

# novobanco

## INSTITUTIONAL PRESENTATION

June 2022



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*This document includes unaudited financial information.*

# AGENDA

## Execution of the Restructuring Plan

Vision & Strategy

1Q22 Financial Performance

Financial Guidance & Targets

Annex

# The execution of the restructuring plan

Outstanding execution of legacy deleveraging along with operating model & footprint optimization

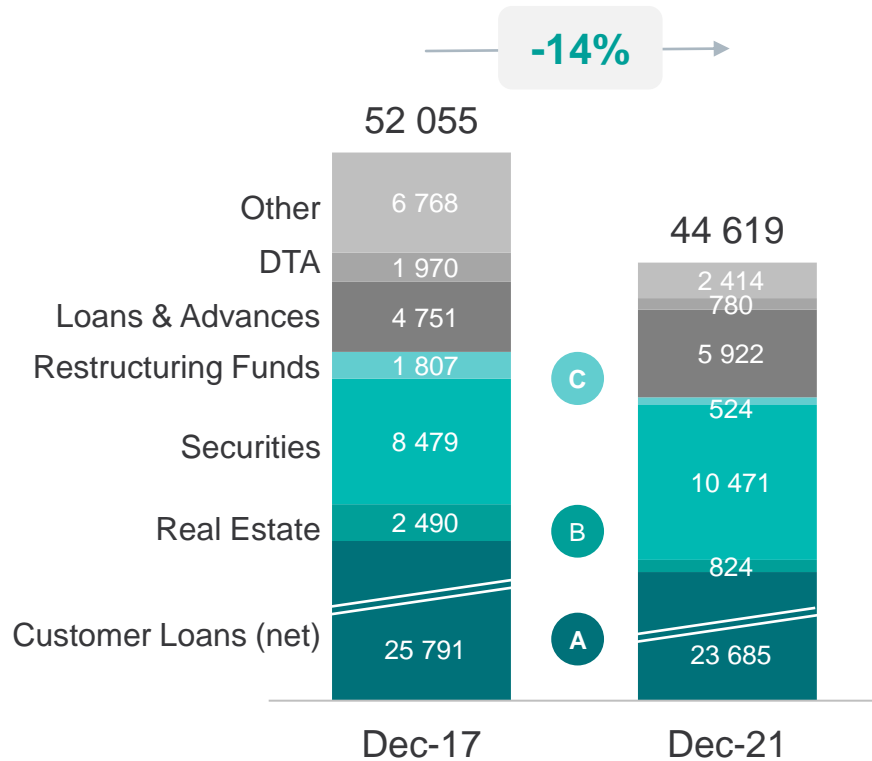
			2017 YE	2021 YE
1	Outstanding execution of <b>balance sheet clean-up</b> despite the challenging environment	Real Estate exposure	4.7%	1.8%
		NPL ratio / coverage	28.1% / 56.3%	5.7% / 71.4%
		NPE ratio / coverage <sup>1</sup>	21.1% / 51.3%	5.9% / 55.7%
2	<b>Business recalibration</b> , leading a smaller balance sheet, while maintaining the core business	International branches	25	1
		Optimization of domestic branch network	448	310
		Cost-to-Income <sup>2</sup>	75%	48%
3	Significant <b>profitability turnaround</b> and a successful transition to capital-accretive performance	Net Interest Margin	0.89%	1.42%
		Cost of Risk	391 bps	60bps
		RoTE <sup>3</sup> (pre-tax)	-	8.8%

1

# Legacy assets decreased 79% since 2017 representing 7% of total assets (dec-20)

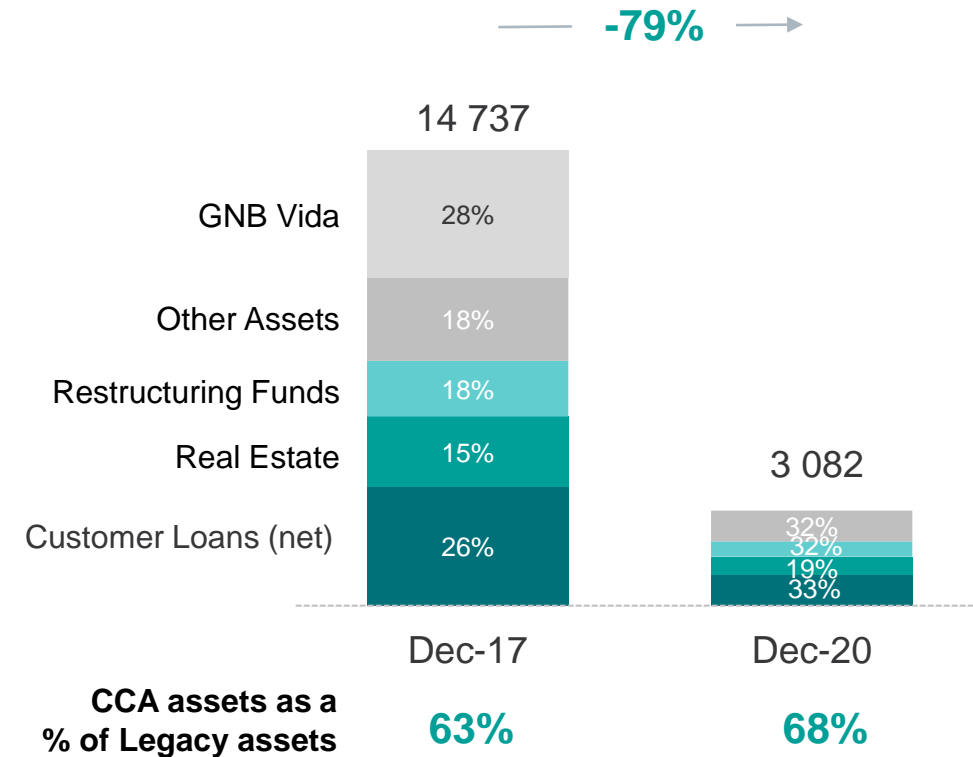
## Consolidated Assets Breakdown

(NBV; €mn)



## Legacy Assets Evolution<sup>1</sup>

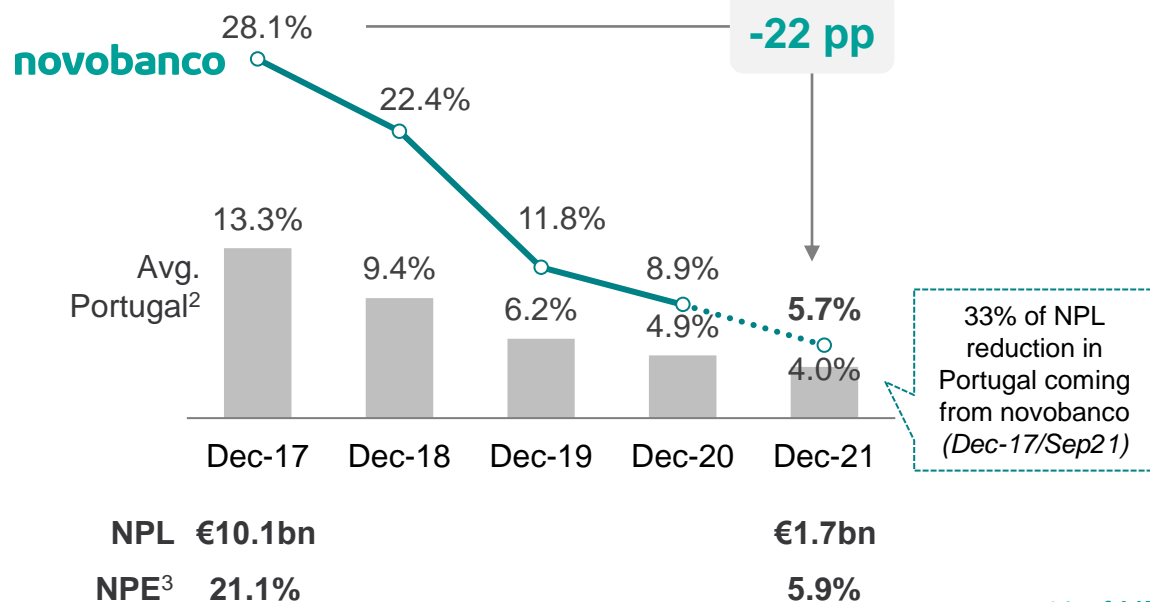
(NBV; €mn)



1A

# 83% reduction of NPL stock, one of the largest NPL reductions in Europe

**NPL ratio: Evolution<sup>1</sup>**  
(%)



**Non-performing Loans Evolution**  
(%; €mn; Gross NPL<sup>1</sup>)

x% as a % of performing loans

△ NPL <sup>1</sup> €bn	(3.4)	(3.3)	(0.9)	(0.7)
New Entries	+419 2.0%	+388 1.8%	+365 1.5%	+332 1.5%
Cures & Recoveries	(921)	(720)	(353)	(254)
Sales (Gross)	(1 744)	(1 375)	(377)	(379)
Write-offs	(1 074)	(1 697)	(504)	(433)
	2018	2019	2020	2021
<b>NPL stock €bn</b>	<b>6.7</b>	<b>3.4</b>	<b>2.5</b>	<b>1.7</b>
<b>NPL Coverage</b>	<b>56%</b>			<b>71%</b>
<b>% of NPLs non-overdue</b>	<b>32%</b>			<b>65%</b>

**Further portfolio sales expected to be capital accretive**

**novobanco**

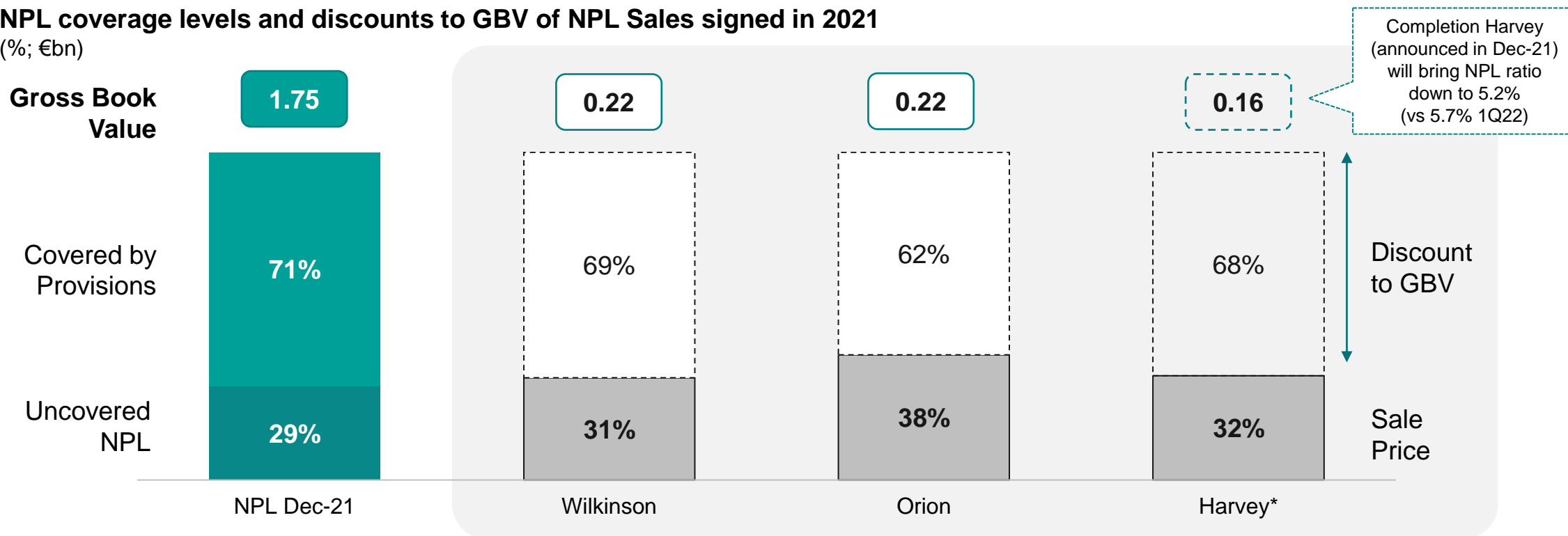
(1) NPL as per regulator definition: Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment; includes Deposits and Loans and advances to Banks and Customer Loans; (2) Average NPL ratio for Portugal 3Q21: Source: *Bank of Portugal*; (3) NPE ratio calculated as Non-performing exposures by total gross exposure

1A

# Recent sales show that current NPL is properly marked to market and thus does not constitute a capital challenge

## NPL coverage levels and discounts to GBV of NPL Sales signed in 2021

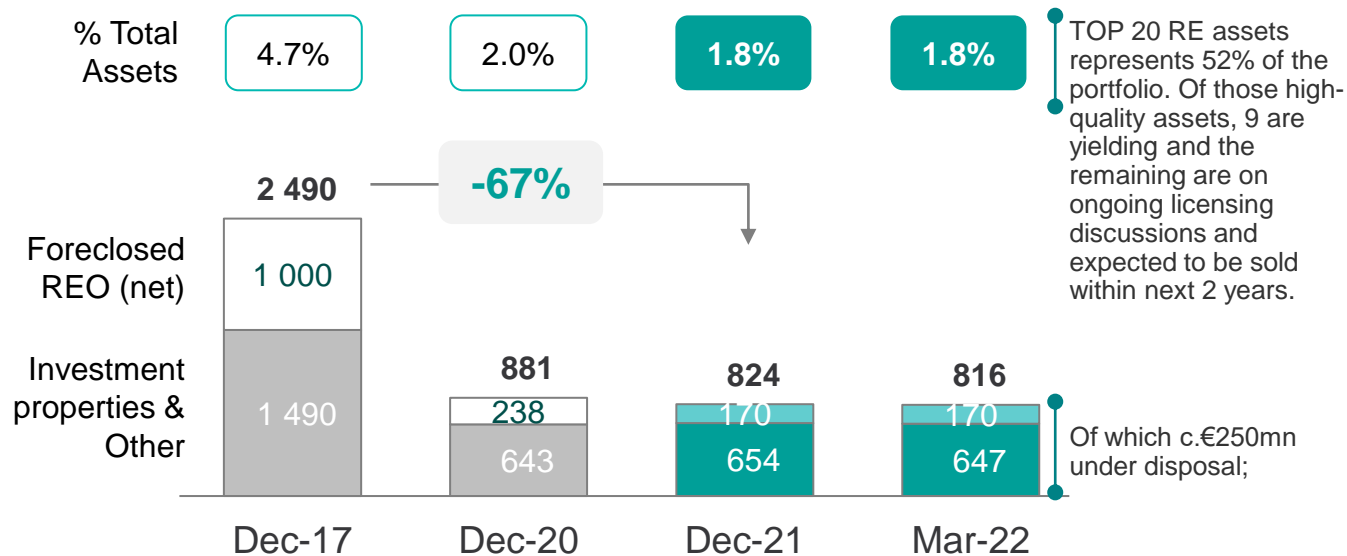
(%; €bn)



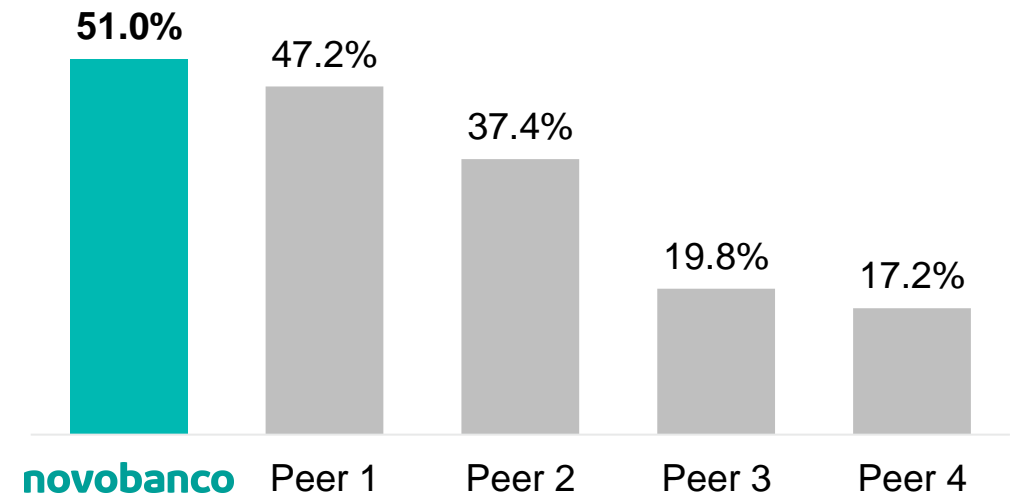
Average NBV of the 3 operations of 34% was similar to the average Sale Price of 34% so the impact on P&L was immaterial.

# 1B Clean-up of real estate exposure through sales and implementation of a best-in-class appraisal policy

**Evolution of Real Estate Exposure**  
(€mn NBV)



**Real Estate: Coverage Ratios<sup>1</sup>**  
(novobanco Dec-21; %)



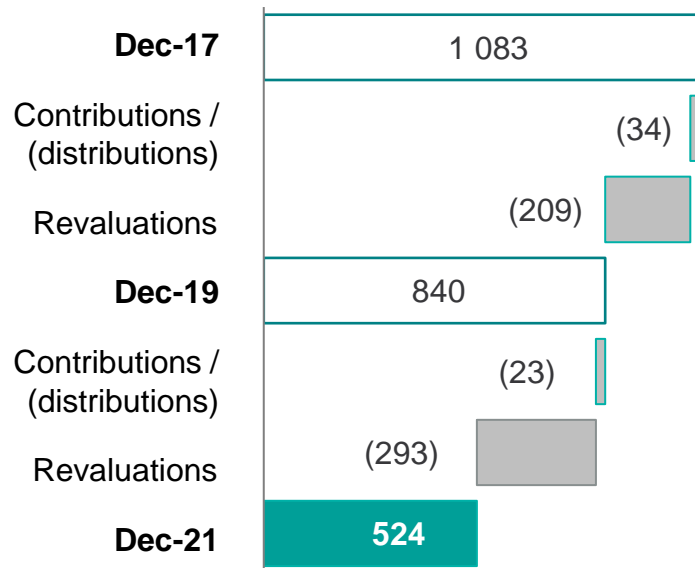
Coverage is supported by a robust appraisal policy, individual asset reviews, market pricing (bids received) and yield performance.



