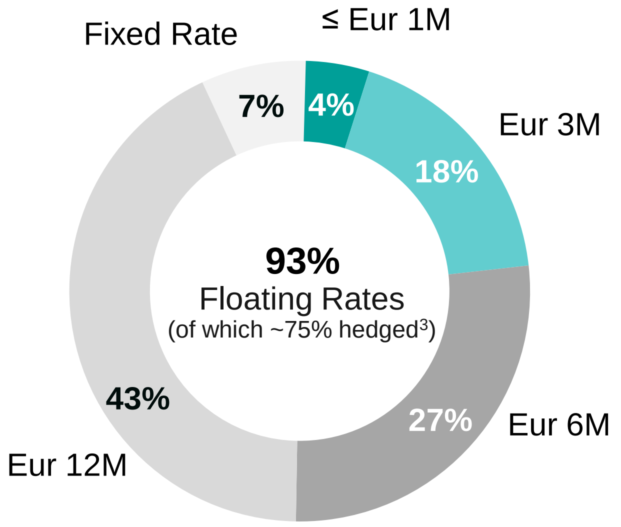
1 Mortgage origination at €0.8bn YTD, keeping balance on origination standards: average LTV <60% and ~45% DSTI[1]

Mortgage loans
(%; €bn)



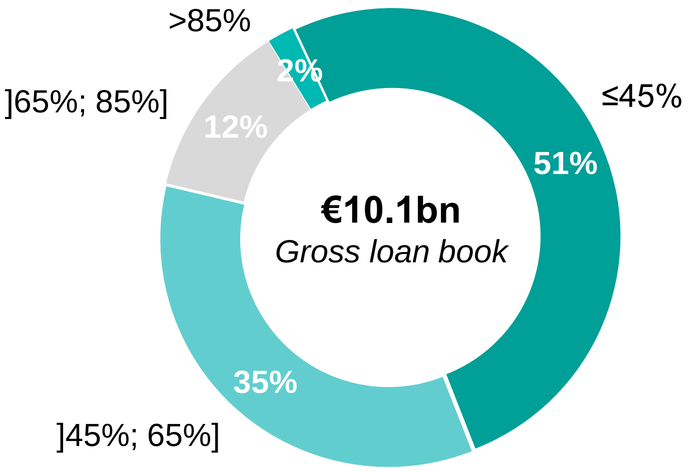
Avg. Rate **1.36%** — Increase reflects repricing of reference rates (Euribor) — **3.21%**

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



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

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



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

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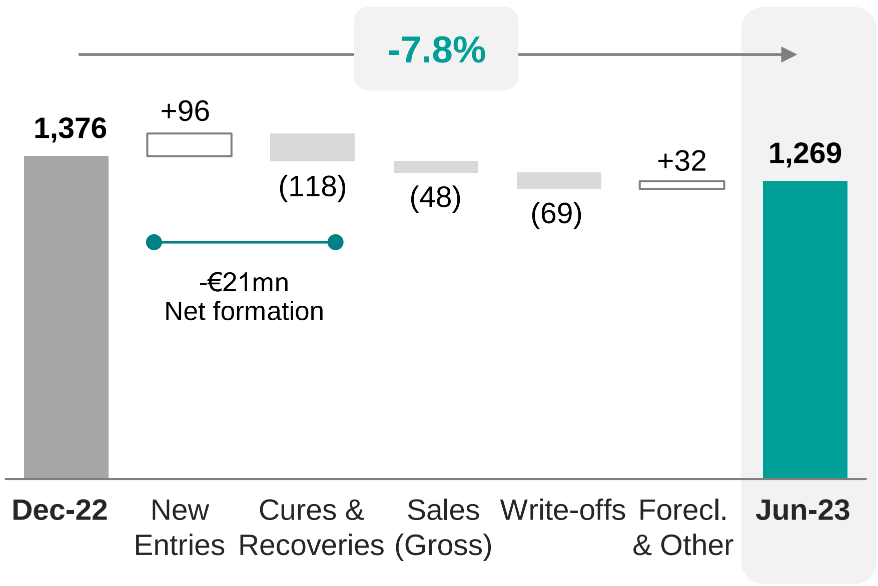
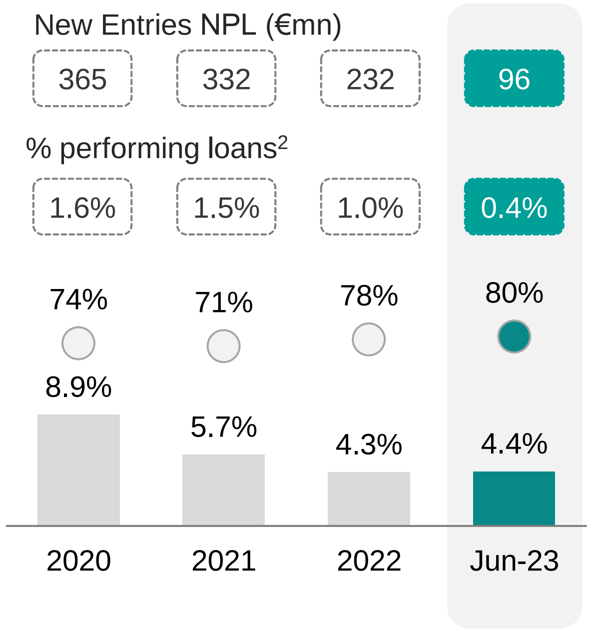
(1) DSTI – Debt Service-To-Income post interest rate shock of 3%; (2) Stock figure as of May 2023; (3) As of Jul-23 with an average base rate of 2.9%

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

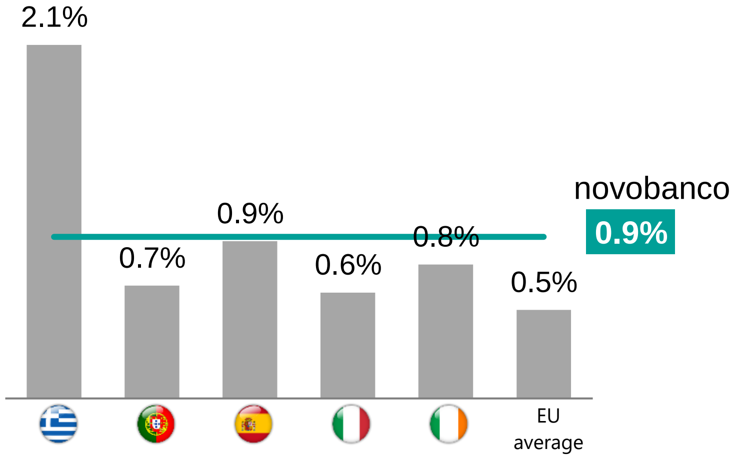
Non-performing Loans
(%; €mn; Gross NPL[1])



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



Net NPL ratio vs Peers[3]
(%)



YTD Net formation of NPL at -€21mn and recent NPL reduction benefitting from sale of portfolios, being capital accretive and demonstrating adequacy of NPL coverage.

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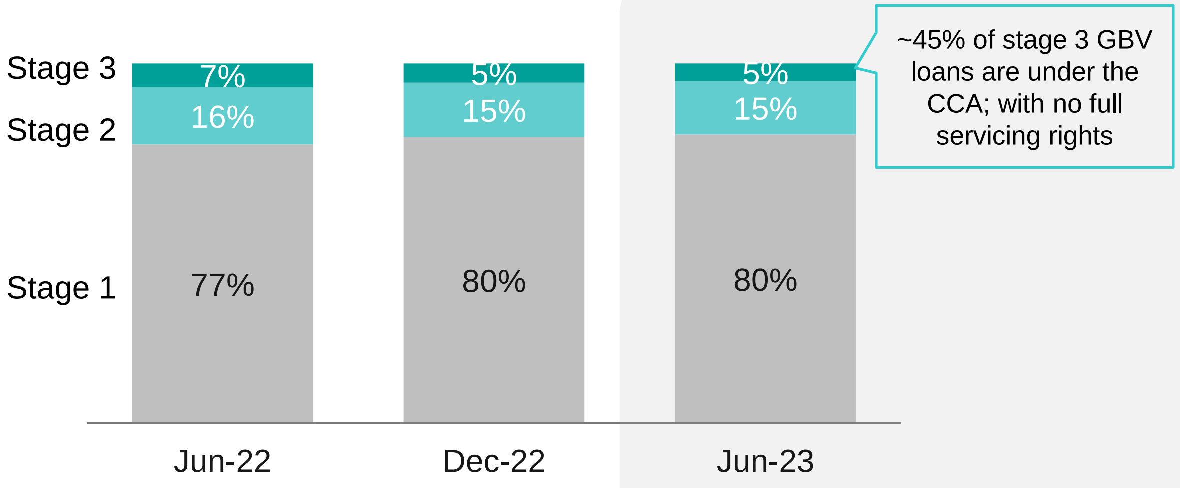
(1) NPL as per BdP definition (see glossary – annex for further detail); (2) Average performing loans; (3) Source ECB / novobanco analysis; being calculated as gross NPLs minus accumulated loans loss provisions over gross exposure implied by reported NPL ratio; Peers figures as of Sep/22, novobanco as of Jun/23

1 Stable YTD staging breakdown, with Stage 3 at €1.3bn GBV (€0.6bn NBV) and 55% coverage by specific impairments and backstop

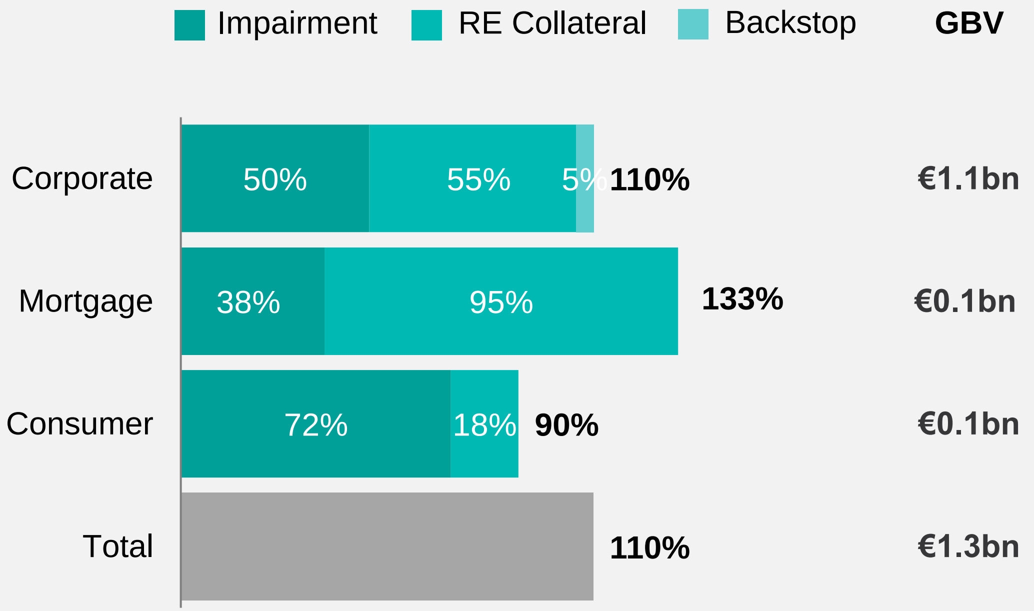
Loan Portfolio[1] by Stages



Coverage ratios[2]