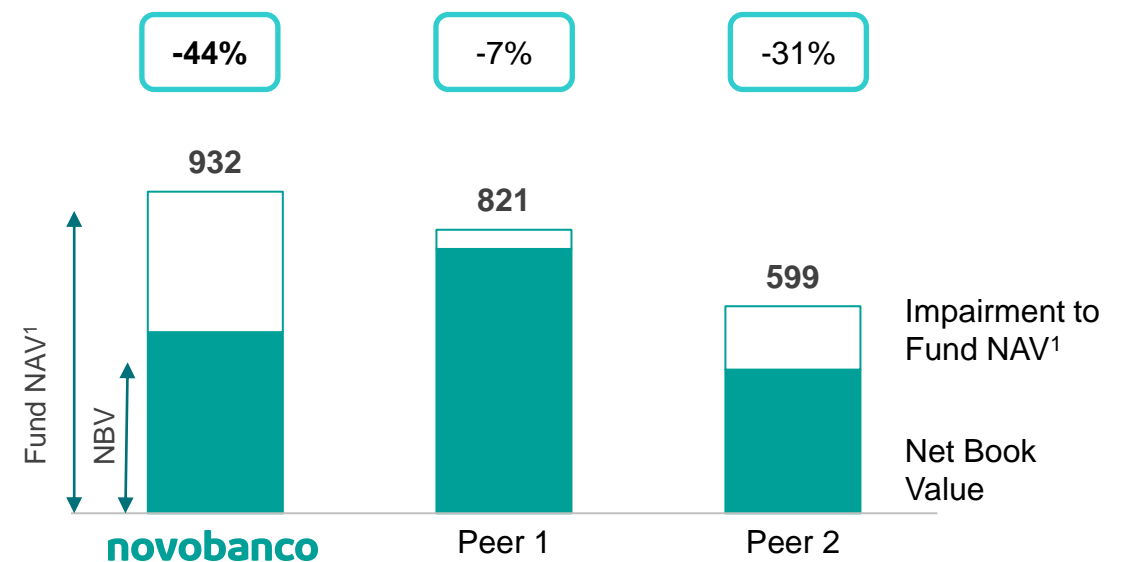
1C

# Restructuring Funds book value at €524mn following an external revaluation, leading to 44% discount to funds' NAV

**Restructuring funds: novobanco book value**  
(€mn)



**Restructuring Funds Haircut to NAV<sup>1</sup>**  
(€mn; %)

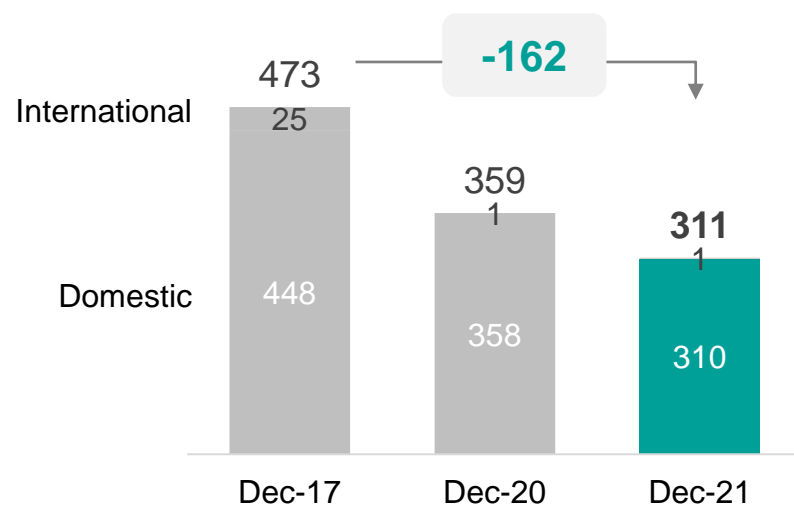


There is an ongoing sale process corresponding to ~40%, with reduced likelihood for crystalizing book losses on further disposals following remarking of NBV and capital accretion likely to be achieved following reduction in associated RWA.

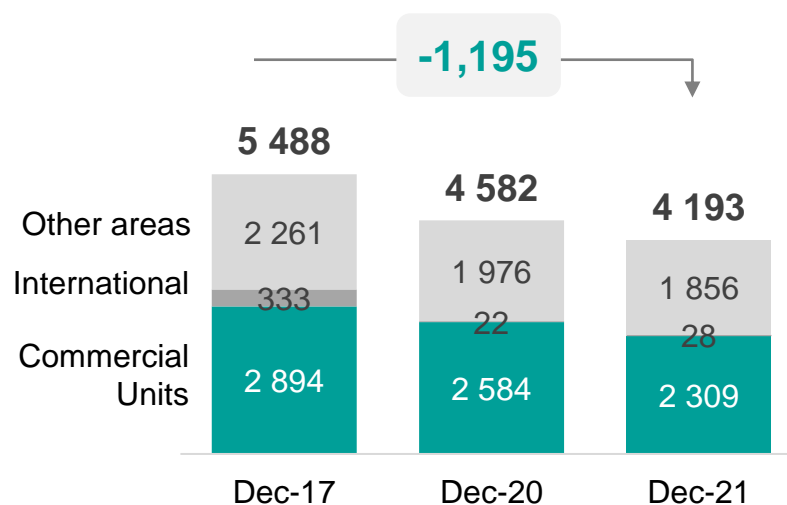
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## Further optimization of its footprint and recalibration of its operating model with more efficient and agile operations...

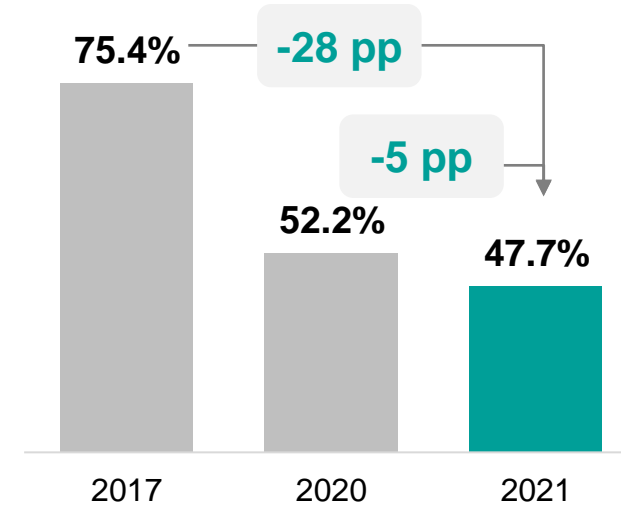
**Evolution of number of branches**  
(#)



**Evolution of Employees per area**  
(#; End-of-period)



**Cost to Commercial Banking Income<sup>1</sup>**  
(%)



Principals  
of network  
optimization

### National coverage

Ensure a high national coverage, maintaining outstanding service to households & companies

### Catchment areas

Branch selection considering larger catchment, adjusted to urban vs rural locations

### Omnichannel

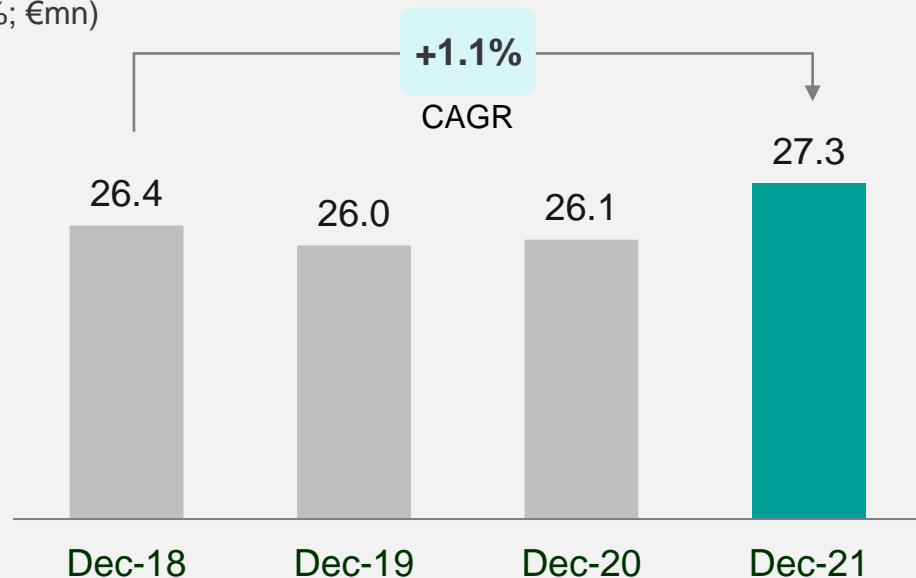
Serving customers with a full spectrum of channels with complementary roles

2

...and substantial decrease in costs of deposits as a result of maturity profile and proactive initiatives...

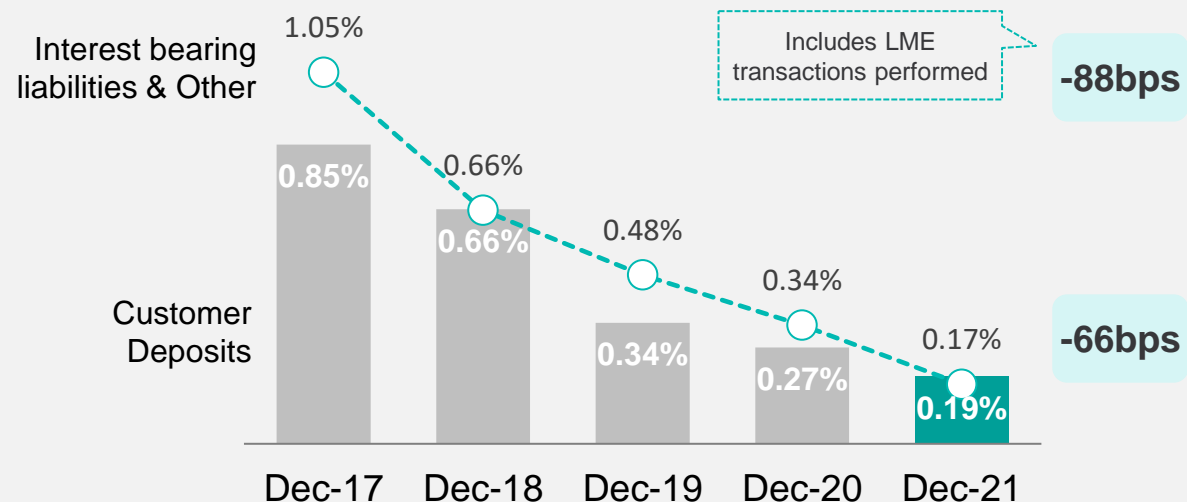
**Deposits Evolution<sup>1</sup>**

(%; €mn)



**Average rate of Total Liabilities & Customer Deposits**

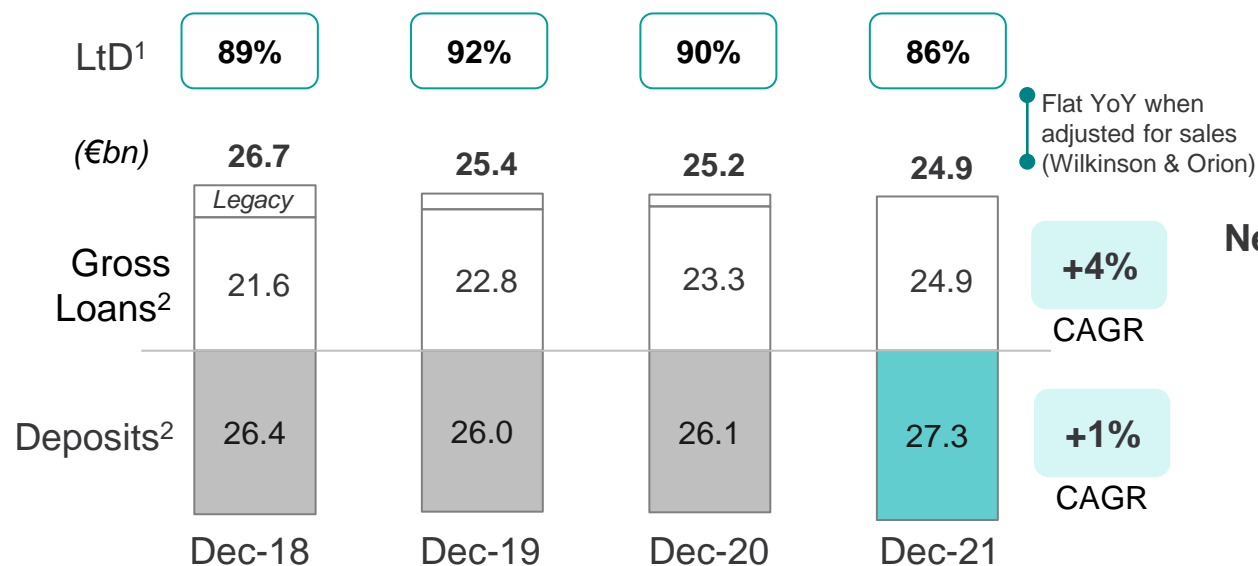
(average yield; %)



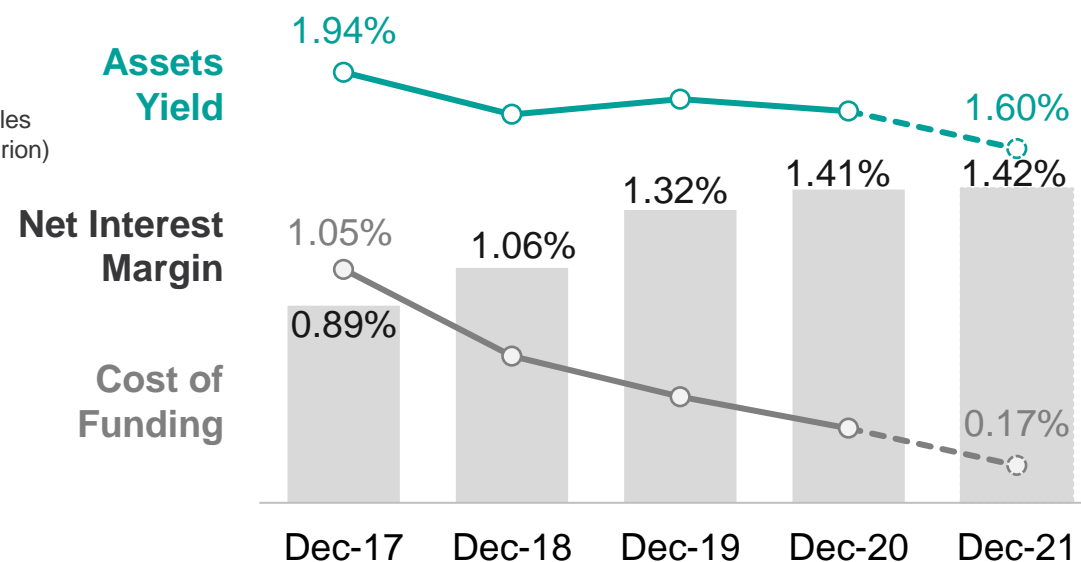
Decrease in interest rate of customer deposits reflects the normalization of commercial activity and proactive funding cost initiatives, including commercial solutions for high-rate deposits.

## ...with positive evolution of the commercial activity

**Gross recurrent loan portfolio +4% CAGR18-20 and deposit base +1% CAGR reflecting business recalibration**



**Consolidated Net Interest Margin<sup>3</sup> (%)**

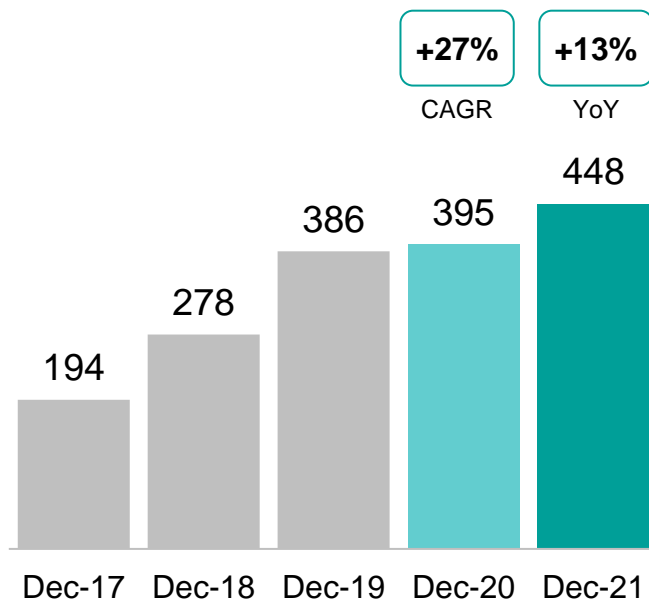


**Proactive funding cost initiatives, such as LMEs and commercial solutions for high-rate deposits.**

# Delivering consistent improvement in operating income even in current environment

## Net Commercial Banking Income<sup>1</sup>

(Consolidated; ex-Spain; €mn)

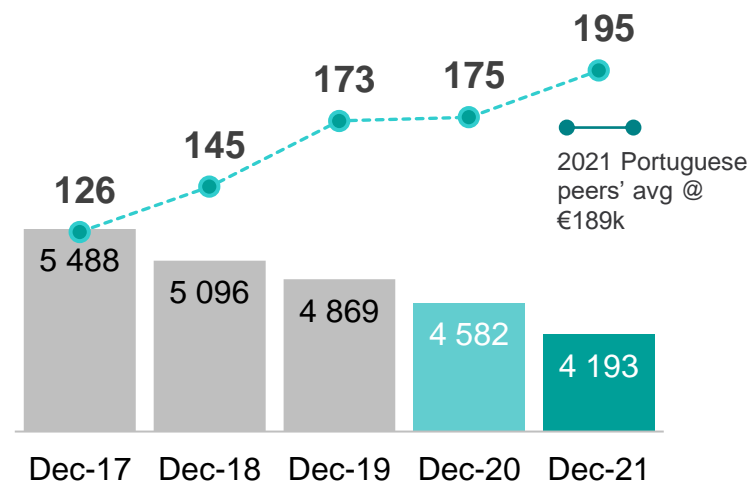


## Commercial Banking Income per Employee<sup>2</sup>

(Reported figures; €k)

# Employees

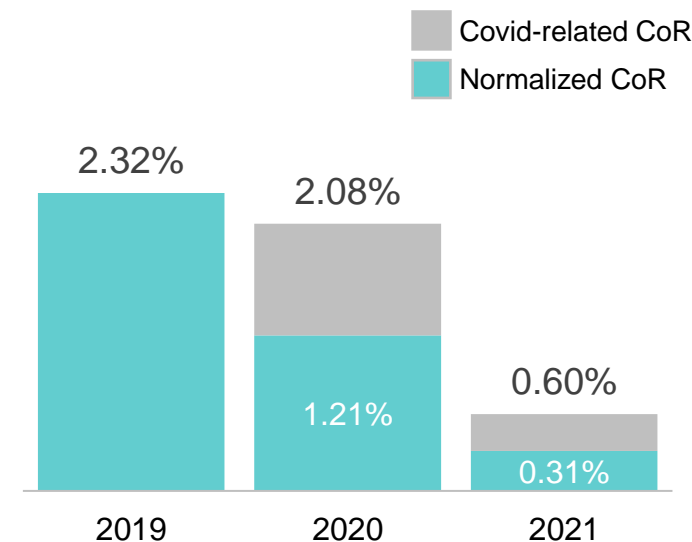
Commercial Banking Income per avg. Employee (€k)



## Cost of Risk (%)

(%)