	Jun-22	Dec-22	Jun-23
Stage 2	7.4%	7.8%	8.2%
Stage 3	53.7%	55.1%	55.3%

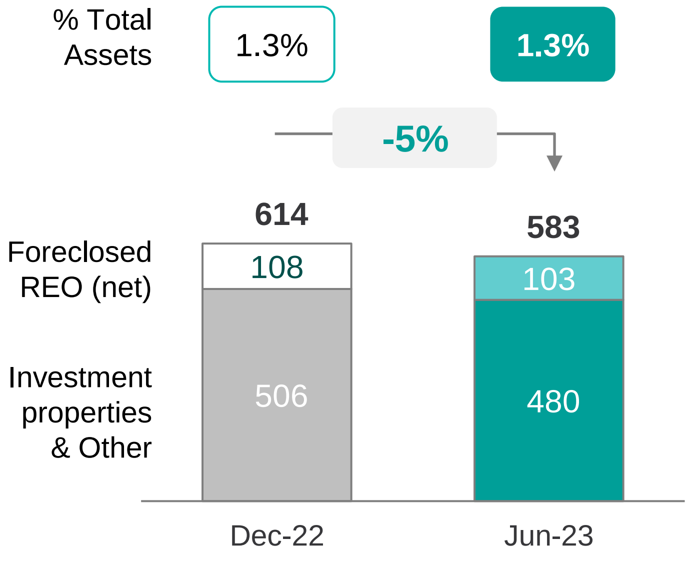
Stage 3: Coverage by type



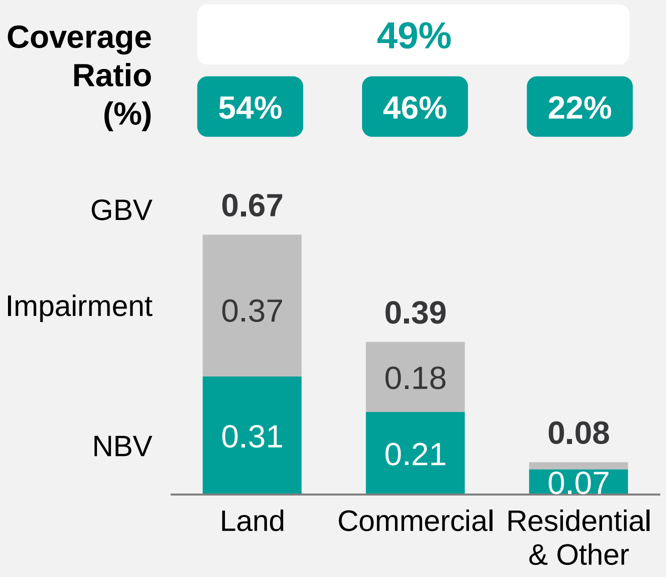
(1) Excludes credit institutions; (2) Stage 2 Specific provisions; Stage 3 includes backstop

2 Decreasing RE exposure to €583mn (-5% YTD), with TOP 20 assets representing 70% of the portfolio

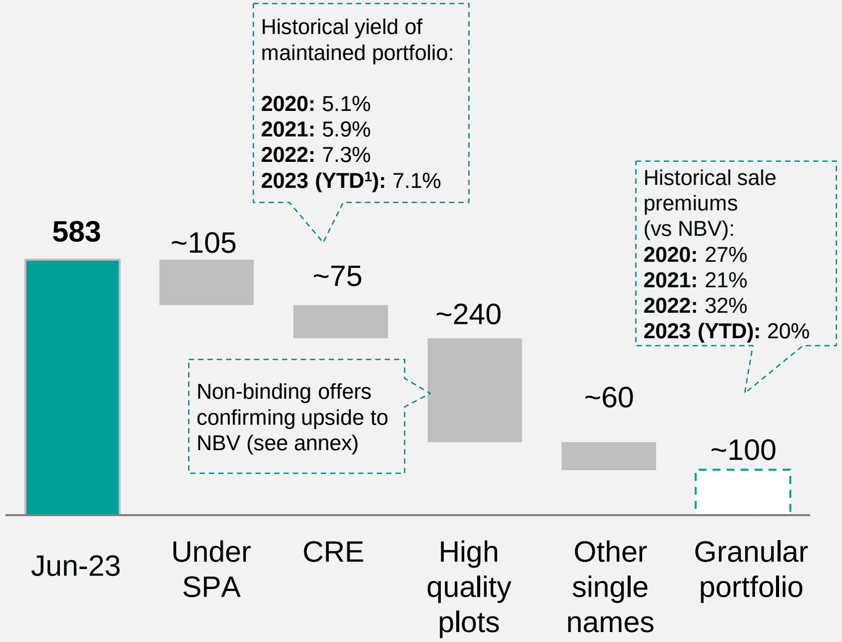
Evolution of Real Estate Exposure
(€mn NBV)



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



RE: breakdown
(€million;%)



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

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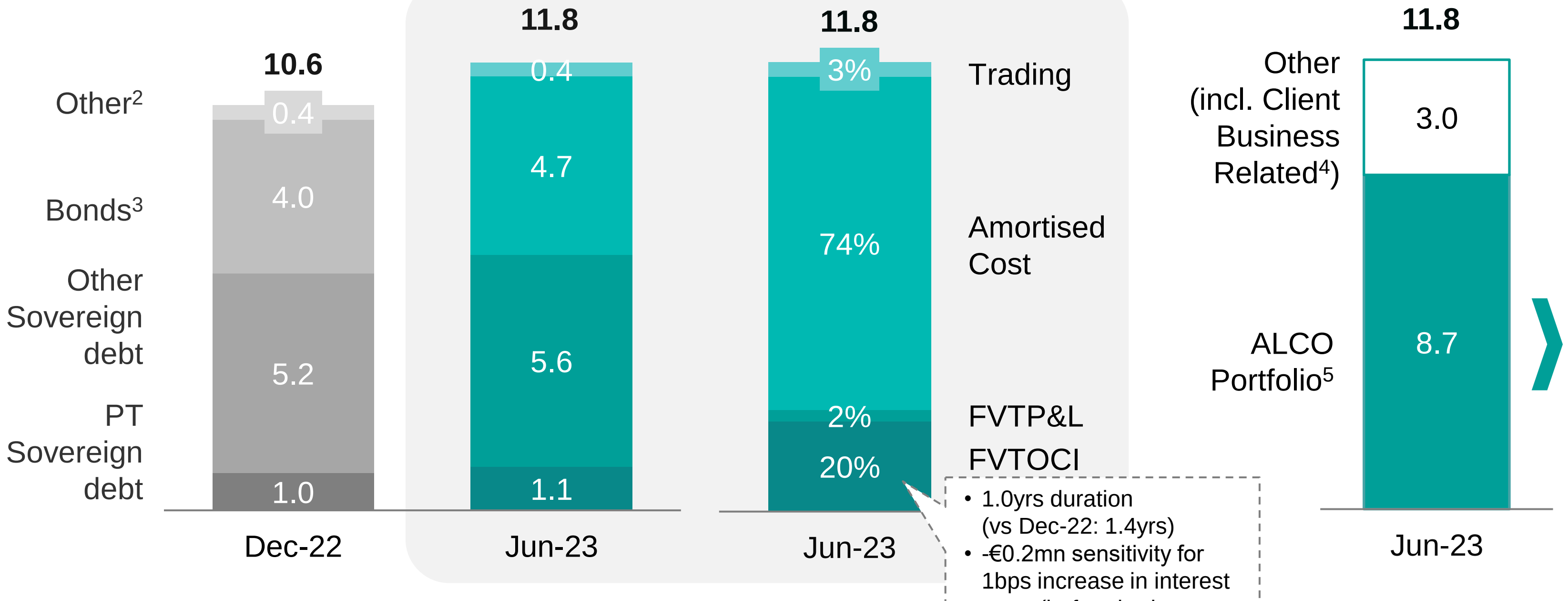
(1) Considers RE assets held by novobanco during 1H23

3

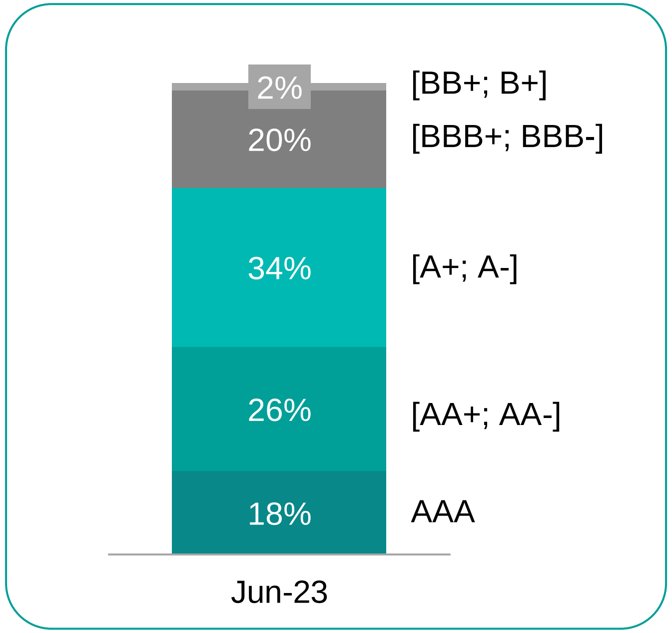
Conservative €11.8bn securities portfolio with HQLA[1] representing >75%

Securities Portfolio
(€bn)



- 1.0yrs duration (vs Dec-22: 1.4yrs)
- -€0.2mn sensitivity for 1bps increase in interest rates (before hedges; Dec-22: -€0.3mn);

ALCO Portfolio: Ratings
(%)



Amortised Cost book with €226mn[4] unrealised MtM losses, equivalent to c.28bps impact in CET1 from a full liquidation. ALCO portfolio with an average yield of ~2.7%, of which ~39% floating and with ~2.7 years duration (after hedges).

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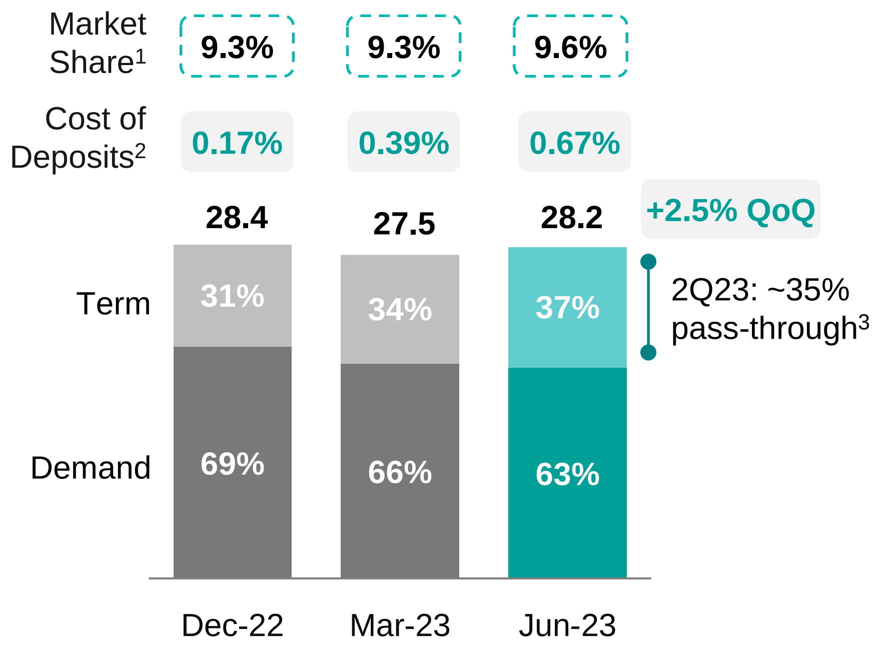
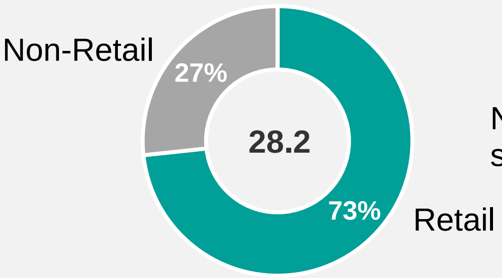
(1) HQLA: High Quality Liquid Assets; (2) Includes Funds and Equity Holdings; (3) Includes Corporate Debt and Supra; (4) such as lending to clients in bond/commercial paper format (5) includes trading book

4 Customer deposits increasing by 2.5% QoQ with novobanco' deposits market share increasing by 0.3pp to 9.6%

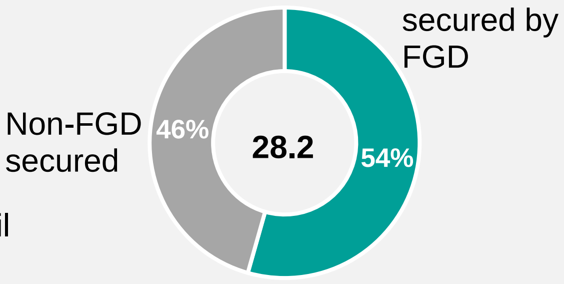
Deposits Breakdown by Type
(€bn; %)



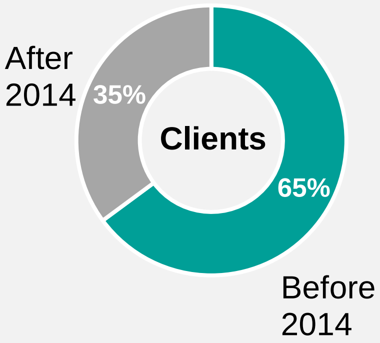
Deposits by Customer
(€bn; %)



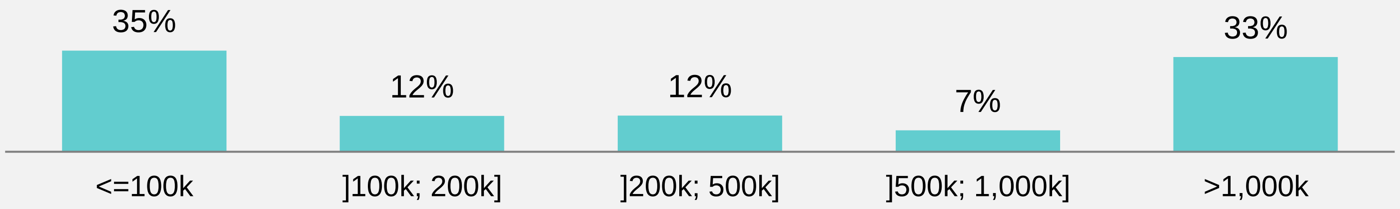
Public Guarantee (FGD[4])
(€bn; %)



Loyal customer base
(# of active clients)



Client Size Deposit Distribution
(€k; %)



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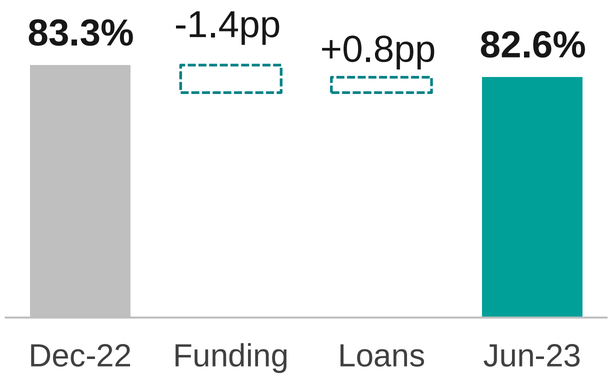
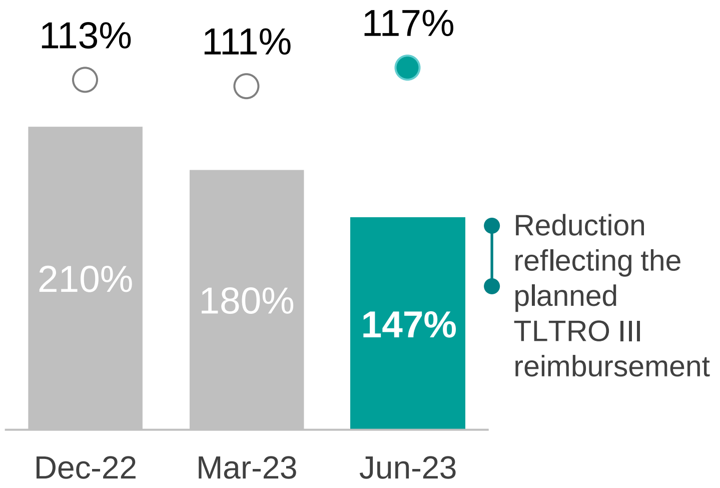
(1) Source: novobanco analysis using Bank of Portugal; using most recent available information as of May 2023; (2) Cost of Deposits of 0.67% refers to 2Q23; (3) based on average 3M Euribor; (4) FGD - Fundo Garantia Depósito; statutory deposit insurance

4 Sound deposit base supporting strong liquidity position,….

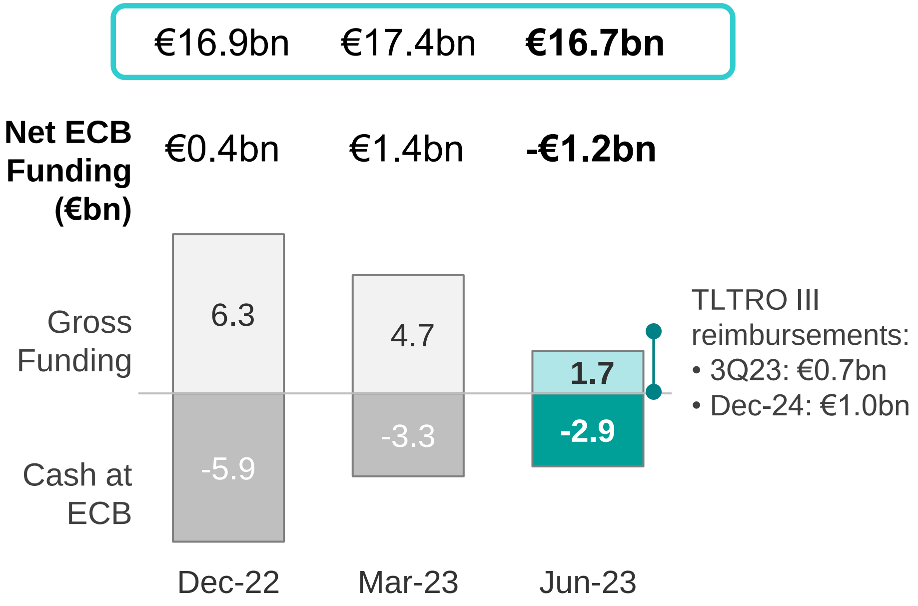
Loan to Deposit Ratio[1] (%)



Liquidity Ratios (%)



Eligible Assets at the ECB[3] (€bn)



…as well as liquidity buffer of €13.8bn (+€0.1bn YTD).

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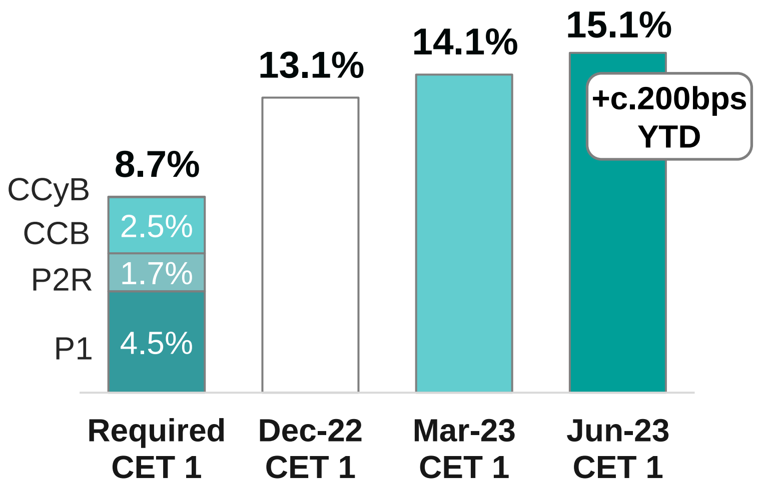
(1) LtD ratio as per BdP definition (see glossary – annex for further detail); (2) LCR stands for Liquidity Coverage Ratio; NSFR stands for Net Stable Funding Ratio; (3) Net of haircut

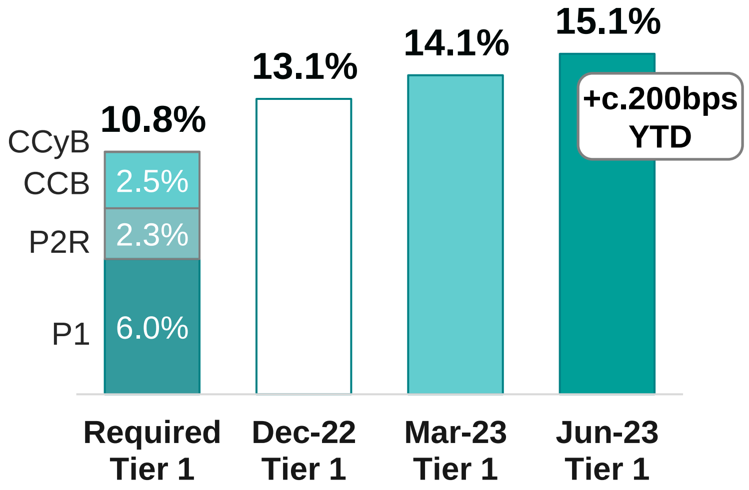
5

+c.200bps of organic capital generation YTD reflects the capital accretive business model…

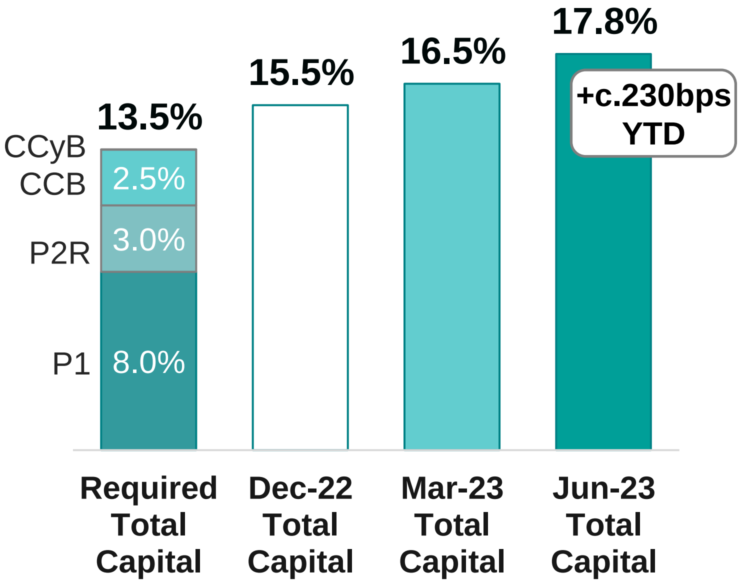
CET 1
(fully loaded[1]; %)



Tier 1
(fully loaded[1]; %)



Total Capital
(fully loaded[1]; %)



…with solid top-line performance and disciplined capital allocation.
Total capital ratio also benefited from +€100mn Tier 2 upsize with the issuance of €500mn 10.5NC5.5 due in 2033.