Cost of risk trending towards normalised levels despite exceptional charges

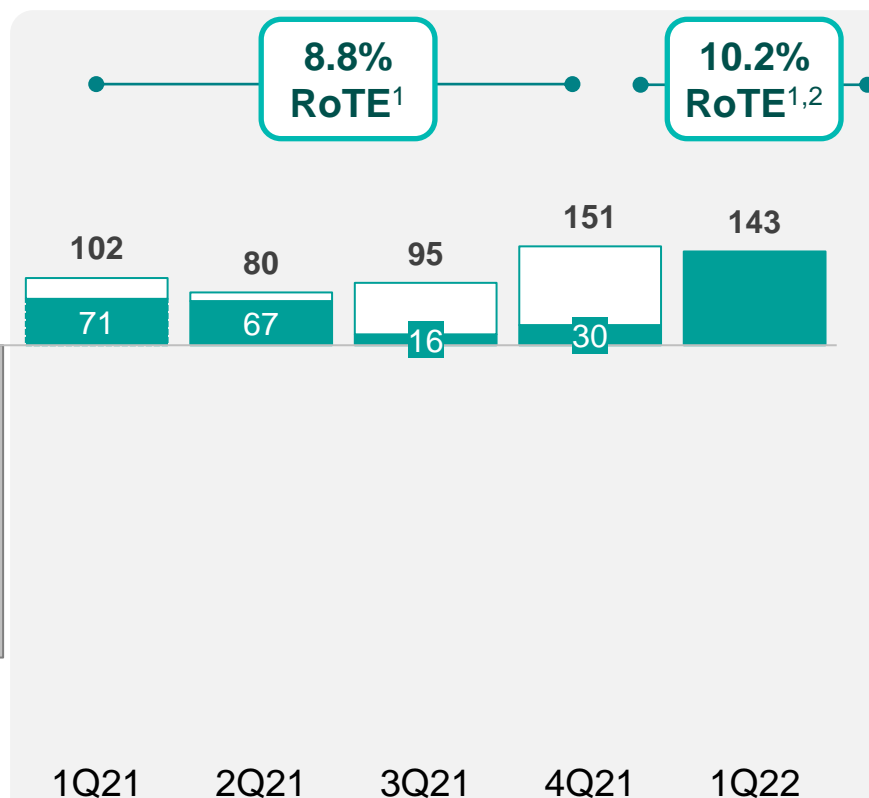
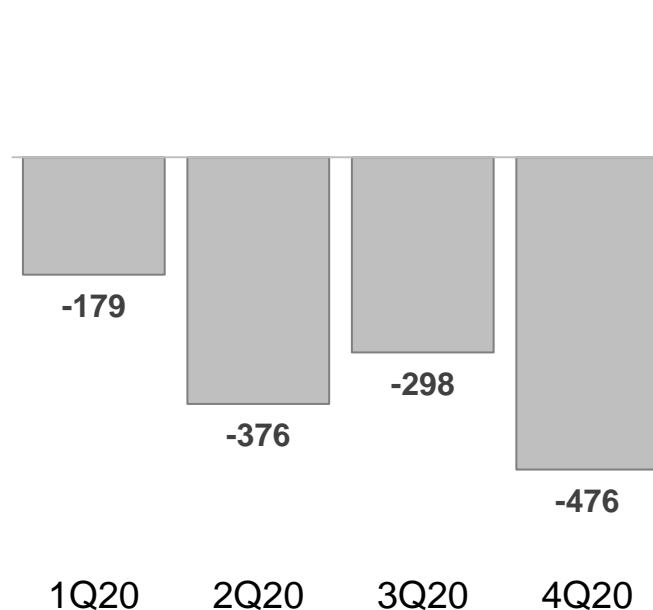


## 5 quarters of profitability: a clear turnaround enabled by restructuring efforts over recent years

### Net Income: Quarterly evolution

(€mn)

Reported Adjusted



#### One-offs:

- 1Q21:
  - €21.8mn: Covid provisions
  - €10mn: Other provision related with sale of Spanish operations
- 2Q21:
  - €13.4mn: Covid provisions
- 3Q21:
  - €73.5mn: LME one-off
  - €5mn: Covid provisions
- 4Q21:
  - €116mn: IMI aggravated Tax
  - €31.6mn: Covid Provisions
  - €10mn: Restructuring provisions
  - -€37.2mn Pension funds methodology

# AGENDA

Execution of the Restructuring Plan

**Vision & Strategy**

1Q22 Financial Performance

Financial Guidance & Targets

Annex

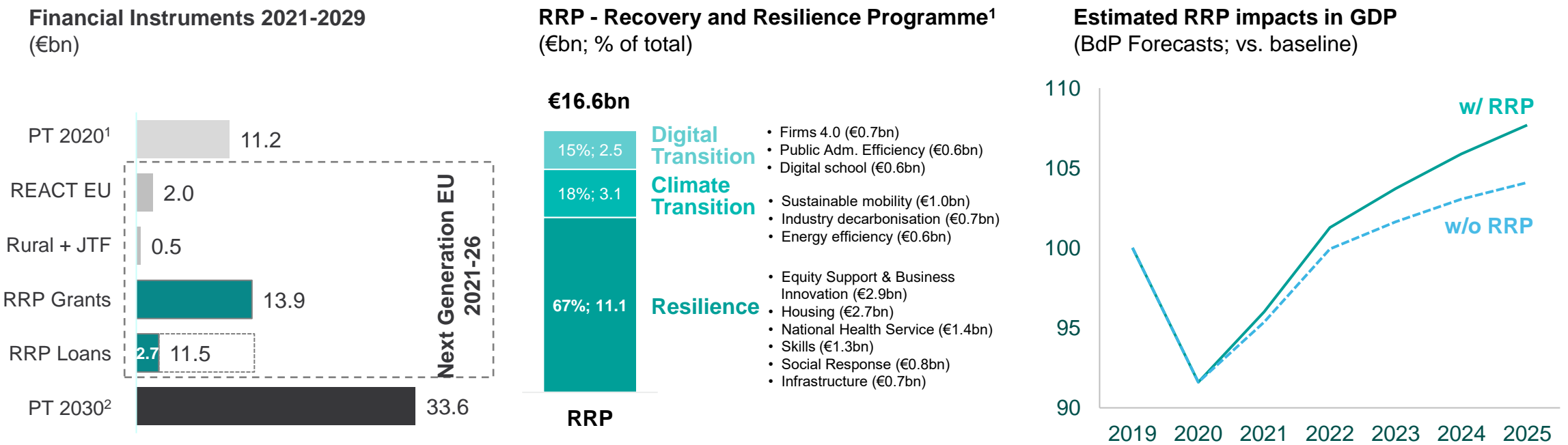
# novobanco is now geared towards commercial transformation after completion of its restructuring process





# Entering this new phase, **novobanco** is facing unprecedented market conditions but also favorable tailwinds

## Post-pandemic risks mitigated by new EU funds to support business activity



Stronger growth expected, but still a challenging economic outlook and continuing low rates environment.

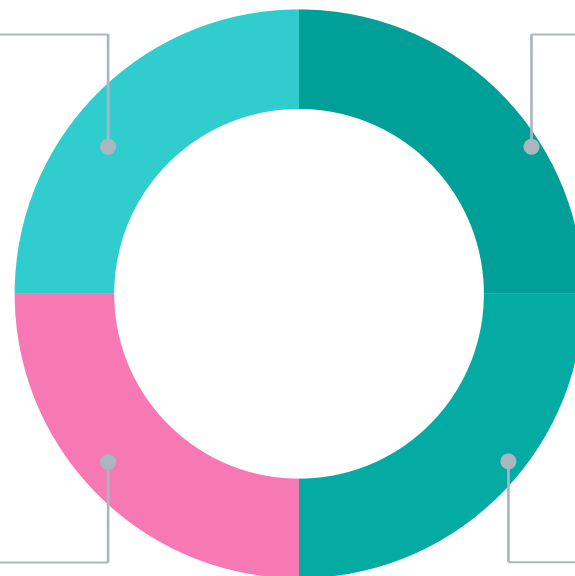
# novobanco vision leverages its distinctive traits from commercial to individuals, guiding the way to do business

## Portuguese

A leading Bank in Portugal, focused on national economic priorities, supporting families and businesses to thrive

A relentless focus on products, services and capabilities devised to serve all-sized businesses, including professional retail customers and households

## Professional



## Partner

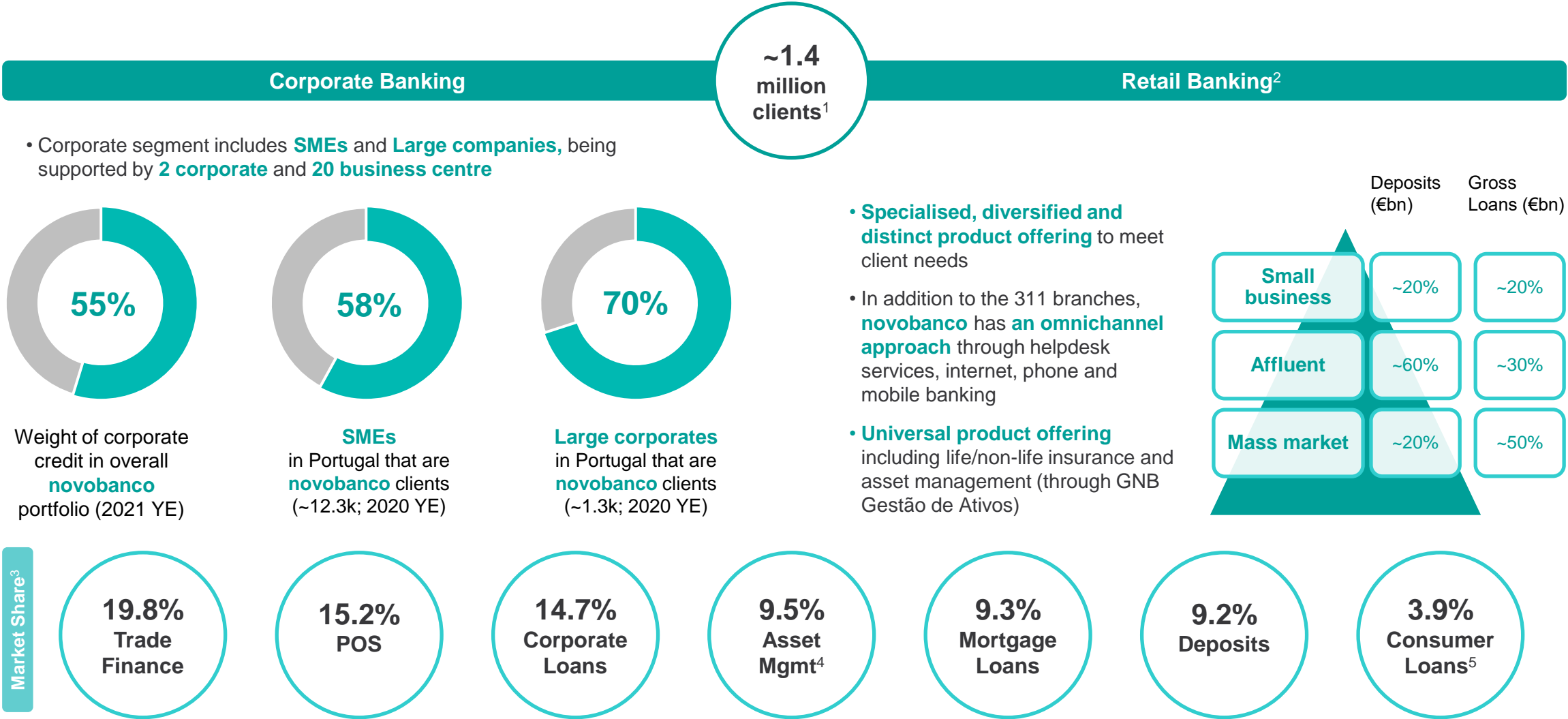
Leveraging partnership ecosystems to support customers holistic needs to successfully face opportunities and challenges

Prioritizing omnichannel operating models to deliver convenience and easy-to-Bank experience as the pillar of our customer relationships

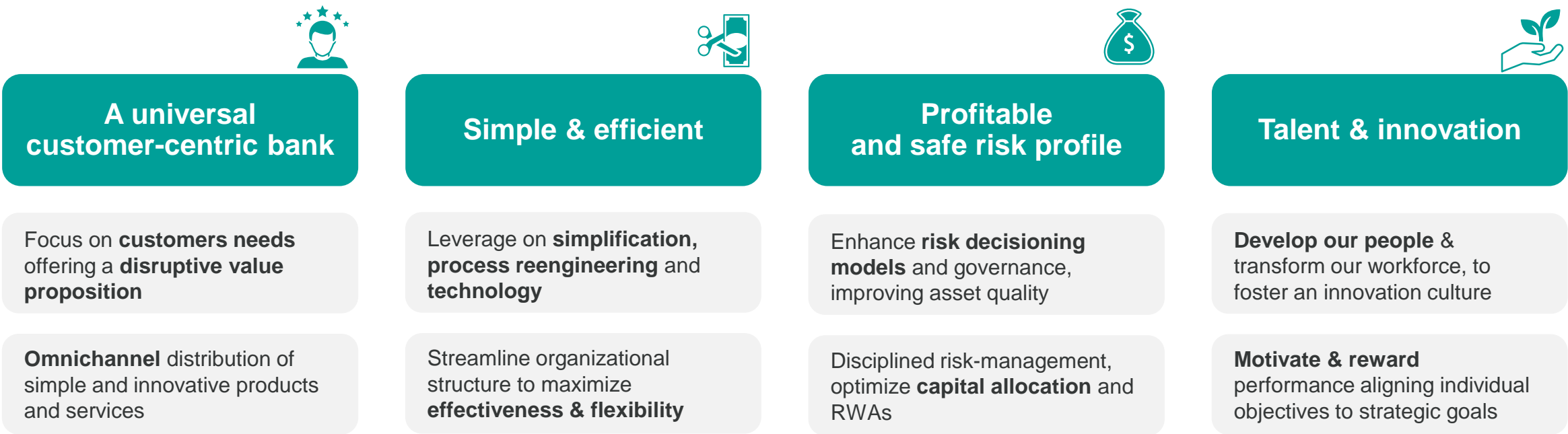
## Proximate

COLLABORATION	DYNAMISM	DIVERSITY	TRANSPARENCY	EMPATHY
<i>Collaborating with all stakeholders to reach better outcomes for customers and society</i>	<i>Assuming continuous transformation, as expectations are evolving at exponential rates, and reinvention to remain relevant</i>	<i>Reflecting the different needs of customers and employees in solutions and plans</i>	<i>Remaining authentic and open exchanges of information across all stakeholders</i>	<i>Incorporating the voice of customers and society into the way we do business.</i>

# A leading domestic franchise with renewed focus



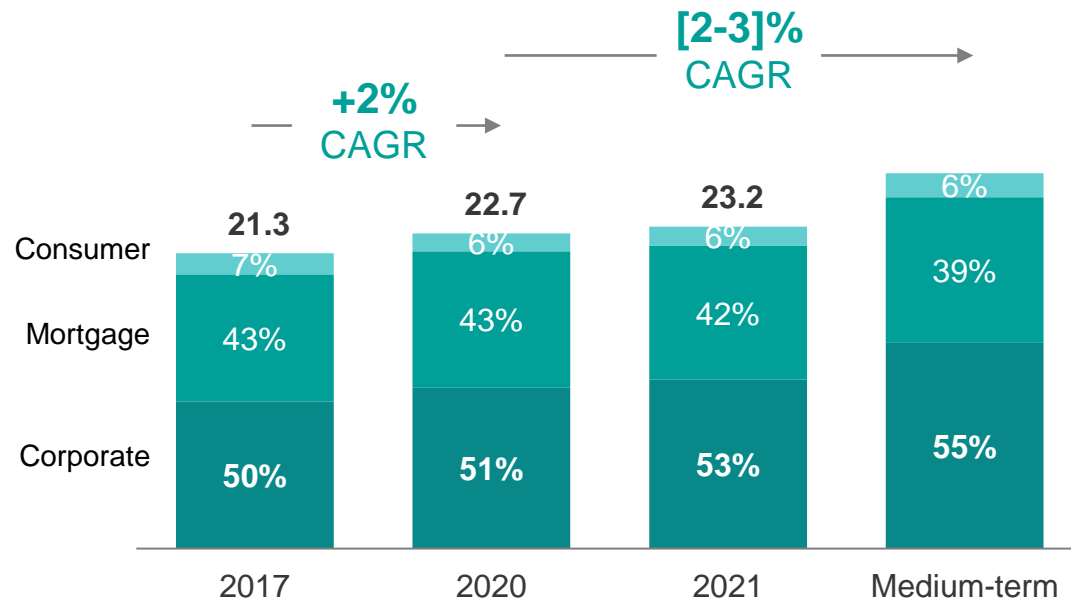
# The new strategic plan focused to maximize value for customers, maintaining profitable operations and capital efficiency



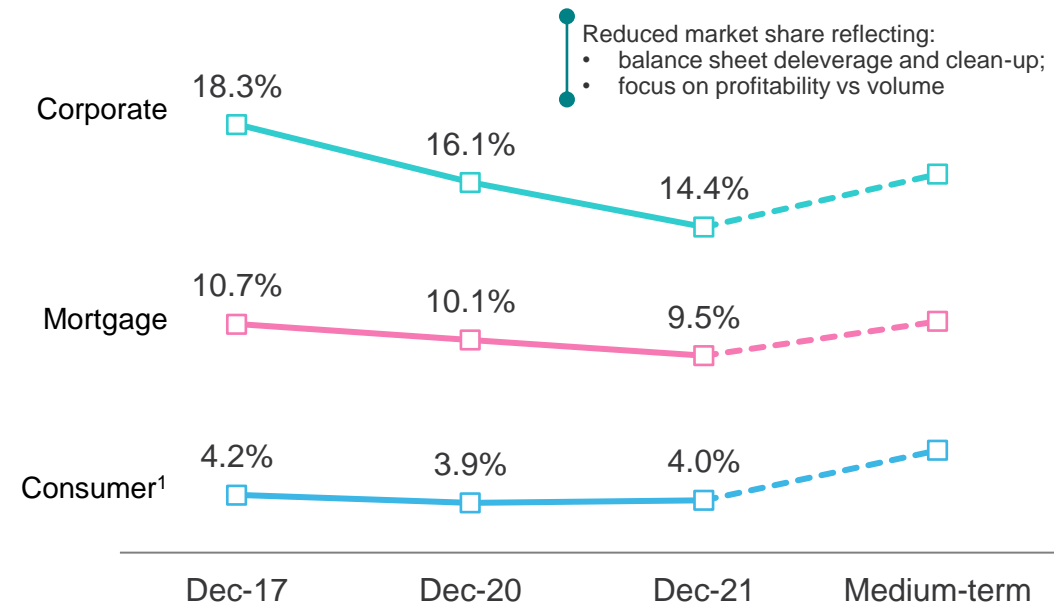


# Expected growth is based on simple and innovative offer leveraging on know-how and partnerships...

**Performing Commercial Loan Book**  
(€ bn)



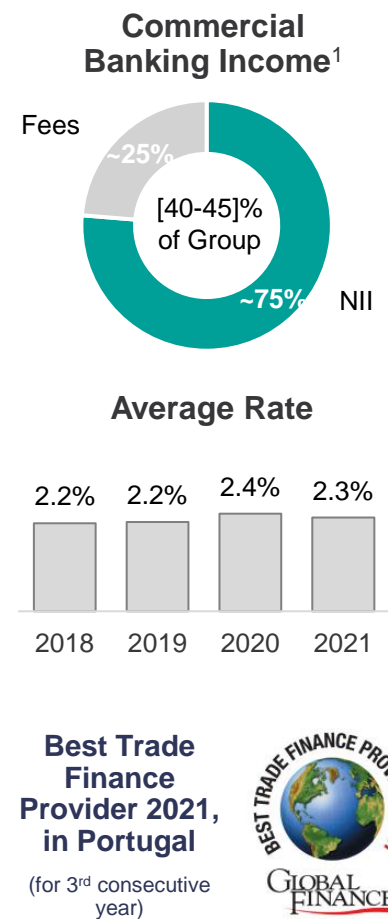
**Expected Market Share evolution**  
(%; novobanco market share)



...and boosted by a unique customer experience



# A historical know-how in the Corporate sector...



## > Product and Services Offering

<p><b>Cash Management</b></p> <ul style="list-style-type: none"> <li>• Special Accounts and Cards</li> <li>• Drafts, Factoring and Collection solutions</li> <li>• Payment Management</li> </ul>	<p><b>Lending</b></p> <ul style="list-style-type: none"> <li>• Working Capital financing and revenue anticipation solutions</li> <li>• Lending and guarantees</li> <li>• Leasing and Renting services</li> </ul>	<p><b>Helping clients to go Global</b></p> <ul style="list-style-type: none"> <li>• International Trade</li> <li>• Trade Finance</li> <li>• Support to export</li> </ul>
<p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• Property &amp; Casualty insurance</li> <li>• Credit insurance</li> <li>• Small Business insurance</li> </ul>	<p><b>Human Capital Solutions</b></p> <ul style="list-style-type: none"> <li>• Euroticket and payment cards</li> <li>• Auto lending and renting</li> <li>• Individual insurance</li> </ul>	<p><b>Advisory Service</b></p> <ul style="list-style-type: none"> <li>• RRP and Portugal 2030 finance partner</li> <li>• Sector specific solutions</li> <li>• Special Initiatives and fairs</li> </ul>

# ...further developing and implementing enhanced and value-added products and services

## novobanco Online Empresas



Solution to **simplify and support company's financial management** on a daily basis, by being analytical and predictive.