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

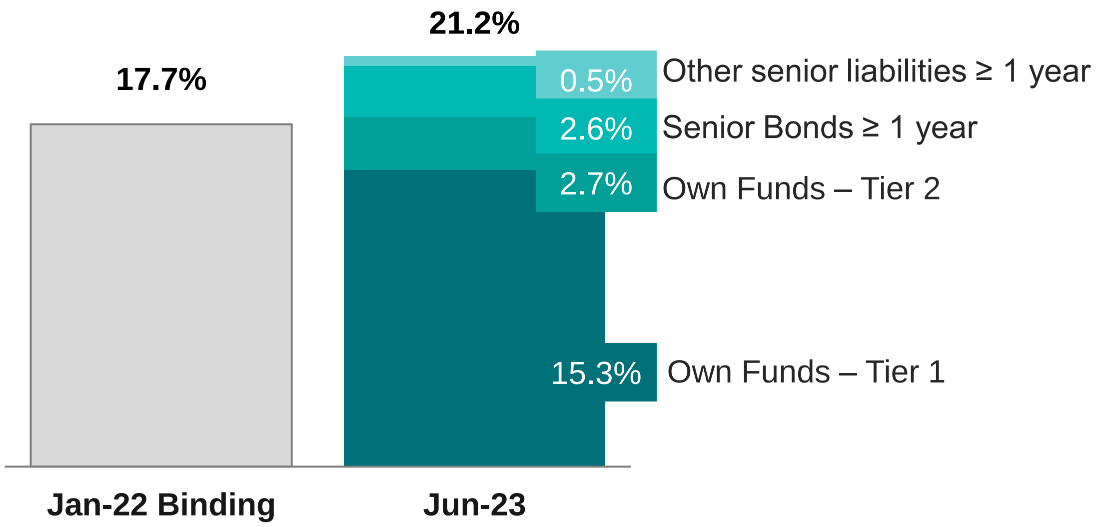
5

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

MREL requirements:
(BdP notification of June 2023; %)

	Jan-22	Jan-26
TREA[1]	14.64%	23.47%
Combined Buffer	2.52%	n.a.[2]
O-SII (LSF Nani)	0.50%	n.a.[2]
Total	**17.66%**	**23.47% + Buffers**
LRE[3]	**5.91%**	**5.91%**

MREL ratio
(% RWA; Preliminary)



Jan-22 Binding	Jun-23
5.91%	**9.93%**

Organic capital generation and balance sheet optimisation expected to be considerably above MREL (interim) needs in 2023.

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(1) TREA - Total Risk Exposure Amount; Jan-26 requirement as announced on June 2023; (2) As of Jan-26 applicable requirement; (3) LRE - Total Leverage Exposure

04.

Outlook & Final Remarks

Outperforming key financial targets with upward revision of 2023 guidance

	Previous 2023 Guidance	1H23 Achievements	New 2023 Guidance
Net Interest Margin	> 2.2%	**2.50%**	**> 2.50%[1]**
Cost to Income	< 40%	**33.6%**	**~ 35%**
Cost of Risk	~ 50 bps	**38 bps**	**~ 50bps**
NPL Ratio	< 4.5%	**4.4%** (w/ 80% coverage)	**< 4.5%**
Profit Before Tax[2]	> €600mn	**€377mn** (above 1H23E)	**> €700mn**
Capital Generation	> 250 bps	**+200 bps** (CET1: 15.1%)	**> 350 bps**

2023 execution

Sound commercial activity
backed by improved customer experience

Protecting NIM from a lower interest rate environment by increasing hedges[3] to lock in current rates and reduce sensitivity, with a decrease of ~8% NII for -100bps in rates

Strict cost control
efficient operations with revenue growth offsetting cost inflation and investment in people and culture

De-risking strategy
with strong and reinforced coverage levels

Consistent execution of the strategic plan, reiterating the focus to achieve investment grade rating in the medium-term.

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(1) Considers average Deposits Facility Rate of 3.3% vs previous 2.7%; (2) Recurrent PBT deducted by Special Tax on Banks; (3) Considering a constant balance sheet and after cash-flow hedges executed in July

Final Remarks

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

Net Income +13% QoQ growth driven by assets re-pricing, moderate cost of risk and strict cost control.

Strong organic capital generation business model (2Q23: c.+100bps; 1H23: c.+200bps) aligned **with stable funding and liquidity position** based on a stable deposit base focused on granular retail clients.

Consistent strategy execution **aiming to achieve investment grade rating in the medium-term.**

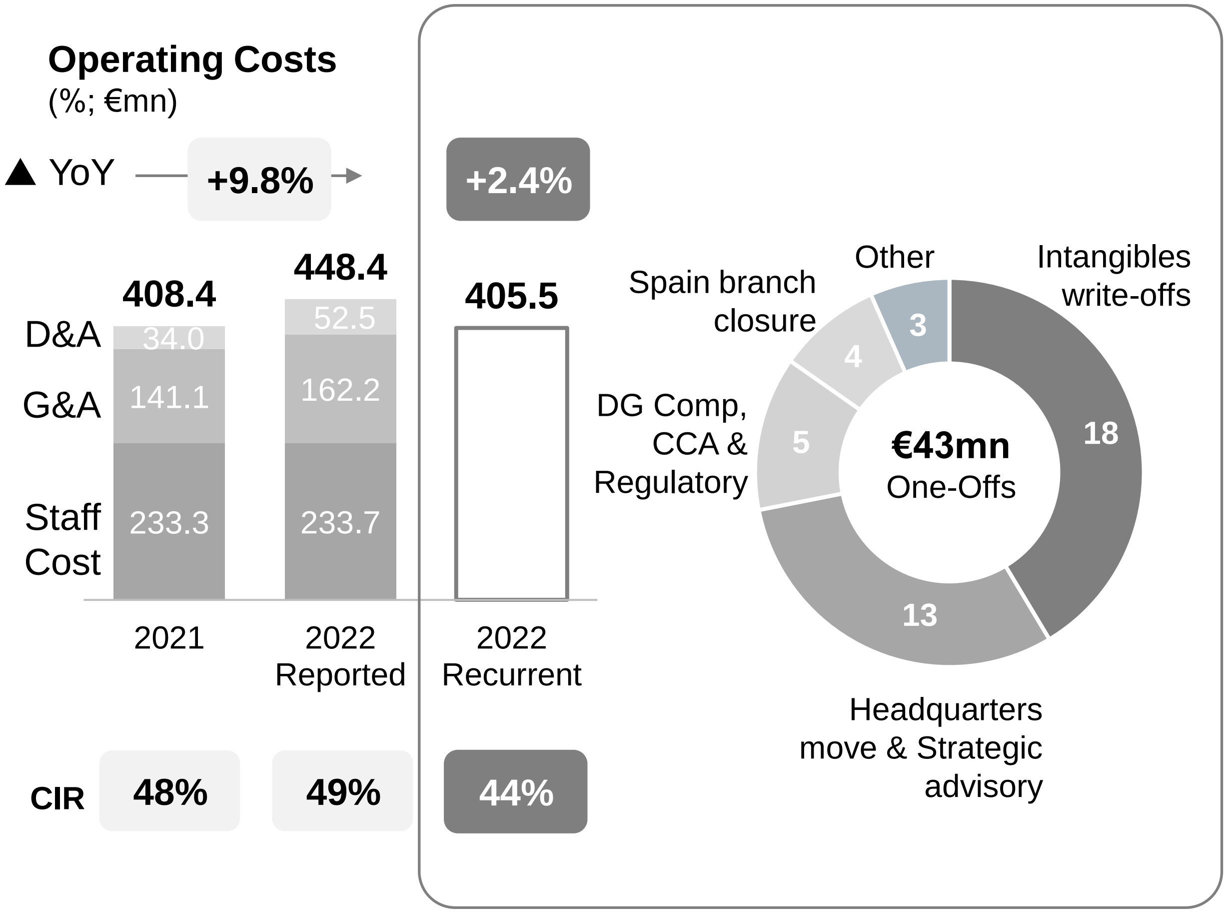
Strong 1H23 execution leading to an **upward revision of 2023 guidance.**

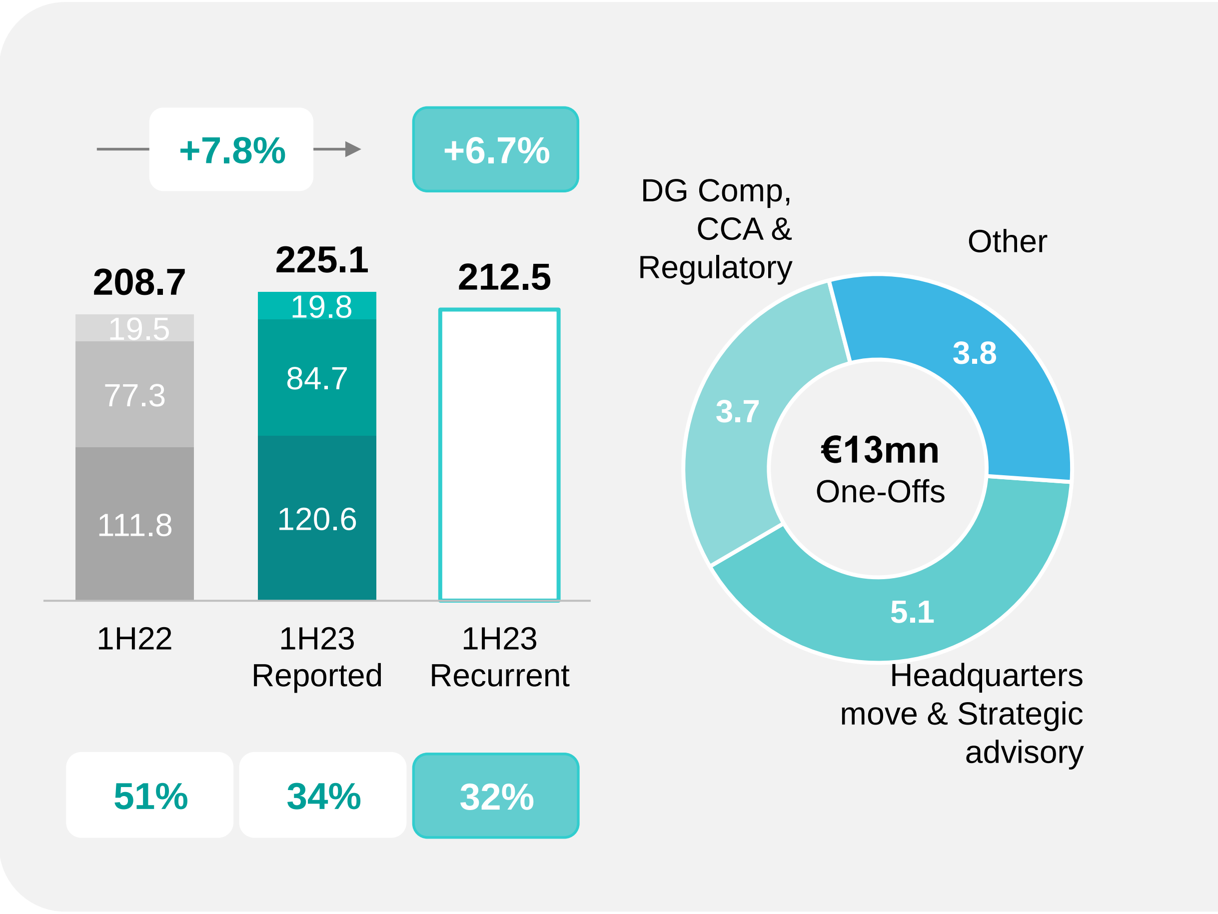
ANNEX

Income Statement – Quarterly data

(€ million)	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	▲ €mn QoQ	▲ % QoQ
Net Interest Income	143.5	140.9	143.2	133.5	134.5	137.9	219.5	246.3	277.7	+31.3	+12.7%
Fees and Commissions	72.8	72.3	74.6	68.8	75.6	71.3	77.6	68.9	76.4	+7.5	+10.9%
Commercial Banking Income	**216.3**	**213.2**	**217.9**	**202.3**	**210.1**	**209.2**	**297.2**	**315.3**	**354.1**	**+38.8**	**+12.3%**
Capital Markets Results	40.5	(59.7)	42.2	91.4	(5.6)	(17.6)	(44.2)	5.8	22.2	+16.4	+283.8%
Other Operating Results	(41.3)	30.3	39.2	16.7	56.5	88.0	22.3	2.4	- 7.4	-9.8	-405.8%
Banking Income	**215.5**	**183.9**	**299.3**	**310.4**	**261.0**	**279.6**	**275.3**	**323.5**	**368.9**	**+45.4**	**+14.0%**
Operating Costs	101.4	101.6	102.6	103.6	105.1	105.5	134.1	111.9	113.2	+1.3	+1.1%
Staff Costs	58.9	57.9	57.8	55.7	56.1	57.9	63.9	58.3	62.3	+6.1	+10.9%
G&A Costs	34.2	35.1	35.8	38.2	39.2	37.7	47.1	43.8	40.8	+1.6	+4.2%
Depreciation	8.2	8.6	9.0	9.8	9.8	9.9	23.1	9.8	10.1	+0.3	+2.9%
Net Operating Income	**114.1**	**82.3**	**196.6**	**206.8**	**155.9**	**174.1**	**141.1**	**211.6**	**255.8**	**+44.2**	**+20.9%**
Net Impairments and Provisions	27.4	70.4	193.1	21.8	(2.0)	2.7	**88.7**	27.7	**28.3**	+0.6	+2.2%
Credit	29.8	30.3	34.4	14.3	5.0	20.2	(5.0)	26.0	21.9	-4.1	-15.6%
Securities	15.1	1.4	30.4	11.1	30.6	2.4	23.6	3.9	4.8	+0.9	+22.7%
Other Assets and Contingencies	(17.5)	38.7	128.4	(3.6)	(37.6)	(19.9)	70.1	(2.2)	1.6	+3.8	-172.4%
Income before Taxes	**86.7**	**11.9**	**3.5**	**185.0**	**157.9**	**171.4**	**52.4**	**183.9**	**227.5**	**+43.5**	**+23.7%**
Corporate Income Tax	16.9	(8.1)	(28.2)	7.4	11.6	8.9	(81.1)	0.7	0.8	+0.1	+12.0%
Special Tax on Banks	1.5	0.0	(0.1)	34.1	-	-	0.0	34.1	0.0	-34.1	-99.9%
Income after Taxes	**68.4**	**20.0**	**31.8**	**143.5**	**146.4**	**162.5**	**133.6**	**149.0**	**226.6**	**+77.5**	**+52.0%**
Non-Controlling Interests	1.4	3.6	1.4	0.9	22.3	0.9	1.1	0.7	1.8	+1.1	+161.3%
Net Income for the period	**67.0**	**16.4**	**30.4**	**142.7**	**124.0**	**161.6**	**132.5**	**148.4**	**224.8**	**76.5**	**+51.5%**

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





Balance Sheet

(€ thousands)	***Dec-22***	***Jun-23***
Cash, cash balances at central Banks and other demand deposits	6,599,078	3,395,086
Financial assets held for trading	171,810	498,587
Financial assets mandatorily at fair value through profit or loss	313,702	287,734
Financial assets designated at fair value through profit or loss	13	391
Financial assets at fair value through profit or loss, or through other comprehensive income	2,331,099	2,360,688
Financial assets at amortised cost	32,559,148	33,600,248
Debt securities	7,964,664	8,728,843
Loans and advances to credit institutions	43,548	78,406
Loans and advances to customers	24,550,936	24,792,999
Derivatives – Hedge accounting	562,845	626,040
Fair value changes to the hedged items in portfolio hedge of interest rate risk	-165,144	-143,720
Investments in subsidiaries, joint ventures and associates	119,744	117,805
Tangible assets	798,831	793,734
Tangible fixed assets	299,264	314,536
Investment properties	499,567	479,198
Intangible assets	69,832	72,334
Tax assets	956,000	997,166
Current tax assets	32,570	36,813
Deferred tax assets	923,430	960,353
Other assets	1,618,484	1,235,664
Non-current assets and disposal groups classified as held for sale	59,587	58,445
Total Assets	**45,995,029**	**43,900,202**

	Dec-22	***Jun-23***
Financial liabilities held for trading	99,386	97,111
Financial liabilities measured at amortised cost	40,987,177	38,329,622
Due to Banks	9,705,154	6,252,401
Due to customers	29,277,858	29,758,028
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,628,897	1,887,696
Other financial liabilities	375,268	431,497
Derivatives – Hedge accounting	119,578	172,476
Provisions	413,432	411,070
Tax liabilities	8,427	9,820
Current tax liabilities	7,582	8,975
Deferred tax liabilities	845	845
Other liabilities	839,919	884,724
Liabilities included in disposal groups classified as held for sale	15,492	14,815
Total Liabilities	**42,483,411**	**39,919,638**

Capital	6,304,661	6,567,844
Other comprehensive income – accumulated	-1,234,573	-1,140,311
Retained earnings	-8,577,074	-8,577,074
Other reserves	6,439,418	6,735,819
Profit or loss attributable to parent company shareholders	560,842	373,171
Minority interests (Non-controlling interests)	18,344	21,115
Total Equity	**3,511,618**	**3,980,564**
Total Liabilities and Equity	**45,995,029**	**43,900,202**

A Portuguese universal bank, serving corporate and retail segments

€ million

	30-Jun-22				30-Jun-23						
	Retail	SMEs and corporate	Support Functions	Total	Retail	*Abs. Change*	SMEs and corporate	*Abs. Change*	Support Functions	*Abs. Change*	Total
Commercial Banking Income	194	192	26	**412**	384	190	294	102	- 9	- 35	**669**
Banking Income[1]	202	198	172	**571**	383	181	308	110	2	- 170	**692**
Operating Costs	135	41	33	**209**	152	17	46	5	27	- 6	**225**
Net Operating Income	67	157	139	**363**	231	164	262	105	- 25	- 164	**467**
Net Impairments and Provisions	- 2	44	- 22	**20**	17	19	33	- 11	6	28	**56**
Income before Taxes	**69**	**113**	**161**	**343**	**213**	**145**	**229**	**116**	**- 31**	**- 192**	**411**
Total Assets	14 232	13 311	17 950	**45 493**	14 525	292	14 353	1 042	15 022	-2 927	**43 900**
Customer Loans (net)	13 017	11 285	2	**24 304**	13 399	382	11 380	95	14	12	**24 793**
Net Interest margin	0.9%	2.2%	0.4%	**1.3%**	2.7%	1.7%	3.6%	1.4%	-0.2%	-0.5%	**2.5%**
Cost to Income	69.4%	21.3%	-	**50.6%**	39.6%	-29.8%	15.6%	-5.6%	-	-	**33.6%**

Retail - Corresponds to all the activity developed with private customers and small businesses, along with the fully consolidated operating subsidiaries novobanco Açores, BEST and GNBGA. The financial information of the segment relates, amongst other products and services, to mortgage loans, consumer credit, small business financing, deposits, retirement plans and other insurance products sold to private customers, account management and electronic payments and placement of investment funds, brokerage and custodian services.

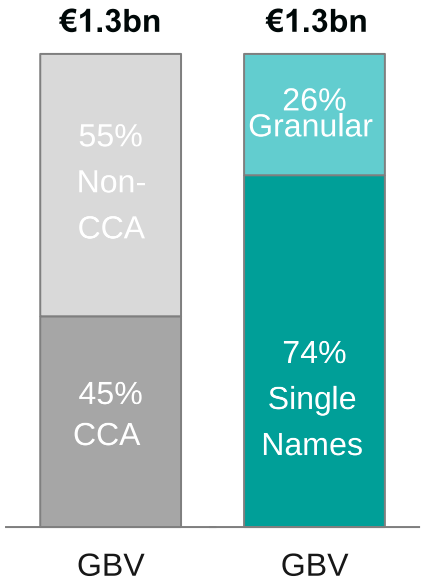
Corporate - Includes the activities developed with medium and large-sized companies, developed through a commercial structure dedicated to this segment, which includes 20 Corporate Centres. This segment also includes activities with institutional and municipal customers. The Group maintains an important presence in this segment, the result of the support it has lent to the development of the national business community, focused on companies with good risk, an innovative nature and an exporter activity.

Support Functions - This area does not correspond to an operational segment in the true sense of the concept, it is an aggregation of transversal corporate structures that ensure the basic functions of the Group's global management, including Treasury and Real Estate assets.

(1) In 1H 2022 Other Operating Results includes €77.1mn of gains from the sale of real estate assets accounted in Support Functions

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

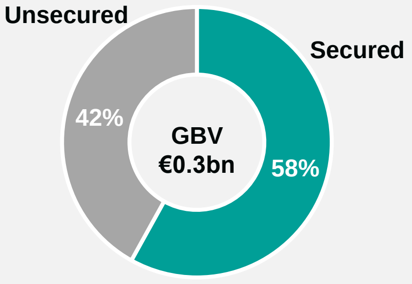
Total Stage 3 Loans
(Jun-23; %)



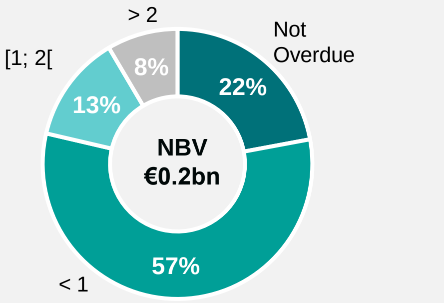
NBV €0.6bn

% Coverage Ratio[2] 55% / 110%

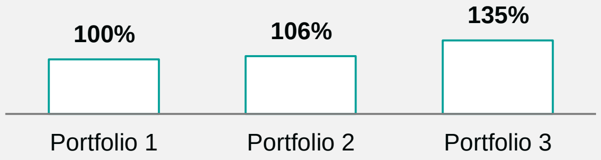
Granular



Overdue Vintage (years)

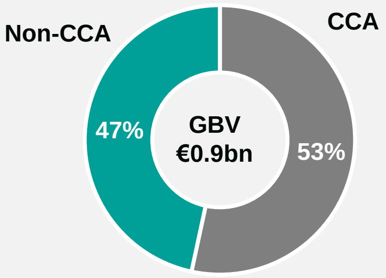


Recent granular portfolio sales Price as % NBV



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

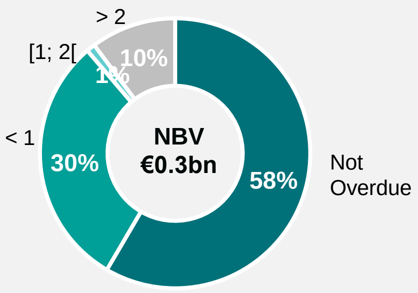
Single Names



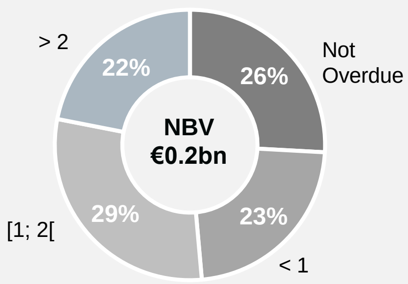
Harvey portfolio (~9% of the portfolio) was signed in 2022 at premium to book value, reinforcing that Stage 3 exposures are provisioned in accordance with market expectations.

Overdue Vintage (years)

Non-CCA



CCA



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(1) As % of NBV; (2) Specific impairments and backstop / coverage ratio considering also collateral

RE – High quality plots with non-binding offers confirming upside to NBV

#1

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

The project will include:

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

#2

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

- Co-living units
- Office units
- Retail units

#3

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

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

#4

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

The concept includes:

- Residential units
- Touristic apartments
- Hotel

#5

SPA signed with sale price > NBV

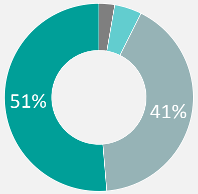
Project located in the wealthiest municipality in Portugal, near major office parks in the country.