Main functionalities:

- **Aggregate accounts**
- **Ensure financial control**
- **Manage payments**



## Trade Finance Helping Clients to go Global

**Strong presence in the Corporate Market, with particular focus on the exporting SMEs**

**Trade Finance market share: >20% (+0.9pp YoY)**

- **Supported by dedicated and specialized teams**
- **E2E supply chain finance**

Allowing customers to have integrated financing solutions tailored to their end-to-end needs

A partner for companies' recovery and transformation:  
**Investment Support Programs**

**Partnering with specialists to provide our customers**  
a wide range of solutions including:

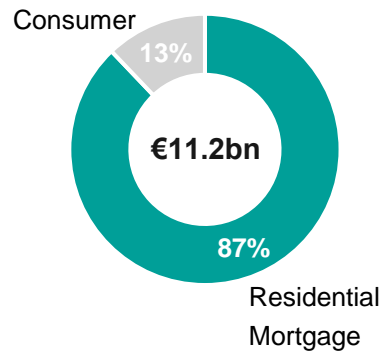
- **Support to ensure effectiveness of the application process** and statement of funding intent (including rules, deadlines, forms to be delivered, alerts, etc.)
- **Provide guarantees and complementing EU-funding by offering tailored solutions** for financing for the debt capital component
- **Provide a bridge financing** acting as anticipation of incentives and innovative working capital solutions

Support the **corporate segment to pursuit and implement opportunities** driven by **EU funding (RRP of €16.6bn and PT 2030 of €33.6bn)**, enabling solutions towards a more digitalized, innovative, sustainable and export-oriented economy.

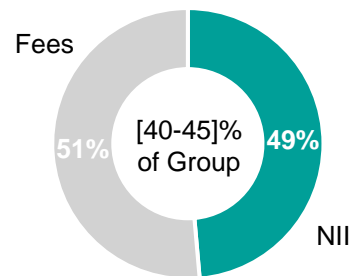


# A partner for households, providing a wide range of products

Households loans breakdown<sup>1</sup>



Commercial Banking Income<sup>2</sup>



## > Product and Services Offering

### Accounts, Cards & Payments

- Accounts bundled for different needs; fully online opening
- Strong authentication system; functionalities incl: contactless, virtual cards, MB Way & 3D Secure

### Housing Loans

- Acquisition and maintenance works
- Online loan submission
- Special conditions for young and non-resident

### Small Business

- Special small business accounts
- Cash and payments management solutions
- Special occupational accident and multi-risk business insurance

### Savings and Investment

- Deposits & retirement accounts
- Investment Funds, Unit linked, structured deposits
- Discretionary management and advisory services

### Insurance

- Life Protection
- Health and Property & Casualty
- Special solutions for self employed workers

### Consumer Finance

- Online simulation and submission
- Credit insurance option with unemployment and life coverage
- POS lending in partnership with Credibom ("Heypay")

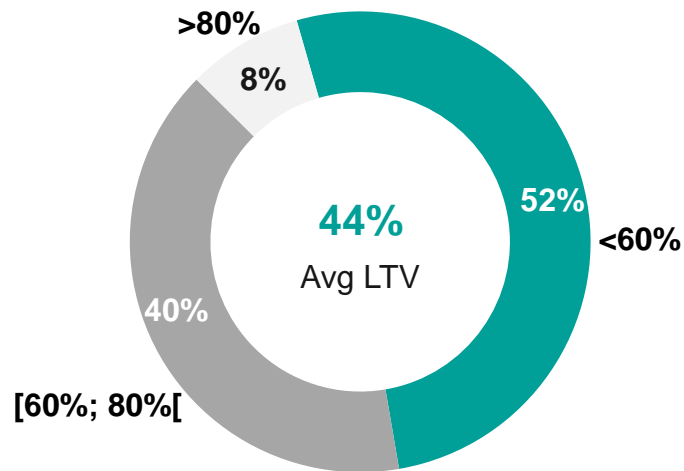




# A conservative mortgage portfolio

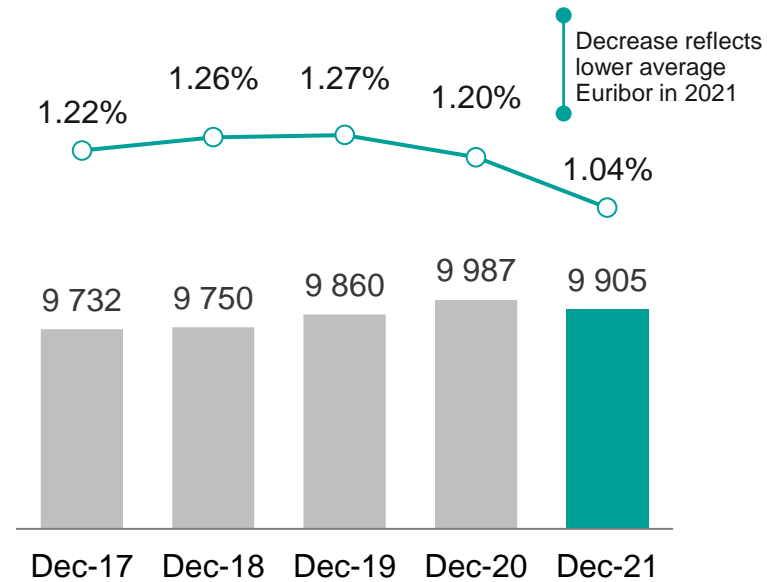
## Residential Mortgage Portfolio by LTV

(Dec-21; %)



## Mortgage avg. volume and Avg rate

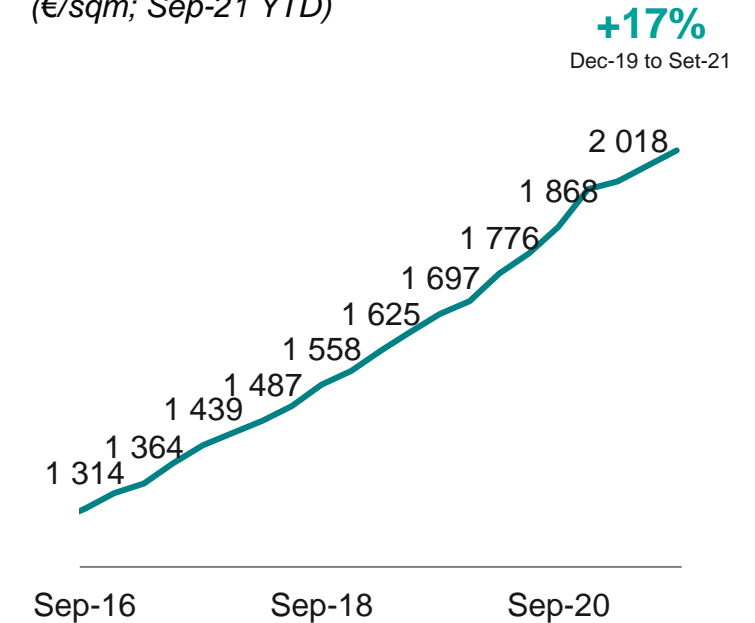
(Mortgage portfolio; €million; %)



**40%**  
of novobanco loan book

## Residential RE Prices in Portugal<sup>1</sup>

(€/sqm; Sep-21 YTD)





# Focus on margin and value-add service

## HOME BUYING

- **Complete omnichannel:** simulation to deed
- **Simpler, quicker & more transparent**
- **Ecologically sustainable**

*Main features:*

- 1 “Approval in principle” & eligibility
- 2 Proposals: Save & manage
- 3 Online submission with documents upload
- 4 Documents: Dynamic checklist

**~50%**

of deeds with processes originated through mobile

**~50%**

of the proposals submitted online are new customers

**-40,000**

liters of water with the elimination of paper



## SMALL BUSINESS FINANCE

**Fully Digital E2E credit for small businesses within novobanco online**  
Focusing on fast onboarding, time-to-decision and cash, increasing customer satisfaction and internal efficiency

**Time to cash under 48 hours**

Safe, intuitive, paperless, w/ efficiency gains

**>70,000** frequent users

**50%**

at decision level efficiency gains

**>80%**

front office efficiency gains

**100%**

Back-office efficiency gains

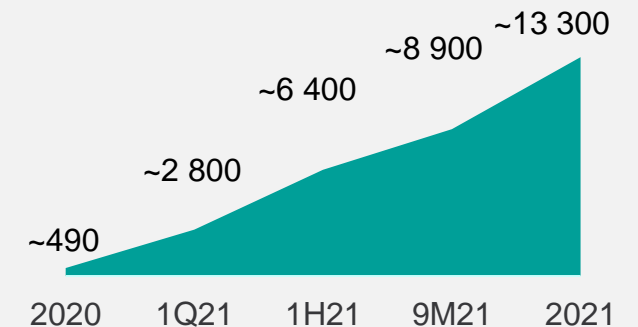


## INVESTMENT ADVICE

**Dedicated platform w/ wide product range:**

a personalised investment advice tool to understand customer needs, product knowledge and experience, risk appetite, investment horizon and goals.

*Proposals submitted since inception (#)*



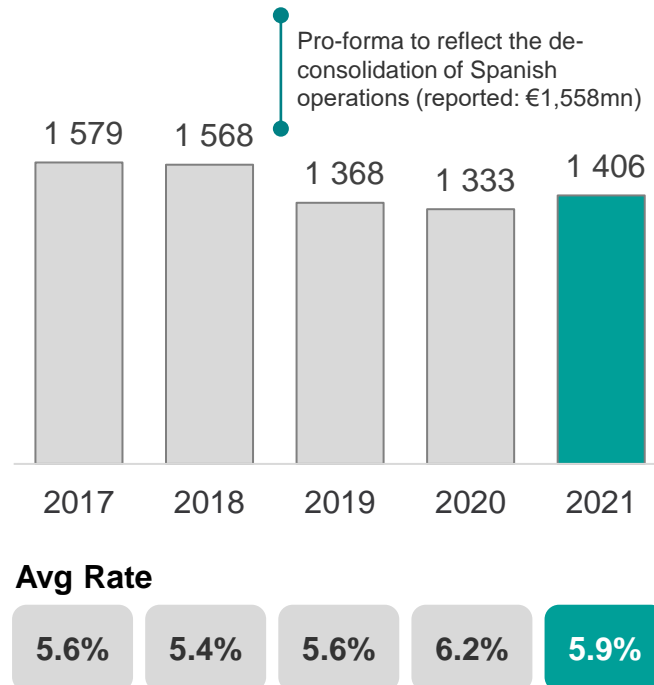
*Execution ratio (%)*

**>60%**



# A stable consumer loan portfolio through the cycle with a new strategic approach set to accelerate growth

**Evolution of Consumer loans portfolio**  
(€ million; stock at EoP)



## CONSUMER FINANCE

**Hey!Pay**

**Joint-venture with Credibom<sup>1</sup>**, allowing the bank to enter the segment of POS<sup>2</sup> credit;

### Joining expertise:

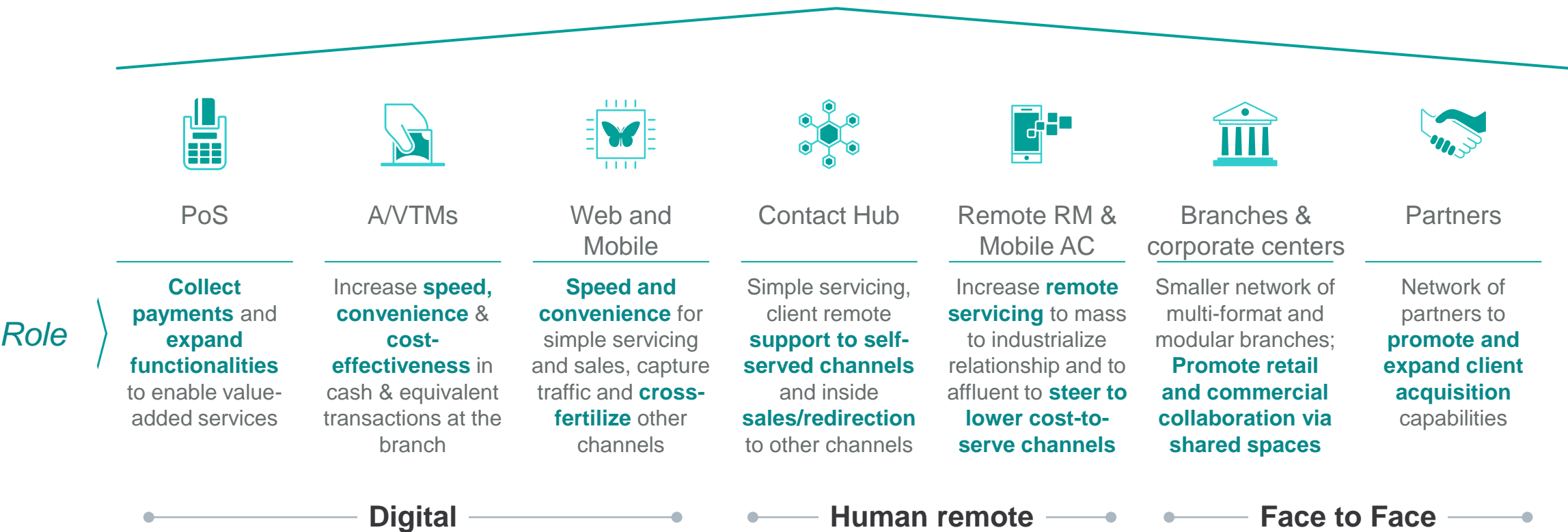
- **novobanco** brings to the JV an extensive base of Medium and Small B2C companies, targeting consumer electronic, home & garden, consumer appliances, medical treatment, eyewear (...);
- Credibom brings its POS credit expertise and operational model from origination, to transformation, to recovery

**€5.9bn** Portuguese consumer finance origination in 2020 (1H21: €3.6bn<sup>3</sup>)

**+300** NB corporate relationship managers with deep industry experience

**+600** companies w/ B2C operations interested in POS credit facility

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





# Providing an integrated customer experience leveraging on a new distribution/branch model and a best-in-class digital experience

## New Distribution Model



- An innovative functional layout focused on customer relationship, including a distinctive self-service, employee mobility and digital communication
- >100 branches refurbished until Dec-21
- 3-yr nationwide investment program of ~€120mn

- **Promote customer relationship** and business innovation with permanent digital & back-office support
- Act as a **driving force for a thriving economy** by being a focal point for individuals and companies

Objective fulfillment in  
New branches

**+5pp<sup>1</sup>**  
vs old branches

## Digital Experience

**Retail:**  
**Digital activation above market average**  
90 day digitally active clients / active clients



Short Term  
Finance



Small Business  
Finance

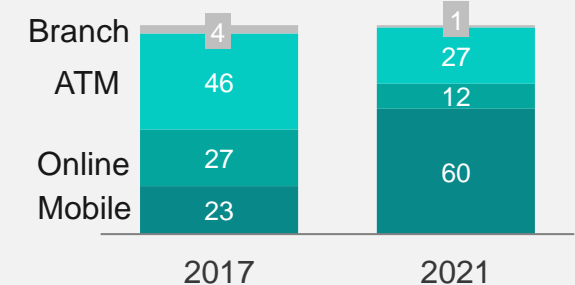


Home buying & Small  
Business Finance



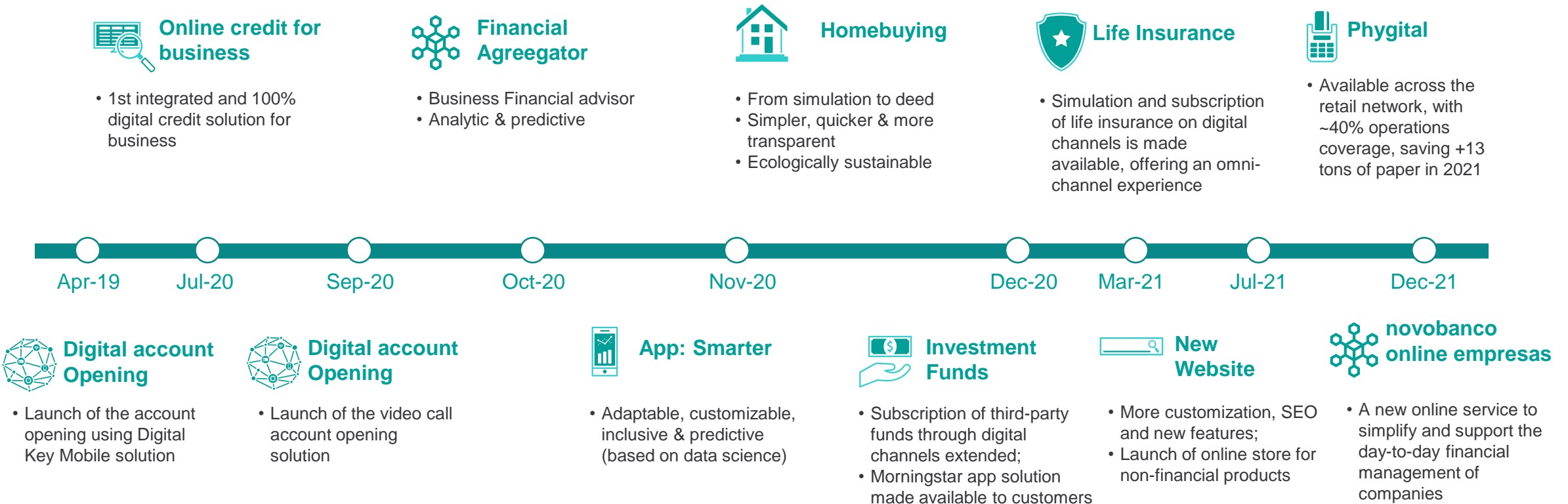
novobanco  
Smarter

**Mobile: from "alternative"  
to main channel**  
(% customer touchpoints by  
channel)





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



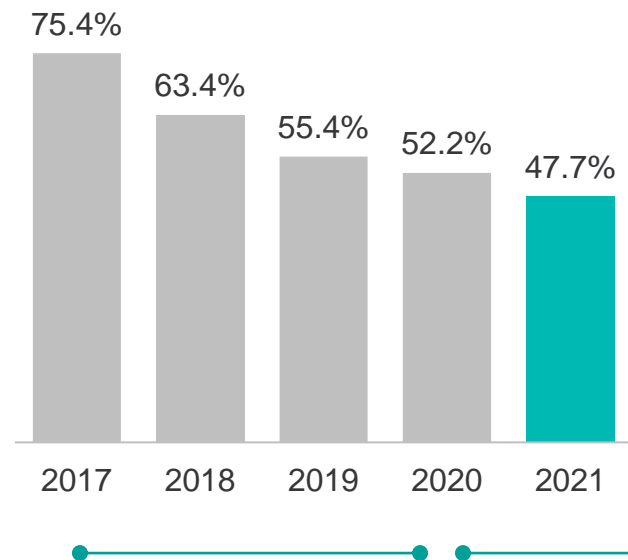
... leading to **+165% YoY** increase in the share of digital sales<sup>1</sup> and unlocking its potential going forward.