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

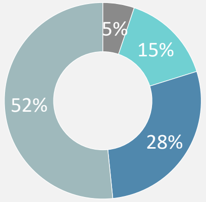
Key metrics:

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

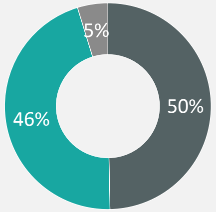
Areas (sqm):



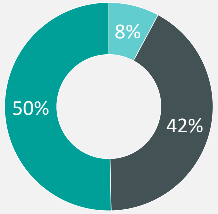
Residential: 68k
Office: 55k
Retail: 6k
Equipment: 4k



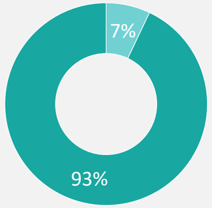
Office: 45k
Co-living: 25k
Retail: 15k
Equipment: 5k



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



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



Residential: 79k
Retail: 3k

Recent similar transactions:

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

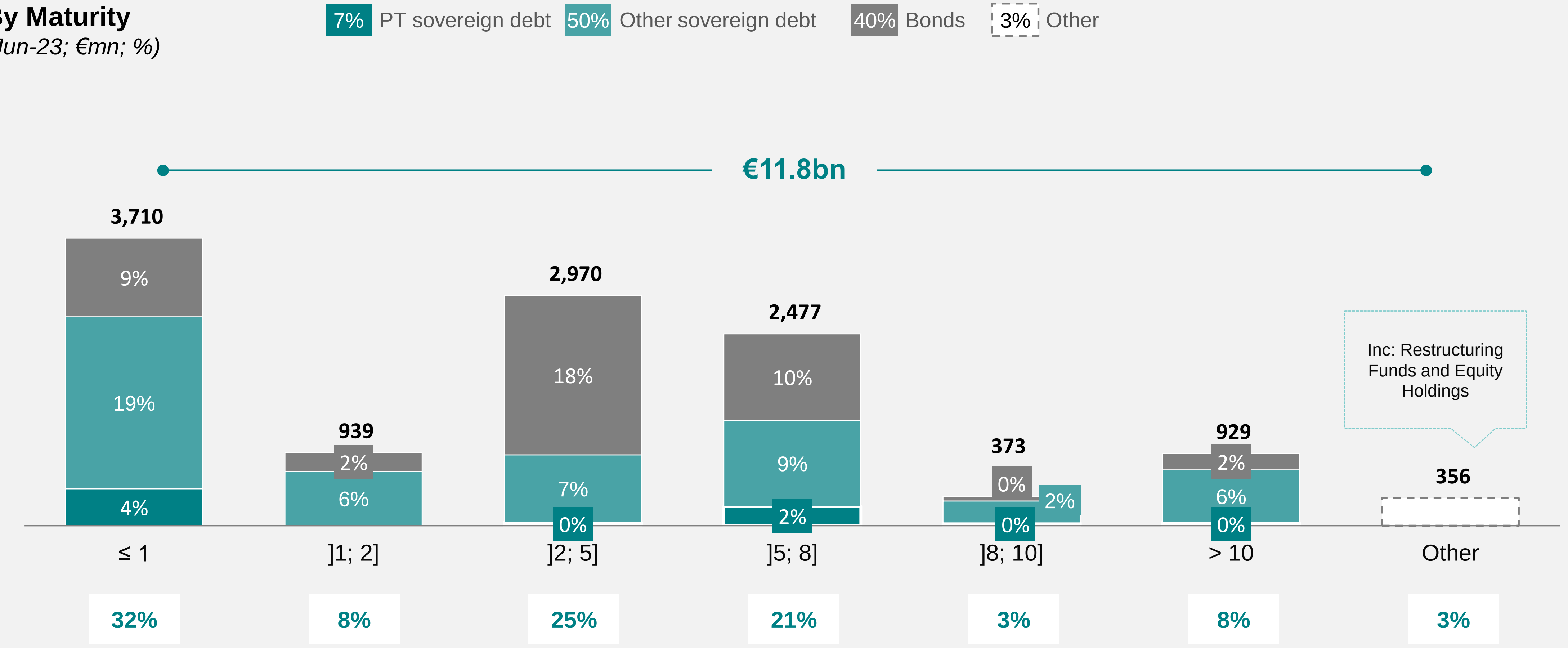
Year	Comparable Asset	Location	Use	GCA (sqm)	€/sqm
Lisbon - Other					
n.d.	Project #2	Oeiras	Residential & Retail	108,000	300-400
n.d.	Project #2	Lisboa	Residential	n.a.	550-650
2020	Project #2	Oeiras	Residential	60,000	500-600
2019	Project #3	Lisboa	Mix-use	120,000	250-350
2019	Project #2	Oeiras	Residential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

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

Note: GCA – Gross Construction Area

Securities Portfolio

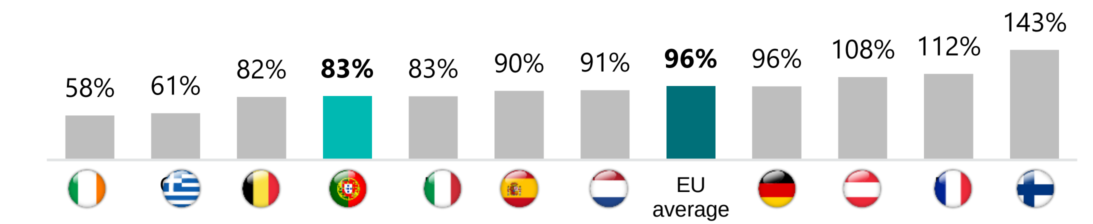
By Maturity
(Jun-23; €mn; %)



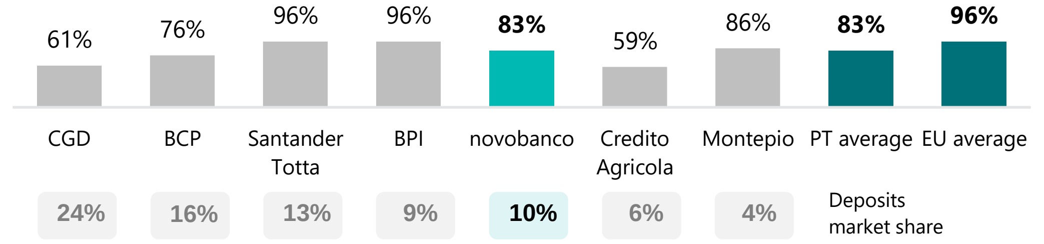
Overview of Portuguese deposit market in European context

1H23 Financial Statements

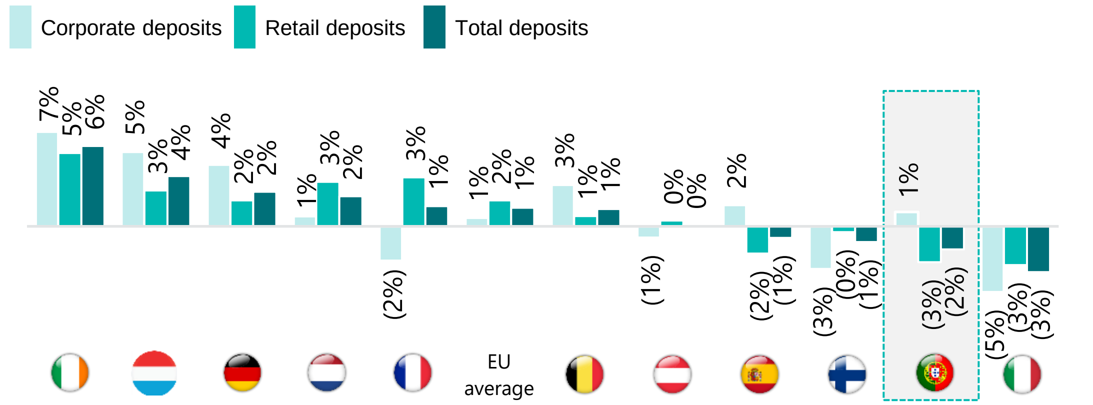
Loan to deposit ratio: PT vs. EU peers (2022)



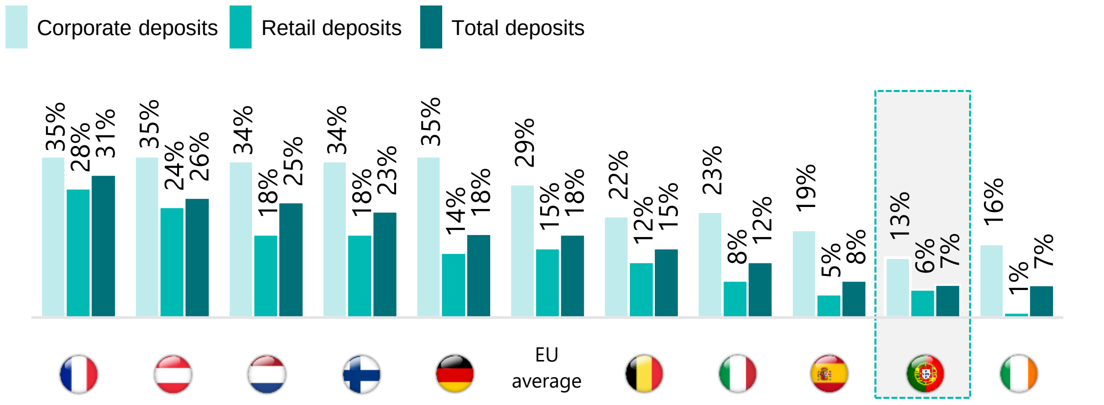
Loan to deposit ratio: novobanco vs portuguese peers (2022[1])



Customer deposits YoY growth (May-23)



Blended deposit beta (May-23)[2]



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Source: Company information, Research analysis, ECB, Associação Portuguesa de Bancos; (1) novobanco LTD ratio as of Jun-23; (2) Calculated as the change in the blended deposit cost for Retail and Corporate (across overnight / redeemable / term) over 200bps, i.e. the change in ECB rates from Jul-22 to May-23

Bonds outstanding and MREL eligibility

€mn; Jun-23

Description	ISIN	Currency	Outstanding Notional Value	Issue Date	Book Value[1]	Maturity	MREL
Senior			**2,249**		**1,154**		
NB 3.5% 23/07/24 OBRG.[2]	PTNOBIOM0014	EUR	300	Jul-21	310	Jul-24	N
NB 4.25% 09/23 OBRG.[3]	PTNOBJOM0005	EUR	275	Dec-21	276	Sep-23	N
NB 5.5% 30/12/24 OBRG.	PTNOBKOM0002	EUR	100	Dec-22	103	Dec-24	Y
BES Luxembourg 3.5% 02/01/43	XS0869315241	EUR	64	Jan-13	43	Jan-43	Y
BES Luxembourg 3.5% 23/01/43	XS0877741479	EUR	131	Jan-13	97	Jan-43	Y
BES Luxembourg 3.5% 19/02/2043	XS0888530911	EUR	97	Feb-13	64	Feb-43	Y
BES Luxembourg 3.5% 18/03/2043	XS0897950878	EUR	70	Mar-13	47	Mar-43	Y
BES Luxembourg ZC	XS0972653132	EUR	185	Oct-13	37	Oct-48	Y
Banco Esp San Lux ZC 12/02/49	XS1031115014	EUR	245	Feb-14	45	Feb-49	Y
Banco Esp San Lux ZC 19/02/49	XS1034421419	EUR	69	Feb-14	13	Feb-49	Y
Banco Esp San Lux ZC 27/02/51	XS1038896426	EUR	108	Feb-14	17	Feb-51	Y
BES Luxembourg ZC 06/03/2051	XS1042343308	EUR	76	Mar-14	12	Mar-51	Y
BES Luxembourg ZC 03/04/48	XS1053939978	EUR	220	Apr-14	42	Apr-48	Y
BES Luxembourg ZC 09/04/52	XS1055501974	EUR	264	Apr-14	40	Apr-52	Y
BES Luxembourg ZC 16/04/46	XS1058257905	EUR	37	Apr-14	8	Apr-46	Y
EMTN 57	XS0439764191	EUR	8	Jul-09	2	Jul-44	N
Subordinated			**694**		**711**		
NB 06/07/2028[4]	PTNOBFOM0017	EUR	194	Jun-18	209	Jul-23	N
NB 9.875% 01/12/33 OBRG.	PTNOBLOM0001	EUR	500	Jun-23	502	Dec-33	Y
Total (Senior+Subordinated)			**2,943**		**1,865**		
Total MREL (Senior+Subordinated)			**2,166**		**1,068**		