# Accretive commercial operations leveraged by highly efficient operations

Cost efficiency plan is based on 4 levers that play a key role in Novo Banco distinctive value-proposition

Cost / Commercial Banking Income (%)



## Robotic process automation

- **Reduce of human error**
- **Reduce time needed** to execute tasks / SLAs
- **Flexibility:** execution at non-critical hours
- Implementation of **extra-controls**
- Extra time for **high-valued activities**

<b>~50 RPAs</b> implemented (examples)	<b>Bankcard: Activation</b>	>550 processes per day
	<b>Corporate: upload of financial statements</b>	>50 processes per day

## New Distribution Model

## E2E: Rationalization & reorganization

### *Rationalization initiatives (examples):*

- **Replace physical** mail by digital communication;
- **Contracts renegotiation** (ie: archive & feeds)

### *Reorganization of processes (examples):*

- Classification of **IT projects by nature**;
- Prioritization of projects based on **impact in revenues and costs**;
- Towards a **leaner organization, more efficient and customer-centric**.

## Digitalization

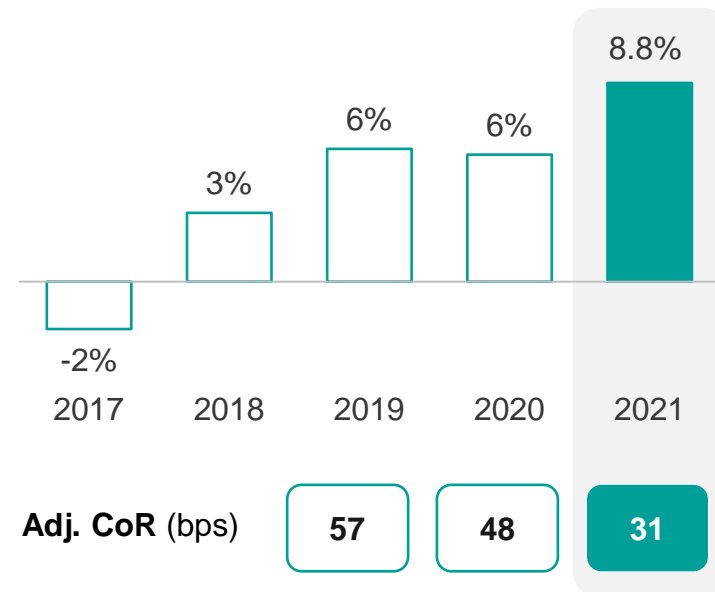


# Enhance risk decisioning models and optimize capital allocation and RWAs

Set to improve profitability given deep knowledge/measure of the most capital consuming exposures

## RoTE evolution (%)

2017-20: Recurrent segment<sup>1</sup>



## Enhanced **risk decisioning models** and governance, improving asset quality

- ✓ **Maximize the obtainment of real credit guarantees** ensuring the complete characterization in the system
- ✓ **Ensure the periodic update** of the characteristics of the **guarantees received** (ie: valuations, real estate insurance policies)
- ✓ Reduce capital consumption by guaranteeing on-time **availability of corporate client's most recent financial statements** and other qualitative information

## Disciplined risk-management, **capital allocation** and RWAs optimization

- ✓ **New Capital allocation model** to determine each segment profitability (with strategic implications)
- ✓ **Dynamic allocation of balance sheet growth** between different segments and its capital impact
- ✓ **Pricing of new loans is subject to RAROC hurdles**

Leading to:

**Disposal of Spanish operations (YE21E)**  
**Disposal of stakes with high RWA density**





# Implementing a new employee value proposition and talent development program for a renewed workforce

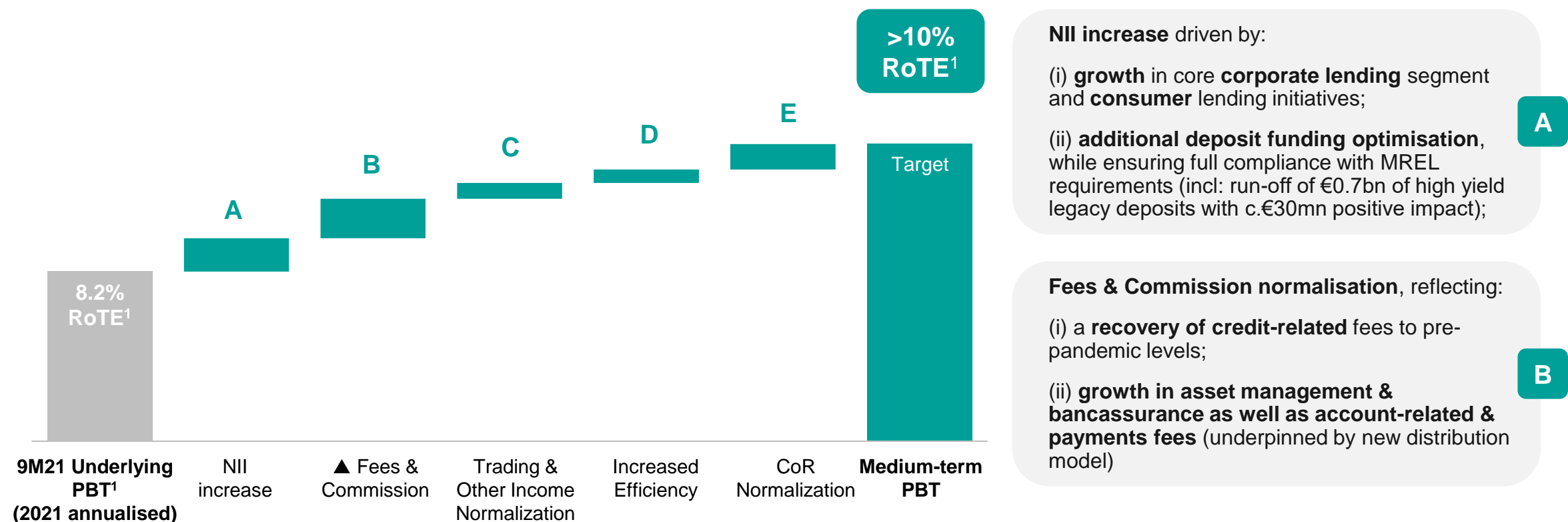
<b>New Training Program</b> <ul style="list-style-type: none"><li>• To upgrade <b>knowledge</b> of Regulatory, <b>Functional, Leadership and Digital</b></li><li>• Complement the new distribution models and the omni-channel approach</li></ul>	<b>New Leadership Model</b> <ul style="list-style-type: none"><li>• Aiming a more agile organization</li><li>• <b>Talent &amp; Innovation program</b> – from ideation, MVP and delivery; developing employees disruptive ideas aligned with strategy goals;</li></ul>
<b>More functional offices</b> <ul style="list-style-type: none"><li>• Aiming to <b>increased productivity</b></li><li>• <b>New forms of organization and working models</b> adapted to new spaces (ie: new headquarters; new branches, business centers)</li></ul>	<b>Talent Management Plan</b> <ul style="list-style-type: none"><li>• Developing a <b>new career journey</b>, to attract talent and promotes diversity</li><li>• <b>Technical vs management</b> career with defined requirement/skills</li></ul>

Challenge – 2021 Edition		
Internal challenge to innovate while leveraging on employees' insights and diversity the perspectives that executives are exposed to.  > 30 ideas selected and evaluated after each pitch > 10 ideas integrated into an intrapreneurship program and the remaining integrated into ongoing initiatives		
1	<b>Promote Circular Economy</b>	Opportunities to be captured from the migration of the current business models to the “product as a service” model?
2	<b>Supporting clients in ESG transition</b>	How to support corporate clients in their business transition strategy to become compliant with ESG principles?
3	<b>Customized services and products</b>	How to customized the offer and predict the best moment to offer solutions to satisfy its customers' needs?

# Clear financial objectives and targets

	Targets	2020	Medium-term	
A universal customer-centric bank	Commercial Loan Book (performing)	€23bn	2-3% per year	Leveraging on expertise and differentiation
	Net Interest Margin	1.41%	[1.30 – 1.50%]	Safeguard income
Simple and efficient	Cost-to-income	53%	< 45%	Efficient operations
	CoR	208bps	< 50 bps	Achieve moderate risk profile
Profitable and safe risk profile	NPL ratio	8.9%	< 5%	Converging towards EU average
	RoTE (pre-tax) <sup>1</sup>	6%	≥ 10%	Deliver attractive returns
Talent & innovation	CET1	10.9%	> 12%	Enhance capital position

# Path to double digit RoTE supported by growth, economic recovery...



# ...and cost of risk normalization

## C Trading & Other Income Normalization

- Normalisation of **trading & other income** (inc. capital markets, credit recoveries, regulatory contributions) **to run-rate levels after the de-risking process done from 2017 to 2020**;
- Includes contributions to Resolution Funds

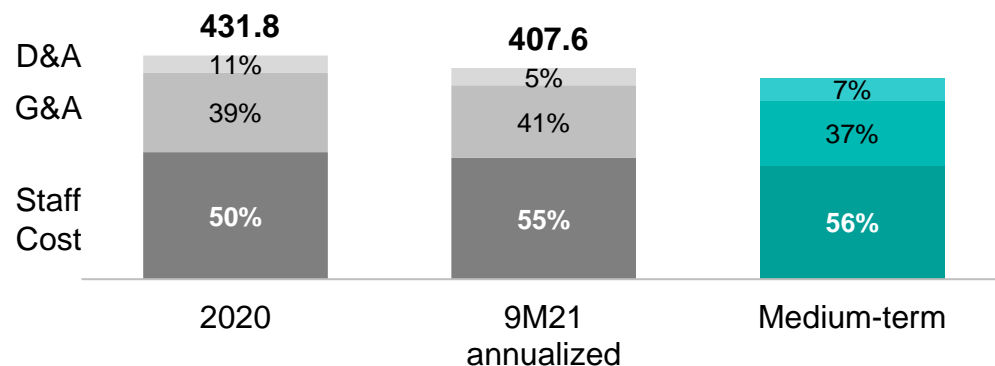
## D Increased Efficiency

- Additional **cost take-out** driven by:
- (i) **optimisation initiatives including footprint & headcount** (provisions booked in 2020 with expected closure of c.50 branches and headcount reduction of c.550);
  - (ii) **ongoing process automation & digitalisation**

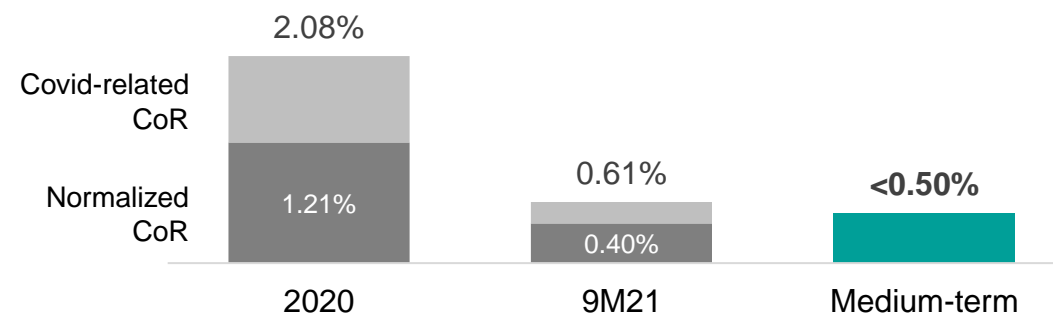
## E CoR Normalization

- Limited increase in loan loss provisions despite enlarged loan book as a reflection:
- (i) a **normalised run-rate cost of risk of <50 bps, having completed the clean-up of the legacy balance sheet**;
  - (ii) **addressed pandemic-driven asset quality risk**

### Operating Costs (€mn; %)



### Cost of Risk (€mn; %)



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# Continuing to deliver improved profitability

**novobanco** announces a further quarter of profitability with **Net income increasing to €142.7mn (1Q21: €70.7mn)** and **RoTE<sup>1</sup> improving to 10.2%**. **The business performance is in line with expectations.** Since the conclusion of the restructuring cycle in 2020, the Bank has delivered further improvement despite the uncertain macro background characterized by inflationary pressures and consequent volatility of interest rates.

**Moving towards an expanding loan book with €1.0bn customer loans originated in the period (+72% YoY;** maintaining the level of 4Q21 commercial activity), of which 62% in the corporate segment. **Net customer loans at €24.0bn (+1.2% YTD)** reflecting the growth in the market-leading corporate segment and broadly stable mortgage and consumer loan portfolio. **Deposits increasing by 0.9% YTD**, with the outperformance of the Retail segment.

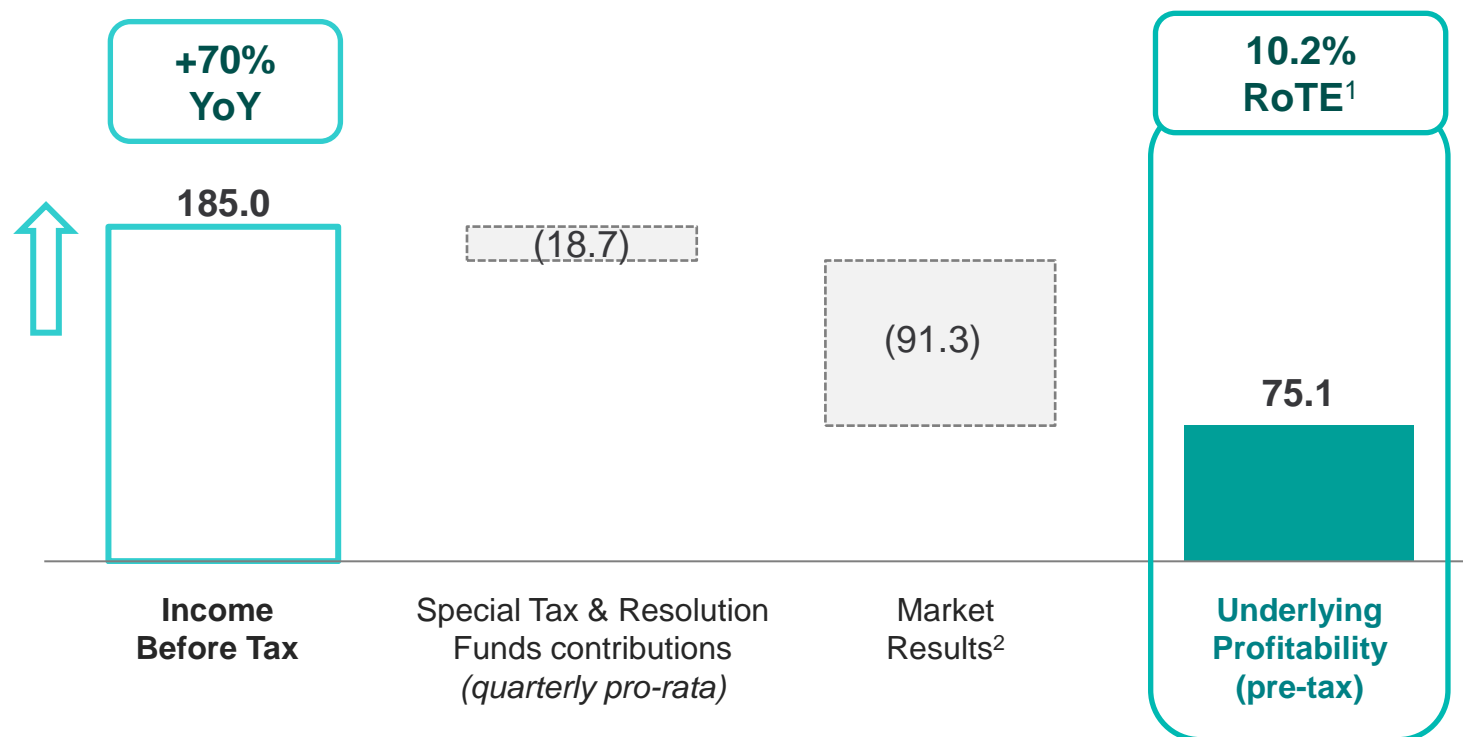
**NII was €133.5mn (-8.4% YoY)**, considering stable yield from customer business, senior debt issuance in 2021 and the negative interest rates on money market investments. Reflecting a strong performance and an improved quarterly trend, **fee income increased by +9.6% YoY. Cost/Income ratio<sup>2</sup> at 51%** (vs 49% in 1Q21; 50% on a recurring basis).

**NPL ratio of 5.7%** (Dec-21: 5.7%; Dec-20: 8.9%) and an **NPL coverage ratio at 70.8%** (Dec-21: 71.4%), reflecting the continued de-risking of the balance sheet and progress towards achieving an NPL ratio in line with European average. **CoR of 23bps given the successful ongoing de-risking strategy (1Q21: 88bps or 53bps ex-Covid related provisions).**

**novobanco's** positive quarterly net income and continued focus on RWA discipline demonstrate a **capital accretive business model**, with decrease in CET 1 being driven by the movement in treasury portfolio fair value reserves due to increasing interest rates and phase-in of prudential deductions, resulting in **CET 1 ratio of 10.8%** (vs 11.1% in 2021) and **Total capital ratio of 12.9%** (vs 13.1% in 2021). **The liquidity ratio (LCR) improved further to 184%** (vs Dec-21: 182%) and **NSFR totalled 115%** (vs Dec-21: 117%).