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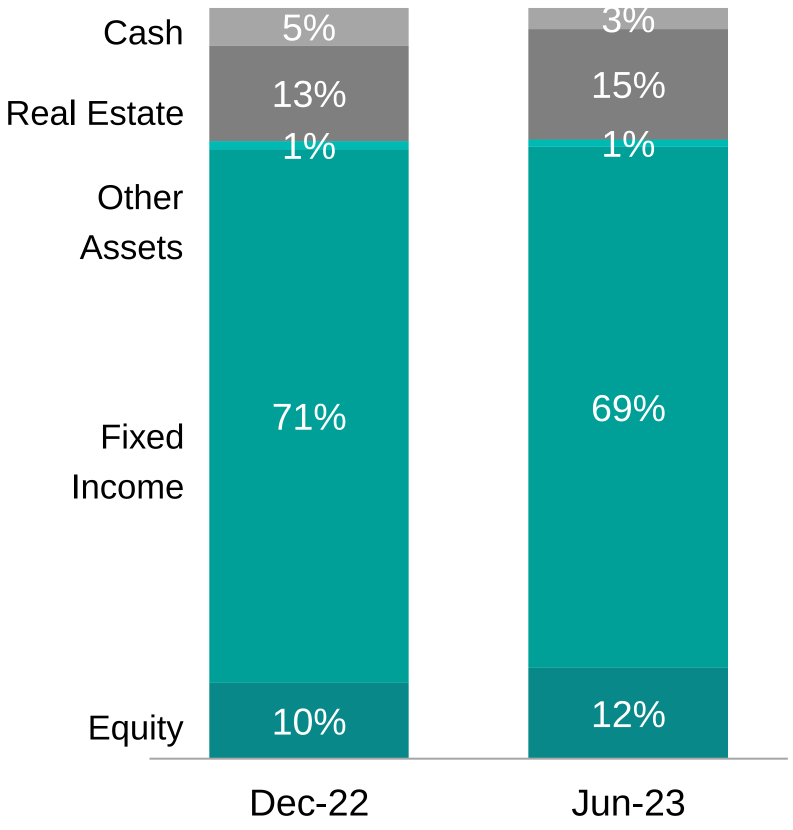
(1) Book values include accrued interests; (2) Call exercised on 23 July 2023; (3) Maturity date on 3Q23; (4) Initial notional amount of €400mn with a tender settlement on 1 June2023 and call exercised on 6 July 2023

Pension Funds

Key Figures (€ Millions)	Dec-21	Dec-22	Jun-23
Retirement Pension Liabilities	1 929	1 419	1 418
Fund Assets	1 908	1 478	1 530
Liabilities Coverage	99%	104%	108%

Actuarial Assumptions	Dec-21	Dec-22	Jun-23
Project rate of return on plan assets	1.35%	4.00%	4.00%
Discount rate	1.35%	4.00%	4.00%
Pension increase rate	0.50%	0.75%	0.75%
Salary increase rate	0.75%	1.00%	1.00%
Mortability table men	TV 88/90	TV 88/90	TV 88/90
Mortability table women	TV 88/90-3 yrs	TV 88/90-3 yrs	TV 88/90-3 yrs

Pension Fund Portfolio
(Jun-23)



Capital ratios

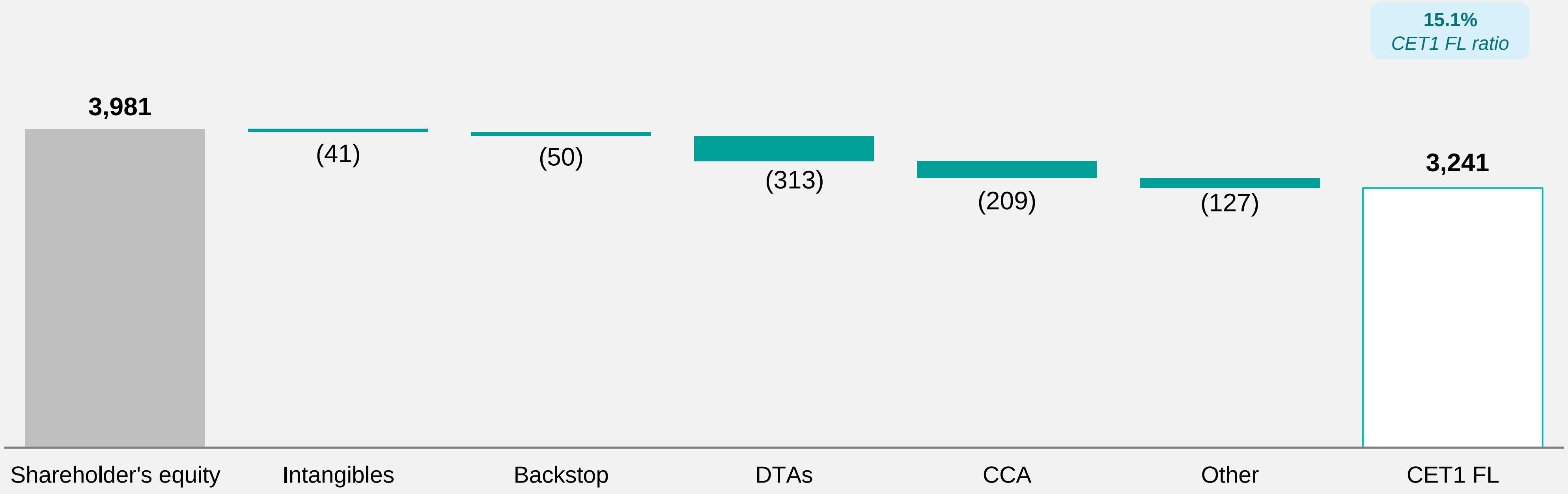
€mn

CAPITAL RATIOS (CRD IV/CRR)		31-Mar-22 *(Fully loaded)*	30-Jun-22 *(Fully loaded)*	30-Sep-22 *(Fully loaded)*	31-Dec-22 *(Fully loaded)*	31-Mar-23 *(Fully loaded)*	**30-Jun-23** ***(Fully loaded)***
Risk Weighted Assets	(A)	23 622	22 914	22,695	21 233	21,197	**21,478**
Own Funds							
Common Equity Tier 1	(B)	2 419	2 558	2,746	2 787	2,996	**3,241**
Tier 1	(C)	2 420	2 559	2,747	2 789	2,998	**3,243**
Total Own Funds	(D)	2 925	3 061	3,248	3 279	3,489	**3,832**
Common Equity Tier 1 Ratio	(B/A)	10.2%	11.2%	12.1%	13.1%	14.1%	**15.1%**
Tier 1 Ratio	(C/A)	10.2%	11.2%	12.1%	13.1%	14.1%	**15.1%**
Solvency Ratio	(D/A)	12.4%	13.4%	14.3%	15.5%	16.5%	**17.8%**
Leverage Ratio		5.2%	5.4%	5.6%	5.8%	6.4%	**7.1%**

novobanco has built a strong regulatory capital position, 15.1% CET1 FL ratio, increasing by c.200bps in 1H23

CET1 build-up from shareholder's equity

(June 2023, €mn; provisional)



Deferred Tax Assets

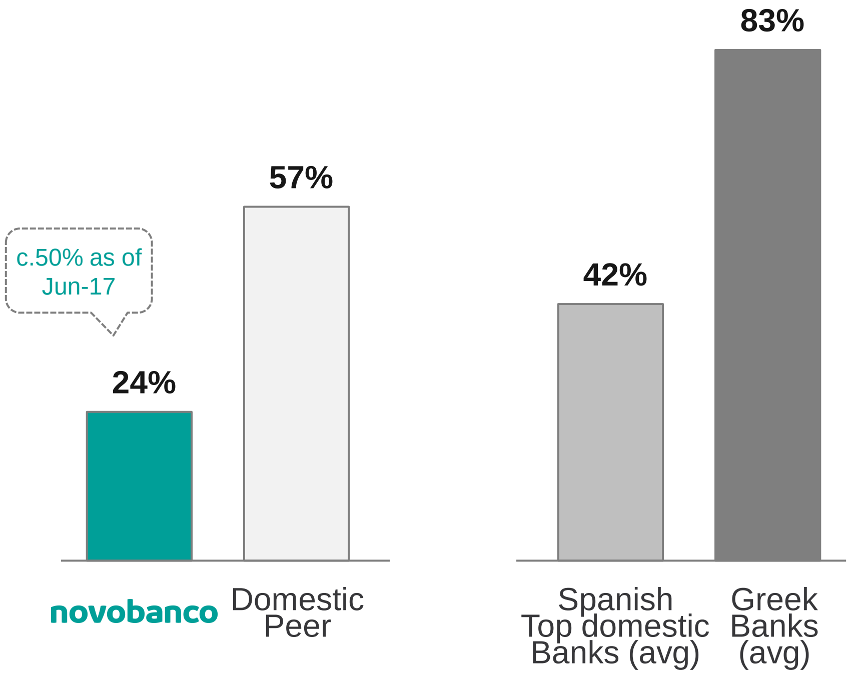
Overview of Deferred Tax Assets

(€ millions)	Dec-22	Jun-23	*Of which in CET 1*
Total DTAs on Balance Sheet	**923**	**960**	***647***
Timing-Difference DTAs – under Special Regime(1)	295	295	*295*
Timing-Difference DTAs – other	564	563	*352*
Tax Losses carried forward	64	102	-
Off-Balance Sheet	**1 651**	**1 687**	**-**
Timing-Difference DTAs	239	239	-
Tax Losses carried forward	1 412	1 432	-

- Tax losses carried forward are recognised to the extent they are expected to be recovered with future taxable income;
- €954mn of off-balance sheet Tax losses carried forward have no maturity date;
- novobanco conservatively assesses the recoverability of tax losses carried forward considering its projected taxable income over a 5 year period, assuming average of base case and stressed cases of the business plan;
- DTAs under Special Regime: YoY change reflects tax audit correction related to 2018 and 2019.

Deferred Tax Assets as % of Equity[2]

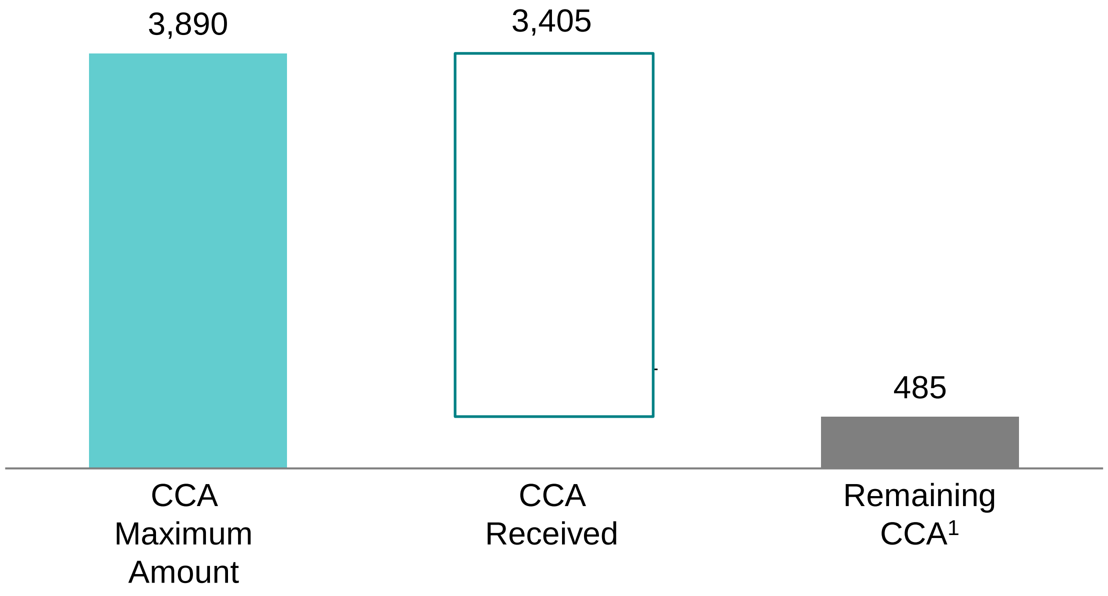
novobanco vs listed Banks and average by market



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

CCA: €485mn available

CCA - Contingent Capital Agreement Compensation amounts
(€ million)



- As agreed in Oct-2017, at sale process of novobanco, a Contingent Capital Agreement ("CCA") was entered into between the Resolution Fund ("FdR") and the Bank.