# Maintaining a clear profitability turnaround enabled by restructuring efforts over recent years

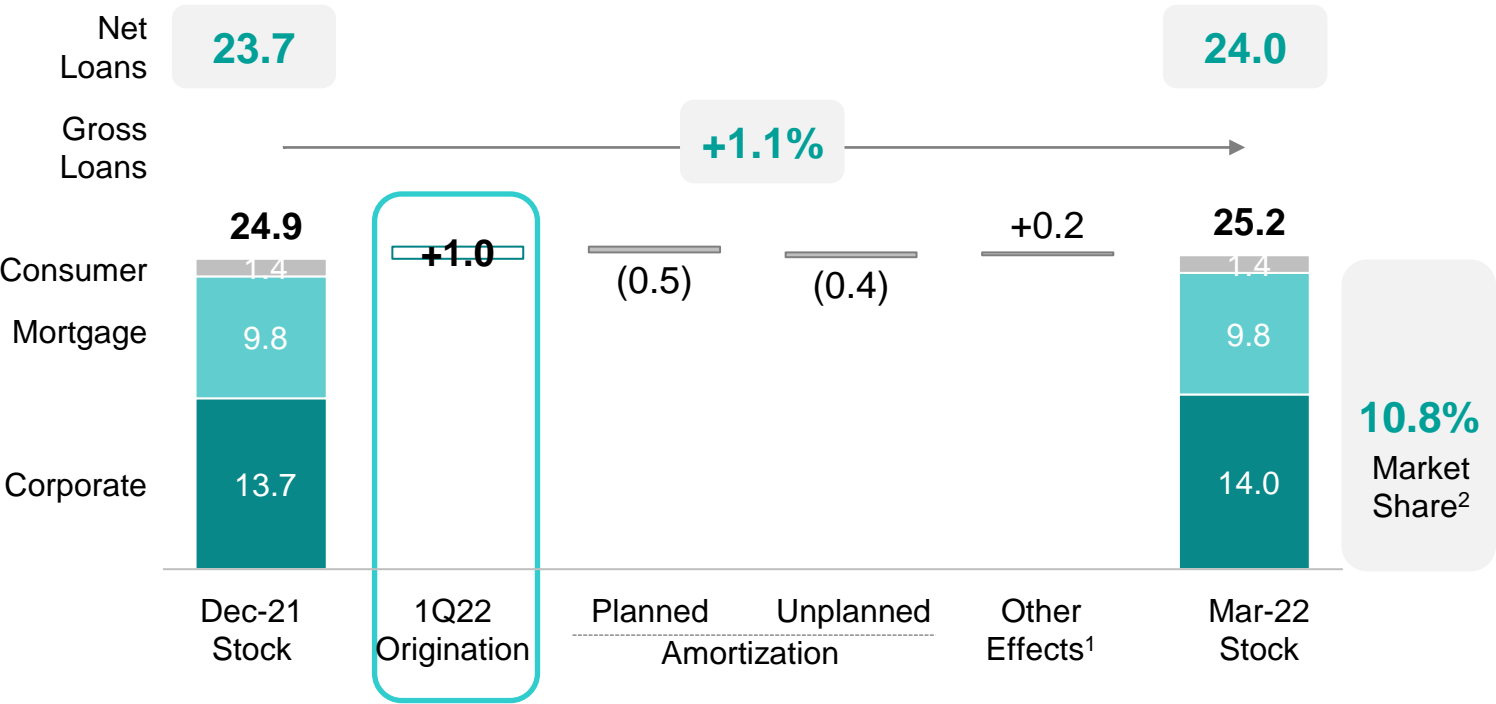
## From Income Before Tax to Underlying Profitability (1Q22; €mn)



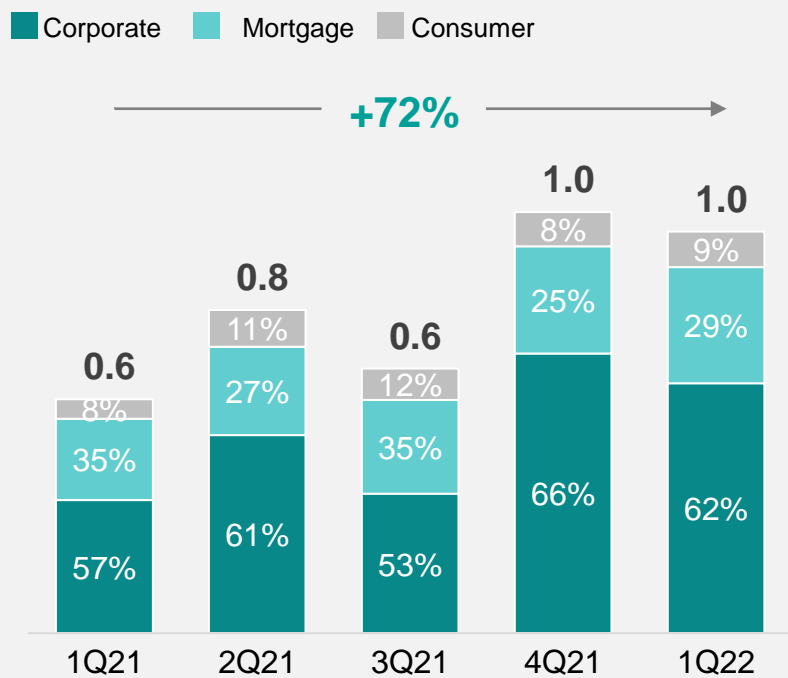
- **Consolidated income before tax at €185mn up from €109mn in 1Q21**, with improvement in the banking income (+€36.9mn) and the lower level of impairments and provisions (-64.7%; -€40.0mn).
- **Underlying profitability (pre-tax) at €75.1mn** after deducting for Special Tax on Banks, considering Resolution Funds contributions (*on a pro-rata basis*) and excluding positive markets results (€91mn).
- **A solid business model delivering RoTE<sup>1</sup> at 10.2%**, despite the highly challenging environment.

# Moving towards expanding loan book with €1.0bn customer loans originated in the period

Loans to Customers – Gross Book Value Evolution  
(€bn; %)



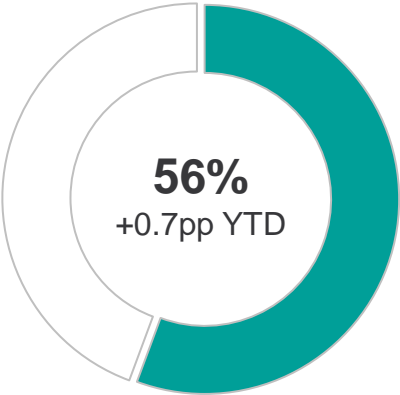
Loans to Customers: Origination  
(€bn; %)





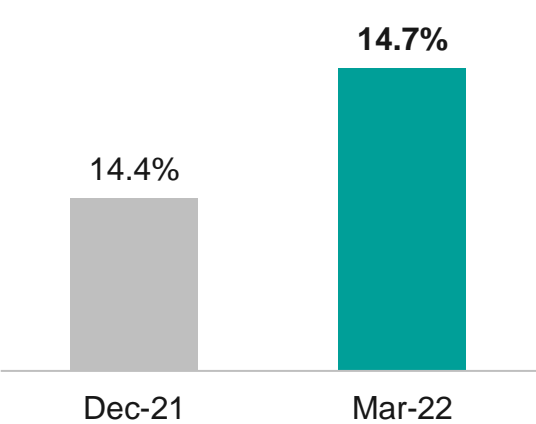
# Delivering sound profitability, being well positioned to grow...

**Weight of Corporate Credit**  
(vs overall portfolio; %)



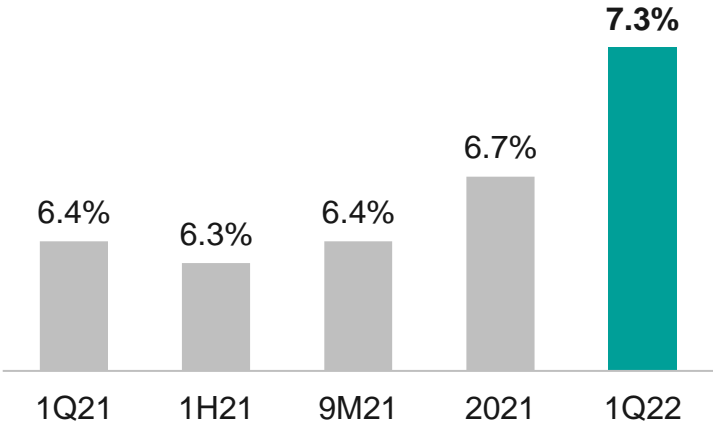
**novobanco** continues to hold a leadership position within the Portuguese corporate sector...

**Corporate Loans – Market share**  
(stock; %)



... moving towards expanding loan book with market share of 14.5% (+0.3pp YTD<sup>1</sup>) in loans to non-financial companies ...

**Mortgage – Production Market share**  
(accumulated; %)



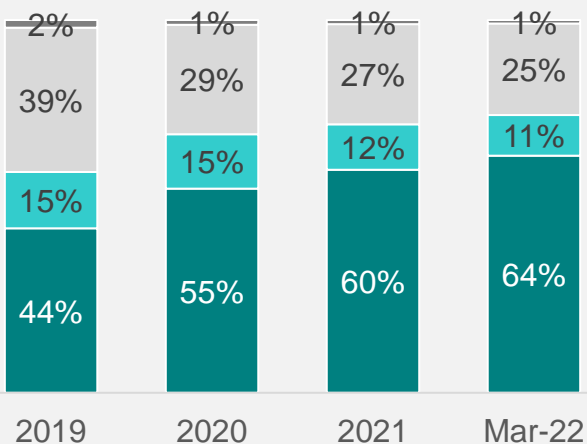
...and increasing origination to retail, with distinctive progress in YTD mortgage production rate.

...and keep supporting the domestic economy.

# novobanco awarded by D-rating with digital “Best Performer” and winner of Digital CX - Bancassurance

## Customer Touchpoints (Retail)

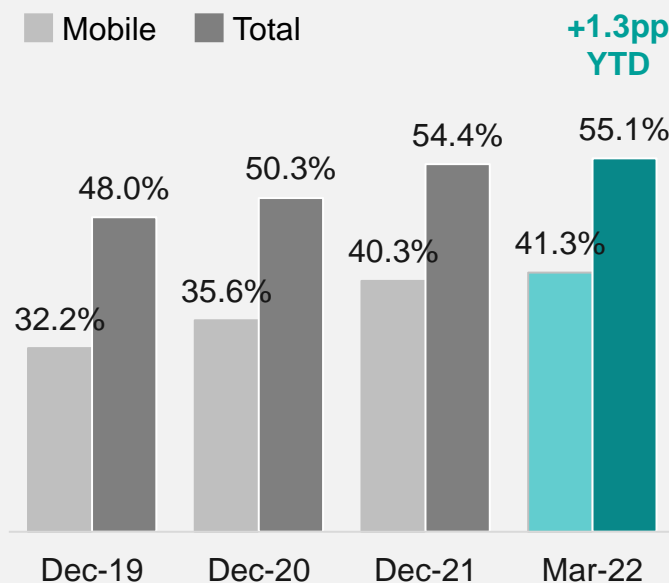
■ Mobile ■ Online ■ ATM ■ Branch



Digital transformation involves accelerating front-to-back digitization and transforming the digital channels to ensure a fully omnichannel experience and greater customization.

## Active digital clients: penetration rate

■ Mobile ■ Total



The execution of this strategy improves experience and efficiency by addressing the customer journeys and transforming the operating model, and by positively impacting the weight of digital sales...

## Digital sales (# units)

**+354% Personal Loans**

**YoY** representing 10% of the segment sales vs 3% in 1Q21

**+110% Credit Cards**

**YoY** representing 3% of the segment sales vs 2% in 1Q21

**+101% Life & Non-life insurance**

**YoY** representing 3% of the segment sales vs 2% in 1Q21

...being recognized by customer and external entities:

- “**Best Performer**” in Portugal **by D-rating**
- **Winner of Outstanding Digital CX** award with nonlife insurance solution in **Bancassurance by The Digital Banker**

# Our ESG Priorities and 1Q22 achievements



## Sustainable Business

### • Robust Financial Performance

**Generating value** for all our stakeholders

### • Sustainable Operations

**Minimizing the negative** environmental impact from our operations, promoting innovation and digitalization

### • Responsible Investment

**Incorporating ESG risks and opportunities** in our business model and commercial offer

## Social & Financial Well-being

### • Well-being, Diversity and Inclusion

**Recognizing the value of our people**, promoting their well-being and growth in a diverse and inclusive corporate culture

### • Customer Experience

**Serving our customers with convenience**, proximity and transparency, ensuring a fair value exchange

## Responsible Banking

### • Role Model for Positive Impact

**Acting transparently and ethically, within a robust governance model.** Promoting equity and gender equality

### • Community

**Fostering Portuguese economic growth** and promoting financial and digital inclusion in the communities we serve

### 1Q22 Highlights

**~100%**

Of clean electricity consumption; (3.4 KWh with no CO<sub>2</sub>)

**15.1%**

Reduction in paper consumption (YoY)

**162.9k**

Carbon neutral banking current accounts (+4% YTD)

**3.3k**

Hours of ESG training to employees

**Literacy**

Digital & financial sessions to the general public and senior population

**Help Ukraine**

Incl: voluntary service, donations, partnerships & specific conditions

**6%**

Gender pay-gap<sup>1</sup> (vs 5.9% in Dec-21)

**27.3%**

Of woman in senior leaders' roles rate (-0.2pp YoY)<sup>2</sup>

**41.4%**

Of suppliers with Sustainability scoring

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# Continuous improvement of underlying performance

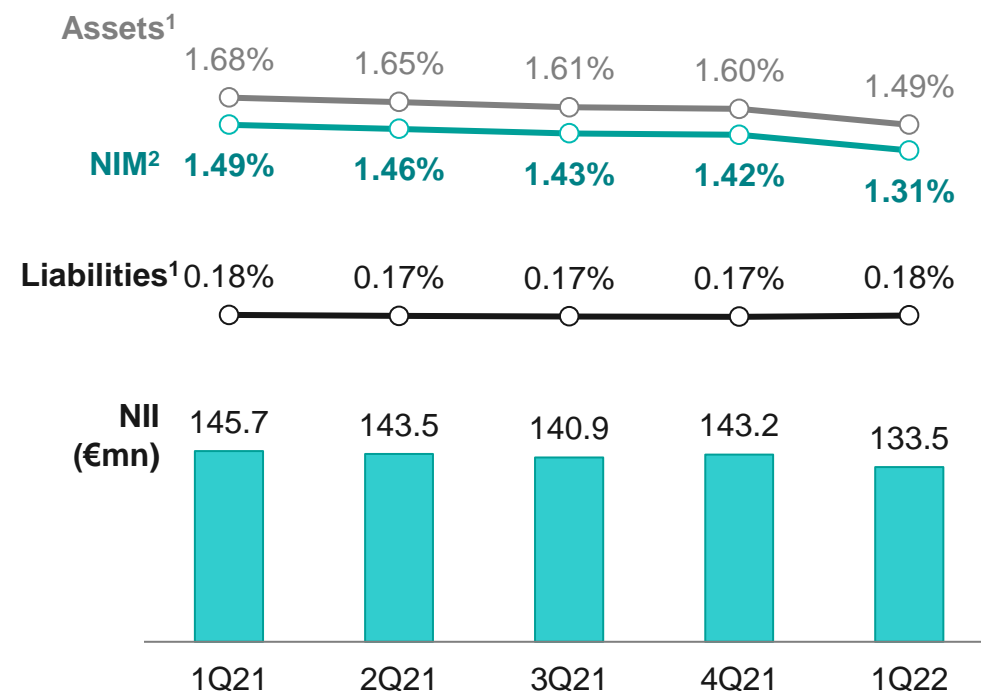
Income Statement (€mn)		1Q21	1Q22	▲ YoY €mn
1	Net Interest Income	145.7	133.5	(12.2)
2	+ Fees & Commissions	62.8	68.8	+6.0
	<b>= Commercial Banking Income</b>	<b>208.5</b>	<b>202.3</b>	<b>(6.2)</b>
	+ Capital Markets Results	52.8	91.4	+38.6
	+ Other Operating Results	12.2	16.7	+4.5
	<b>= Banking Income</b>	<b>273.5</b>	<b>310.4</b>	<b>+36.9</b>
3	- Operating Costs	102.7	103.6	+0.9
	<b>= Net Operating Income</b>	<b>170.8</b>	<b>206.8</b>	<b>+36.0</b>
4	- Net Impairments & Provisions	61.8	21.8	(40.0)
	<b>= Income Before Tax</b>	<b>109.0</b>	<b>185.0</b>	<b>+76.0</b>
	- Corporate Income Tax	4.2	7.4	+3.1
	- Special Tax on Banks	32.8	34.1	+1.4
	<b>= Income after Taxes</b>	<b>72.0</b>	<b>143.5</b>	<b>+71.5</b>
	- Non-Controlling Interests	1.3	0.9	(0.4)
	<b>= Net Income for the period</b>	<b>70.7</b>	<b>142.7</b>	<b>+72.0</b>

- NII (-€12mn; -8% YoY) with stable yield from customer business, negative impact due to senior debt issuance in 2021 and negative interest rates on money market investments;
- Commissions (+€6mn; +10% YoY) driven by increased economic activity and higher volume of transaction, increased customer appetite on asset management & bancassurance, and fees from higher origination activity;
- Capital Markets Results were positive by €91.4mn mostly due to gains from the hedging of interest rate risk, reflecting the volatility of sovereign debt in the market. The fair value reserves decreased by €243.4mn in the period;
- Other Operating Results (+€5mn, +37%) includes gains related to associated companies (+€9.0mn) and credit recovery (+€5.9mn);
- Operating costs remained stable (+€0.9mn; +0.8%), reflecting the continued optimization and the investment done in the new distribution model, and the reduction of staff costs given the lower number of employees;
- **Net commercial banking income at €98.7mn (-7% YoY) reflecting lower commercial banking income (-3%) and stable operating costs (+0.8%);**
- Provisions at €21.8mn (-€40mn; -65% YoY), benefiting from the execution of the de-risking strategy implemented during the restructuring process (cost of risk was 0.23%, -55bps YoY);
- **Net Income of +€143mn (+€72mn; +102% YoY) reflecting a stable performance of commercial activities and lower credit impairments.**

1

# NII at €134mn (-8.4% YoY) with stable yield of the banking business segments...

Net Interest Income (NII) Net Interest Margin (NIM)	1Q21			1Q22		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
€ million; %						
<b>Customer Loans</b>	<b>25 092</b>	<b>2.05%</b>	<b>129</b>	<b>25 013</b>	<b>2.00%</b>	<b>125</b>
Corporate loans	13 789	2.37%	82	13 816	2.28%	79
Mortgage lending	9 963	1.10%	27	9 774	1.03%	25
Consumer loans and Others	1 340	5.86%	20	1 423	5.88%	21
Money Market Placements	3 467	0.24%	2	5 927	-0.32%	- 5
Securities and Other Assets	10 589	1.25%	33	9 784	1.28%	31
<b>Interest Earning Assets &amp; Other</b>	<b>39 149</b>	<b>1.68%</b>	<b>164</b>	<b>40 724</b>	<b>1.49%</b>	<b>152</b>
Of which: Customer Deposits	26 302	0.20%	13	27 379	0.15%	10
Of which: Money Market Funding	10 335	-0.12%	- 12	10 779	-0.57%	- 15
<b>Interest Bearing Liabilities &amp; Other</b>	<b>39 149</b>	<b>0.18%</b>	<b>18</b>	<b>40 724</b>	<b>0.18%</b>	<b>18</b>
<b>NIM / NII<sup>2</sup></b>		<b>1.49%</b>	<b>146</b>		<b>1.31%</b>	<b>134</b>

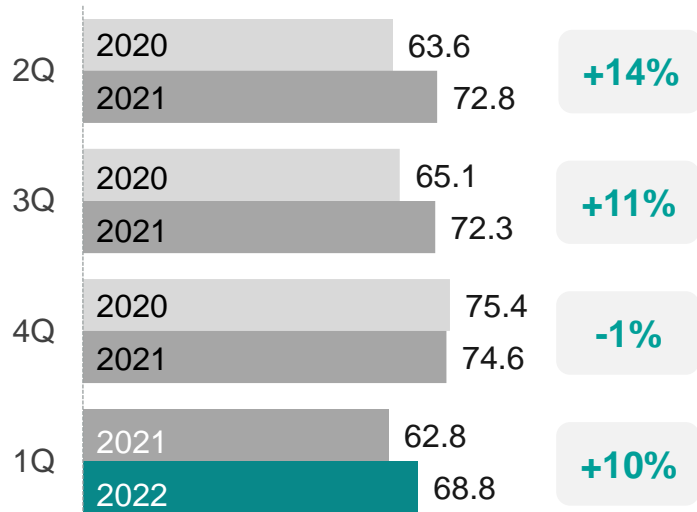


...while impacted by the senior debt issuance in 2021 and the negative interest rates on money market applications.

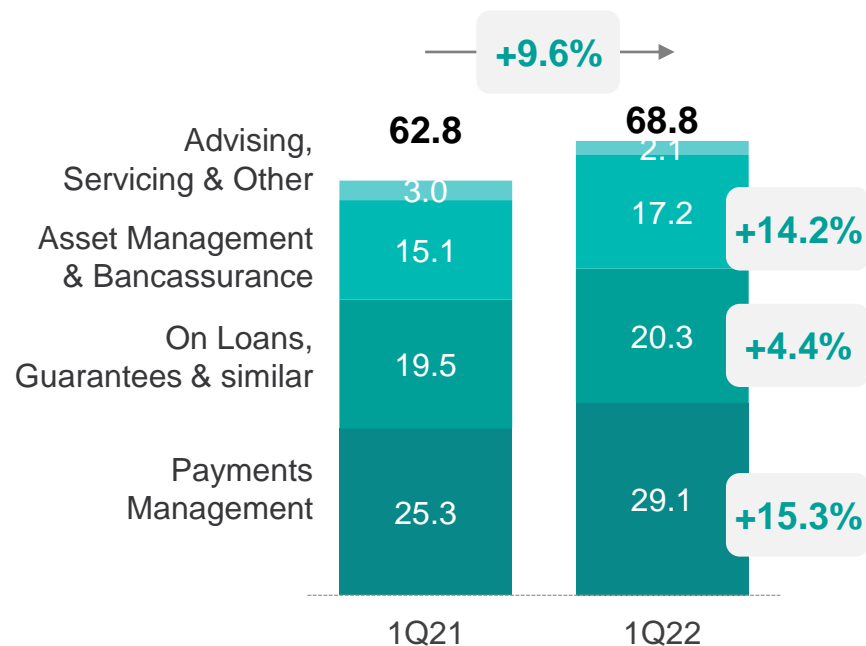
2

# Fees grew 9.6% YoY, driven by economic recovery and performance of asset management business

**Fees: Quarterly Evolution**  
(€mn)



**Fees: evolution per type**  
(€mn)



- **Asset management & bancassurance fees** (+€2.1mn; +14%): reflecting more robust commercial activity and increased customer appetite;
- **Commissions on Loans, Guarantees and similar** (+€0.9mn; +4%): with an increase in origination of corporate loans and an increase in fees of credit lines;
- **Payments management** (+€3.9mn; +15%) due to a higher volume of transactions and new pricing implemented in March for customer accounts.