- Outstanding divergences between novobanco and the Resolution Fund (amounts not recognized in CET1 capital as of 30 June 2023):
    1. IFRS9 treatment
    2. 2020 unpaid CCA Call: €165mn
    3. 2021 unpaid CCA Call: €209mn

- Up to an additional €485mn remains available for losses recognised in a predefined portfolio of assets ("CCA Assets") and other CCA covered losses (the "CCA Losses") in case CET1 ratio decreases below 12%.

- The mechanism is in place until Dec-25 (the "CCA Maturity Date"), which date can be extended, under certain conditions, by one additional year.

(1) Funds not included in Capital Ratios

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

Metrics	Jul-22 Report (Before 2023 upgrades) FY 2021	Raw score	Assigned score	Apr-23 Report Novobanco Upgrade Historical Ratio	Raw Score	Assigned Score	Jun-23 Strong- Macro profile Raw Score	Assigned Score	Based on run-rate 1H23 Strong- 1H 2023	Raw score
Asset Risk (25%)										
Problem Loans / Gross Loans	9.8%	b1	**b1** =	7.3%	ba3	ba3 =	ba2	ba3 ●	4.9%	**baa3** ●
Capital (25%)										
TCE ratio	10.7%	ba2	**b2** ●	15.4%	a3	ba1 ●	a2	ba1 ●	17.1%	**a1** ●
Profitability (15%)										
Net Income / Tangible Assets	-1.6%	caa3	**b1** ●	-0.6%	caa2	baa3 ●	caa2	baa3 ●	1.7%	**a3** ●
Funding Structure (20%)										
Market Funds / Tangible Banking Assets	27.4%	ba2	**b1** ●	25.2%	ba2	ba1 ●	ba1	ba1 =	20.0%	**baa2** ●
Liquid Resources (15%)										
Liquid Banking Assets / Tangible Bank Assets	30.6%	baa1	**ba1** ●	29.7%	baa2	ba1 ●	baa2	ba1 ●	24.8%	**baa3** ●
Aggregate Financial Profile		**ba3**	**b1** ●		**ba2**	**ba2** =	**ba1**	**ba2** ●		**baa1** ●
Qualitative Adjustments										
Business Diversification			-			-				
Opacity and Complexity			-			-				
Corporate Behavior			-			-				
Total Qualitative Adjustments			**0 notches**			**0 notches**				
BCA range			**ba3-b2**			**ba1-ba3**				
Sovereign cap			**Baa2**			**Baa2**				
Assigned BCA			**b2**			**ba3**				
LGF uplift			**-1 notch**			**0 notch**				
Senior/Tier 2 rating			**B3**			**Ba3 / B1**				

Solvency (65%)

Liquidity (35%)

vs Jun-23 assigned score

2 notches haircut incorporated

1 notches haircut incorporated

+4 notches organic improvement

- **Indicative unmodified 'initial' BCA score continues to suggest substantial rating upside when using run rate 1H23 (+4 notches to Investment Grade vs latest profile).**

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Source: novobanco analysis; Legend: ● lower assigned score vs raw score; ● higher assigned score vs raw score; = same assigned score vs raw score; 1H23 run-rate vs Jun-23 raw score

Moodys and DBRS ratings

April 2023

MOODY'S	Long Term	Short Term
Baseline credit assessment (BCA)	ba3	
Adjusted baseline credit assessment (BCA)	ba3	
Counterparty risk rating	Baa3	Prime-3
Counterparty risk assessment	Baa3 (cr)	Prime-3 (cr)
Deposits	Ba1 Positive Outlook	NP
Senior unsecured debt	Ba3 Positive Outlook	
Subordinated debt	B1	

March 2023

DBRS	Long Term	Short Term
Intrinsic assessment	BB (low)	
Issuer rating	BB (low) Trend Stable	R-4 Trend Stable
Deposits	BB Trend Stable	R-4 Trend Stable
Senior Debt	BB (low) Trend Stable	R-4 Trend Stable
Critical obligations rating	BB (high) Trend Stable	R-3 Trend Stable
Subordinated Debt	B Trend Stable	

Our ESG action priorities and medium-term objectives

PILLAR 1: SUSTAINABLE BUSINESS

Indirect impact on the environment and climate

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

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

Direct impact on the environment and climate

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

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

PILLAR 2: SOCIAL AND FINANCIAL WELL-BEING

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

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

PILLAR 3: RESPONSIBLE BANKING

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

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

ESG Strategy I Timeline

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

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

2024
Comprehensive assessment of the new methodology's performance

Business Environment:

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

Risk management framework:

- **Developments for full integration of C&E risks into the loan origination framework** are underway, comprising the development of risk methodologies (top down and bottom-up, incl. ‘rating’), based on which the on-boarding procedures (ie: required data) and decision framework will be adjusted.
- These methodologies will provide an **integrated assessment in terms of the client/ transaction risk profile and EU Taxonomy** (alignment) classification and are at this stage being piloted and tested.

Credit Risk:

- **Simplified approaches are already in place for pricing** (ie: specific credit products have been designed to include ESG criteria broadly consistent with the Taxonomy requirements; promotional pricing allowed in those cases, as they are assessed as better prepared to face the transition risks).
- **Structural developments in terms of the risk methodologies** will enable novobanco to evolve pricing policy/ model, expected for 2024 onwards.

ESG

novobanco 2024 commitments

Group novobanco	ESG	**+ 4.5 p.p.** women in senior leadership positions[11]	**- 18%** GHG emissions (scope 1 and 2)[5]	**+ 20%** low emissions vehicles (electric or hybrid)	**100%** green electricity procurement[15]	
novobanco	Sustainable Business	**+ €600mn** in Green Investment[1] (vs. 2021)	**€0mn** financing to excluded sectors[2]	**30%** investment products with ESG characteristics[3]	**- 30%** paper consumption[4] (ton, vs. 2021)	**-18%** CO2 emissions from own operations[5] (ton. vs. 2021)
novobanco	Social and Financial Well-being	**40%** employees benefiting from social well-being program[6]	**+ 3 p.p.** employees assessed Healthy (psychosocial assessment[7]) (vs. 2021)	**+ 8 p.p.** employees *engagement* level[8] (vs. 2021)	**+ 11.8 points** in customers' NPS[9] (vs. 2021)	**+ 9,594 hours** from employees volunteering service initiatives[10] (vs. 2021)
novobanco	Responsible Banking	**+ 2.5 p.p.** women in senior leadership positions[11]	**- 0.9 p.p.** gender pay gap[12]	**+ 3** partnerships with to promote employment of people with disabilities[13]	**90%** suppliers with sustainability scoring[14]	**+ 39,160 hours** ESG training to employees

1. Origination of financing or own portfolio investments in companies whose main economic activity is eligible to the European Taxonomy and origination of financing or own portfolio investments where the use of funds by the borrower or the projects are directed to economic activities eligible to the European Taxonomy or are aimed at investments in energy transition or the transition of the company's business model towards green activities; 2. Economic sectors not financed by novobanco: Weapons, Prostitution, Pornography, Coal (mining and energy production) and Trade in wildlife and endangered species; 3. Investment Funds, Financial Insurance and Structured Products; 4. Reduction of the consumption of photocopy paper, resulting from the implementation of the Phygital program in the commercial network (started in 2019) and the dematerialization of processes in central services; 5. Scope 1 and 2 GHG emissions; 6. Percentage of employees who attended at least 2 program initiatives per year. Programme of initiatives to promote balance between personal and professional life, mental and physical health, healthy living, etc.; 7. Annual psychosocial risk assessment study of novobanco's employee base; 8. Assessment of the level of employee engagement carried through the Pulse survey (average % of employee engagement); 9. Net Promoter Score calculated for Individual Clients - BASEF; 10. Promotion of volunteering actions in strategic areas of social impact of the bank. Each employee can take 1 day leave per year for volunteer work; 11. First line managers and Executive Board of Directors; 12. Gender pay gap weighted by the representativeness of each Performance Function; 13. Number of organisations with active partnerships with the Bank; 14. Suppliers with a continuous relationship with novobanco and annual turnover of over 10 thousand euros; 15. In all locations where the option is available and the contract is held by novobanco.

ESG

Our ESG 1H23 achievements

3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 13 CLIMATE ACTION

Sustainable Business

- **€500mn** Green investment[1] (2022-1H23 cumulative)
- **-20.4%** Reduction in Scope 1 and 2 emissions (vs. 2021)
- **~100%[2]** Of electricity sourced from renewable sources
- **34.7 Ton** Paper consumption avoided with Phygital process YTD

Social & Financial Well-being

- **3.5 K** Participations in 5+ program (promoting physical and mental health, well-being and work-life balance for employees launched in June 22)
- **15%** Employees benefited from support to mitigate inflation impacts (extended amortization period on mortgages)
- **€223K** In donations
- **172** Hours volunteered by employees to social and environmental initiatives YtD

Responsible Banking

- **5.4%** Gender pay-gap[3] (vs 6.0% in Jun-22)
- **26.9%** Of women in senior leaders' roles[4]
- **64.9%** Of suppliers with Sustainability scoring
- **+9.5K** Hours of ESG training to employees YtD

- Publication of novobanco's first TCDF Report, a transparent and overarching view on the incorporation of C&E risks into the Bank's business model and risk frameworks, its performance and key C&E risk indicators.
- Sponsorship and development of several ESG Literacy initiatives for SME, such as ESG Talks and Sustainability Program for SME.
- 301 kgs of expired Bank cards recycled and used to produce urban furniture.

- Support to social projects that promote socio-economic mobility, civic involvement and leadership skills in underprivileged youth (*Mentes Empreendedoras* - Leaders Gang and *Próxima Geração*).

- **16th edition Quality of Life Action** - Annually grants a donation to this project in the Training and Employment for people with reduced mobility

Note: (1) Novo Banco S.A; Includes financing and investment in 8 sectors inherently aligned with EU Taxonomy and in Green Bonds (as labeled by Bloomberg). Does not include remaining Taxonomy eligible sectors or other ESG/Sustainable/ Social linked bonds/ loans; (2) In all locations where the option is available and the contract is held by novobanco; (3) Adjusted by function; (4) includes EBoD team and senior managers;

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

Glossary

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

Glossary

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

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Next Events

Sep 11/12:	Barclays Global Financial Services Conference (NY)
Sep 13/14:	ECBC Covered Bonds (Munich)
Sep 14:	BofA - Nordic Speed Dating In-person (Copenhagen)
Sep 15:	Citi EMEA Private Champions Conference (London)
Sep 18-20:	Roadshow (London + Central Europe)
Sep 21:	BofA - 28th Annual Financials CEO Conference (London)
Oct 3:	Morgan Stanley - Southern European FIG Conference (London)

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