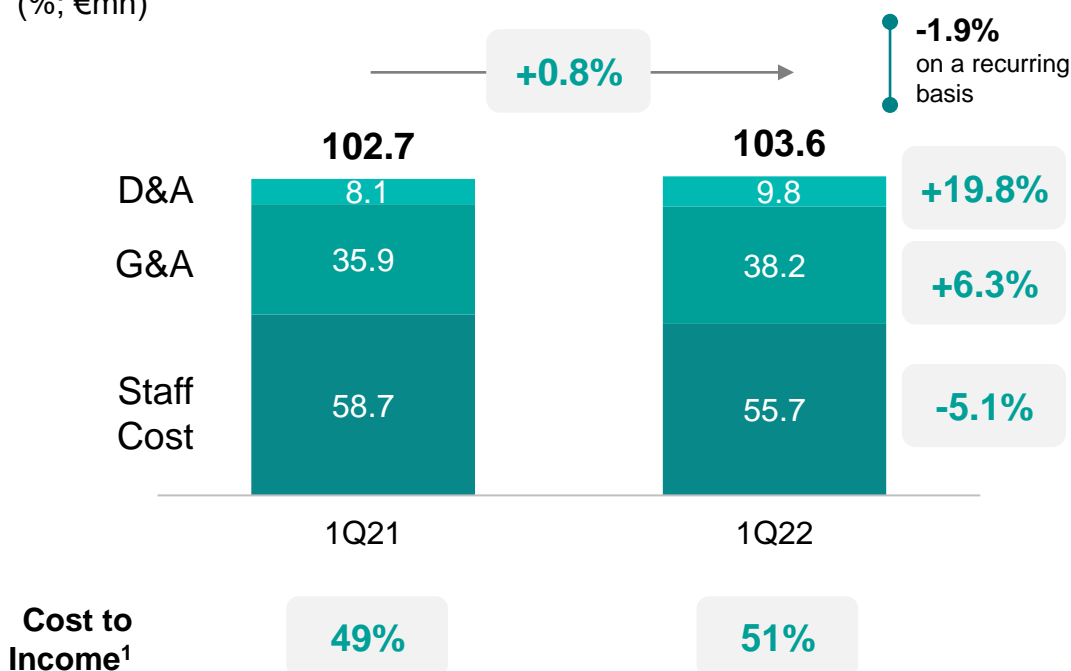
Fees are set to continue to increase with the recovery of economic activity leading to more transactions and new business.

3

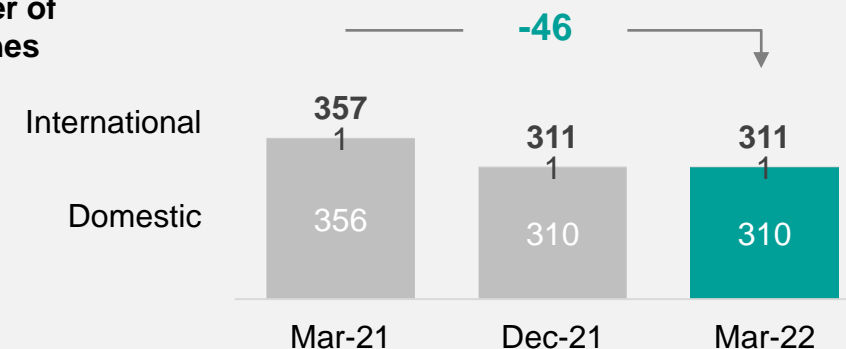
## Stable YoY operating costs reflecting the continued optimisation and simplification of the organisation and its processes,...

### Consolidated Operating Costs

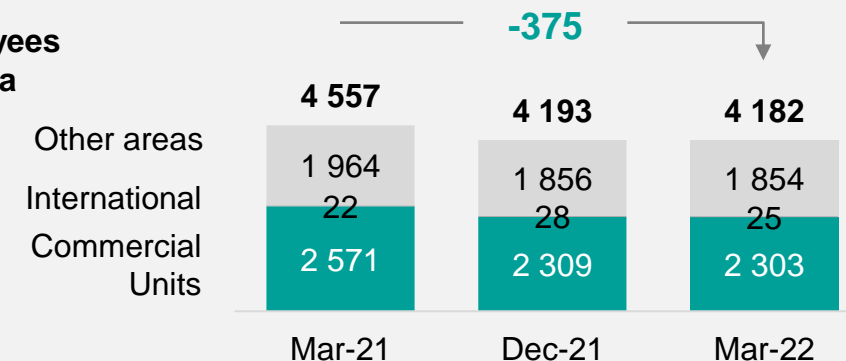
(%; €mn)



### Number of branches



### Employees per area (#)



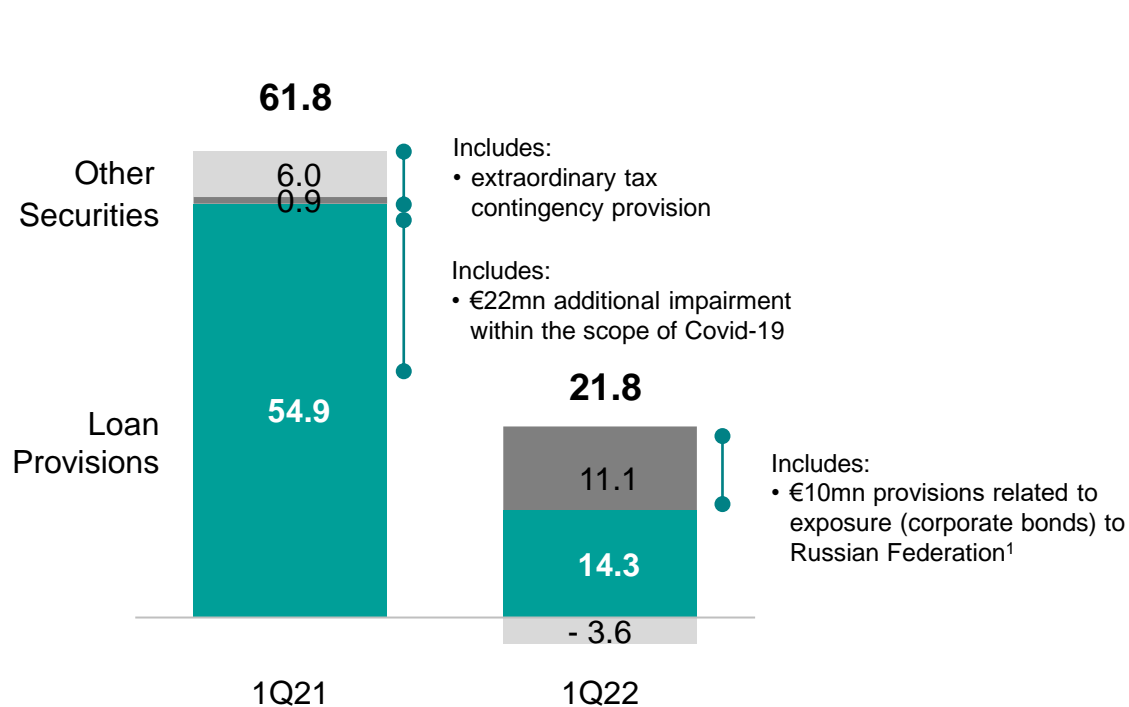
... the reduction of staff costs, and the investment done in the business and its new distribution model.  
On a recurring basis, operating costs reduced by 1.9% (-€2.0mn).



# Provisions below run-rate reflecting a benign economic environment in 1Q22

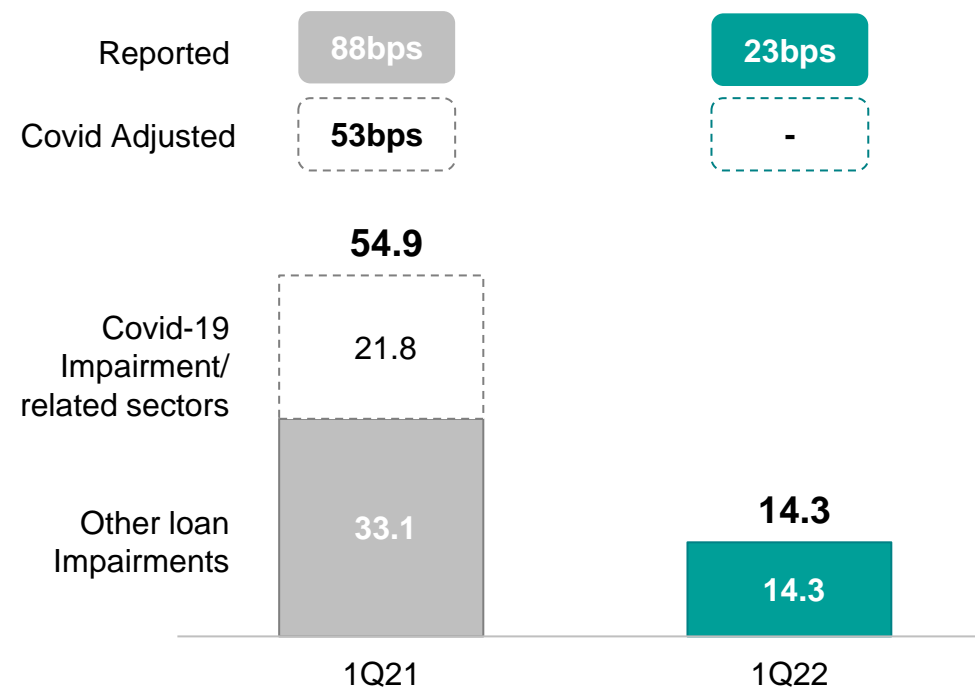
## Impairment and Provisions

(€mn; %)



## Cost of Risk & Loan Impairments

(€mn; bps)



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# Maintaining a solid Balance Sheet

## Balance Sheet (€mn)

Assets	Dec-21	Mar-22	▲ YTD	
			€mn	%
Loans and advances to banks	5 922	5 607	-315	-5.3%
Customer loans (net)	23 685	23 979	294	1.2%
Real estate	824	816	-7	-0.9%
Securities	10 471	10 500	30	0.3%
Non-current assets held for sale	9	12	3	26.7%
Current and deferred tax assets	780	852	72	9.2%
Other assets	2 928	2 861	-67	-2.3%
<b>Total Assets</b>	<b>44 619</b>	<b>44 627</b>	<b>8</b>	<b>0.0%</b>

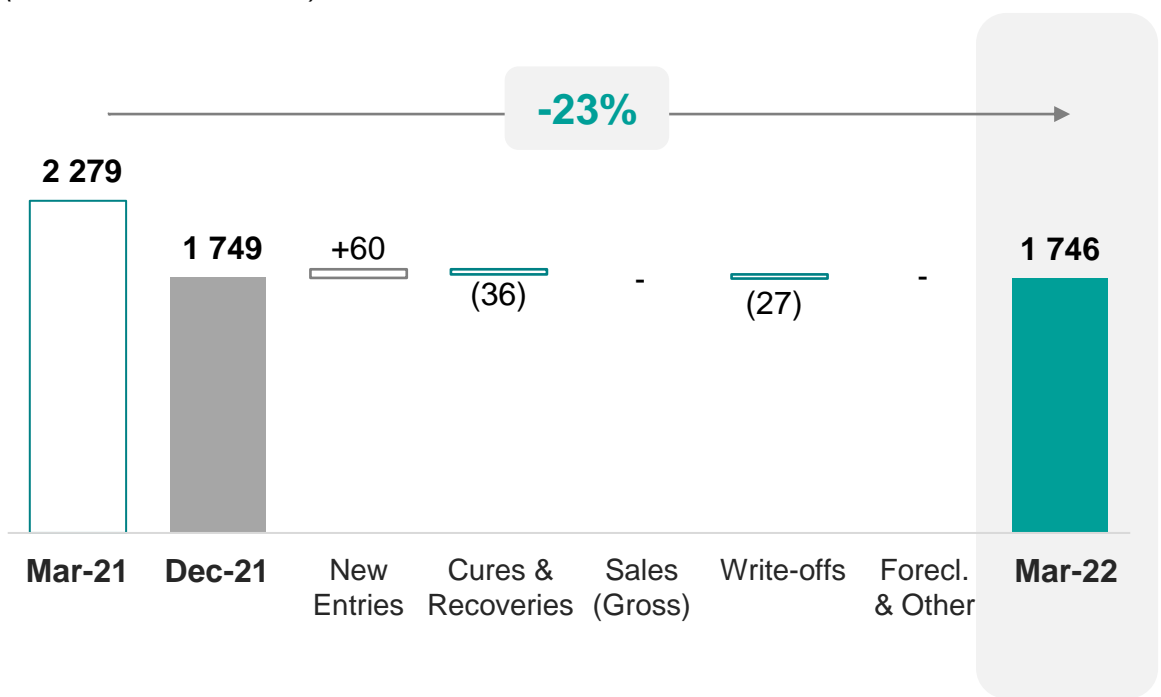
Liabilities & Equity	Dec-21	Mar-22	▲ YTD	
			€mn	%
Customer deposits	27 315	27 562	247	0.9%
Due to central banks and banks	10 745	10 531	-215	-2.0%
Debt securities	1 470	1 478	9	0.6%
Non-current liabilities held for sale	1	2	1	78.2%
Other liabilities	1 938	1 887	-51	-2.6%
<b>Total Liabilities</b>	<b>41 469</b>	<b>41 460</b>	<b>-9</b>	<b>0.0%</b>
<b>Equity</b>	<b>3 149</b>	<b>3 167</b>	<b>18</b>	<b>0.6%</b>
<b>Total Liabilities and Equity</b>	<b>44 619</b>	<b>44 627</b>	<b>8</b>	<b>0.0%</b>

- **Net customer loans at €24.0bn (+1.2 YTD)** reflecting the growth in loans to corporate customers;
- **Customer Deposits growing €247mn (+0.9% YTD), to €27.6bn**, with the outperformance of the Retail segment;
- **Total Funds of €33.9bn (+€125mn YTD; +0.4%),** balance sheet customer funds (€29.4bn; +€317mn; +1.1%) and off-balance sheet (€4.5bn; -€192mn; -4.1%).

# Stable YTD NPL stock, benefiting from proactive re-staging of moratorias and contained macroeconomic impacts

## Non-performing Loans Evolution

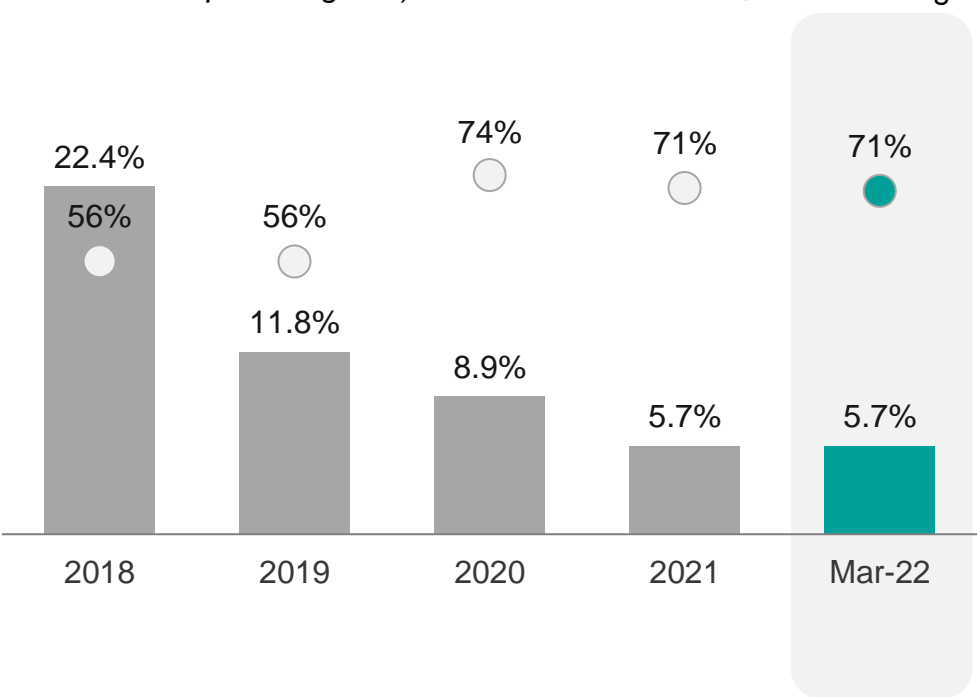
(%; €mn; Gross NPL<sup>1</sup>)



## NPL ratio & Coverage evolution<sup>1</sup>

(%; Consolidated reported figures)

■ NPL ratio ○ NPL coverage

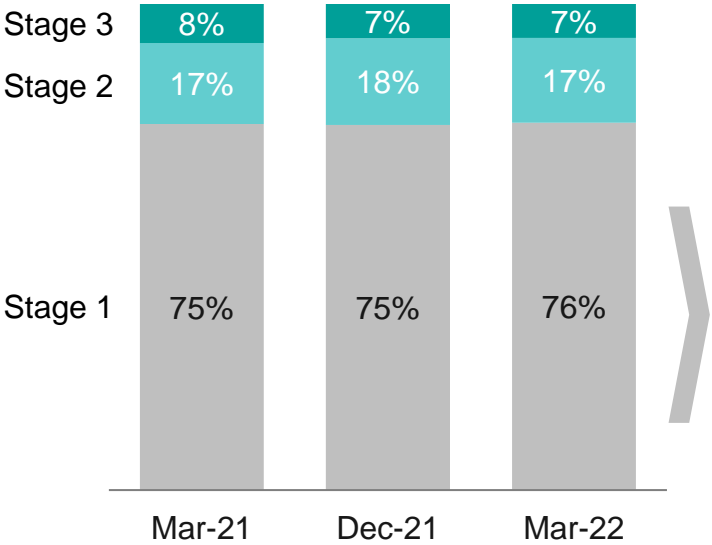


**Recent NPL reduction benefitting from sale of portfolios, being capital accretive and demonstrating adequacy of NPL coverage.**

(1) NPL as per regulator definition; NPL ratio: ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks

# Stable YTD staging classification with ~2/3 of stage 3 loans not overdue

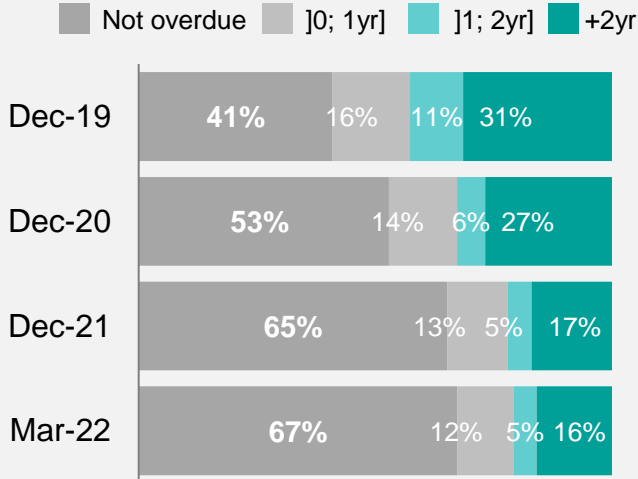
Loan Portfolio<sup>1</sup> by Stages



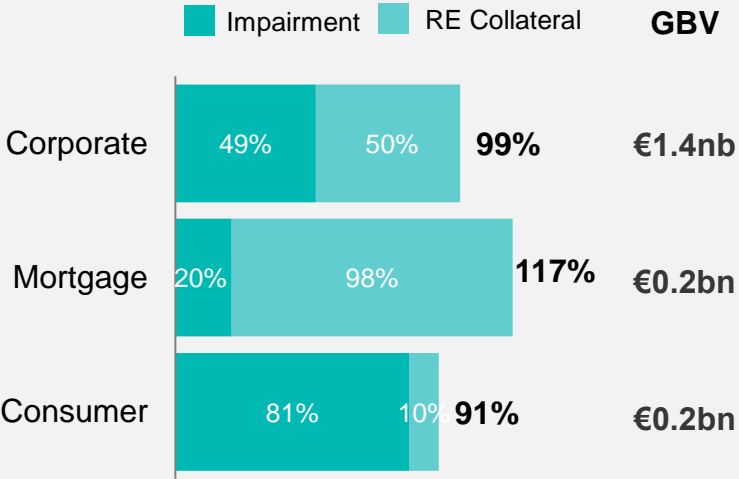
Coverage ratios

Stage 2	7.9%	7.3%	7.1%
Stage 3	55.6%	49.7%	49.3%

Stage 3: Overdue Vintage

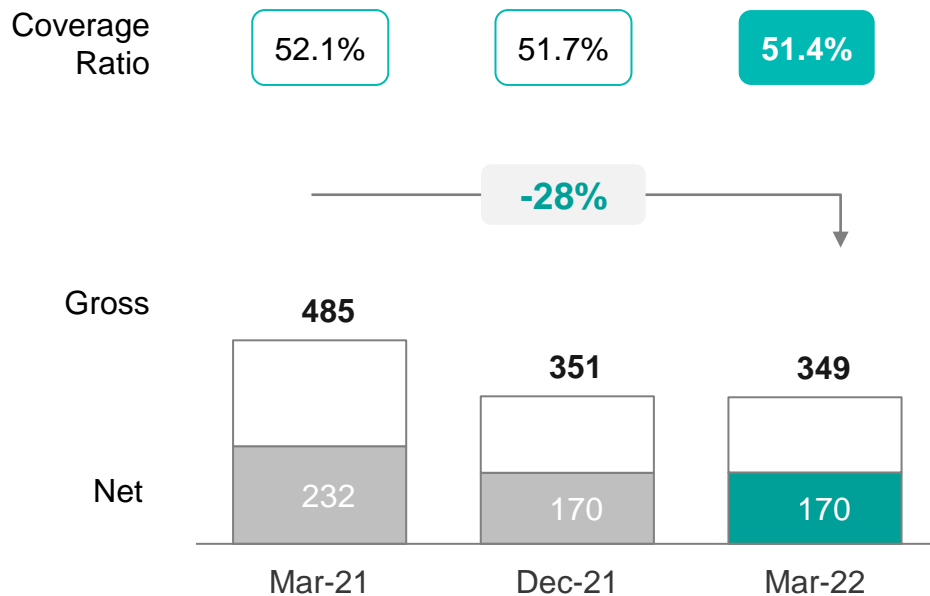


Stage<sup>2</sup> 3: Coverage by type

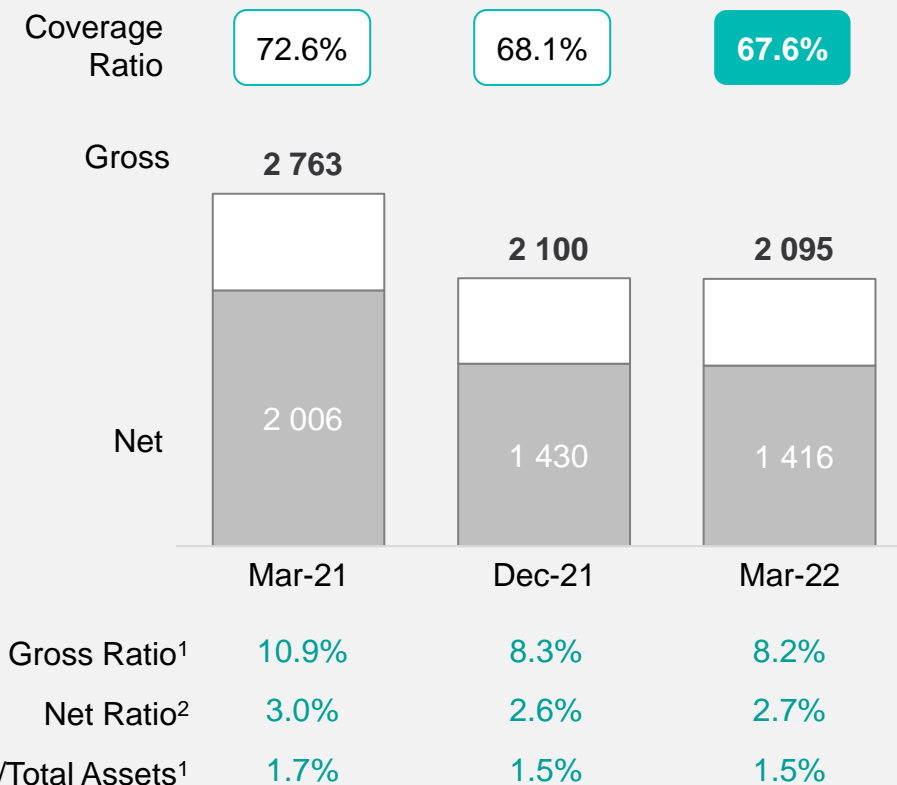


# Continuous reduction of foreclosed assets and NPL, benefiting from sale of portfolios

## Foreclosed REO Assets (€mn)

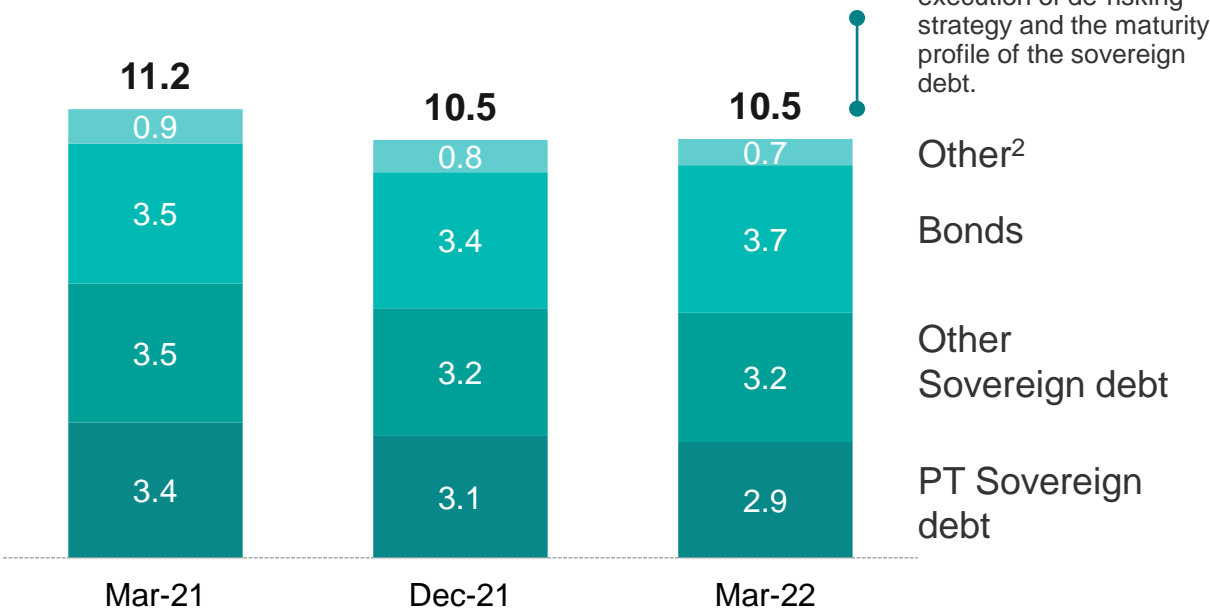


## NPL + Foreclosed REO Assets (€mn;%)

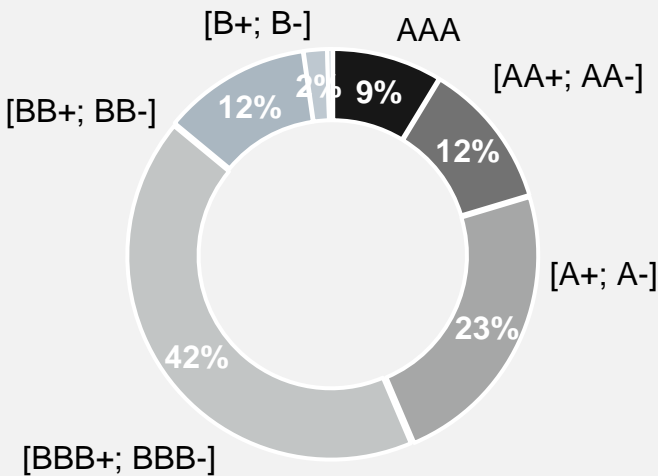


# Conservative €10.5bn securities portfolio with HQLA<sup>1</sup> representing 73%

Securities Portfolio: Breakdown  
(€bn)

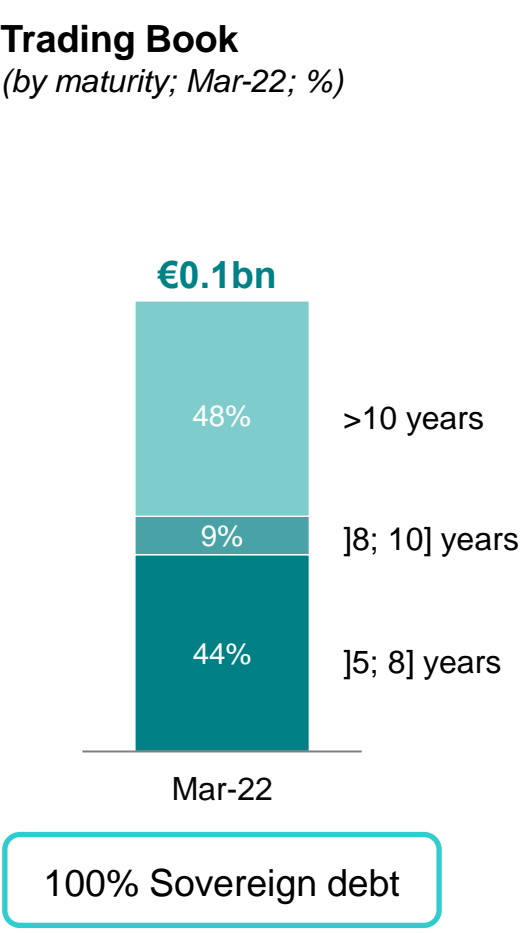
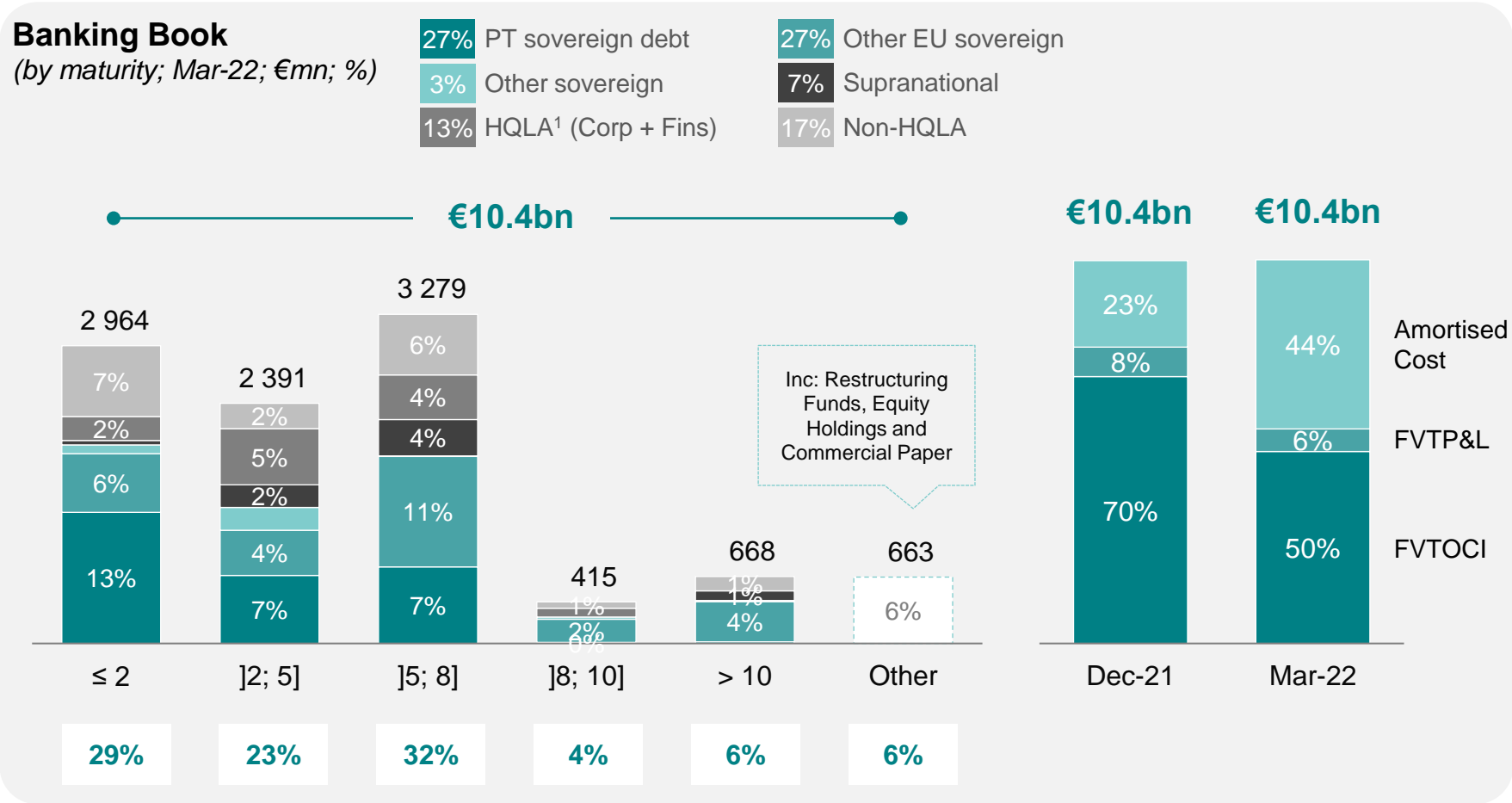


Securities Portfolio: Ratings<sup>3</sup>  
(Mar-22; €bn)



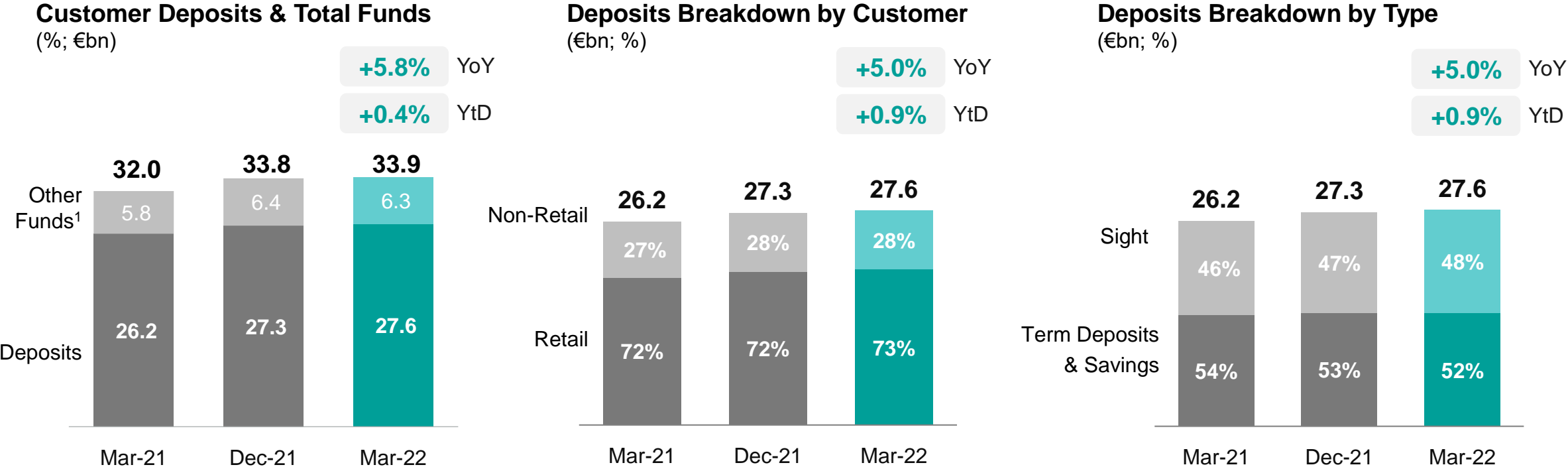
The investment portfolio had a duration of ~4 yrs.  
€1.6mn sensitivity for 1bps increase in interest rates (after hedges).

# Securities portfolio with an average yield of 1.28%





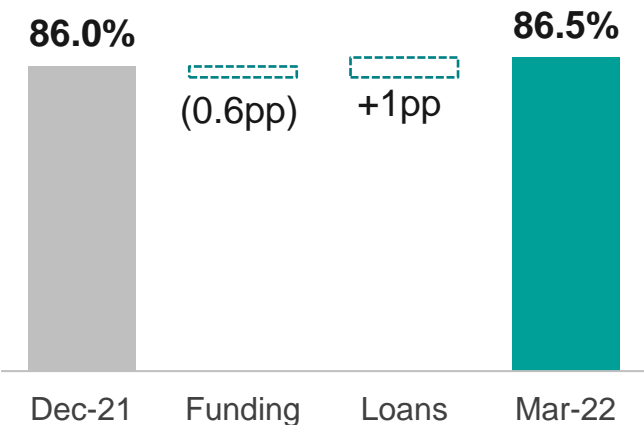
# Customer deposits +5% YoY and Total Funds +6%...



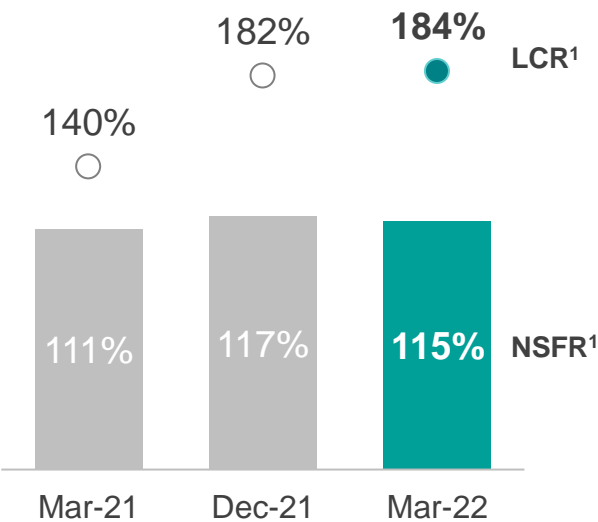
...with evolution reflecting growth of the business despite the low interest rate environment.

# Stable deposit base supporting strong liquidity position

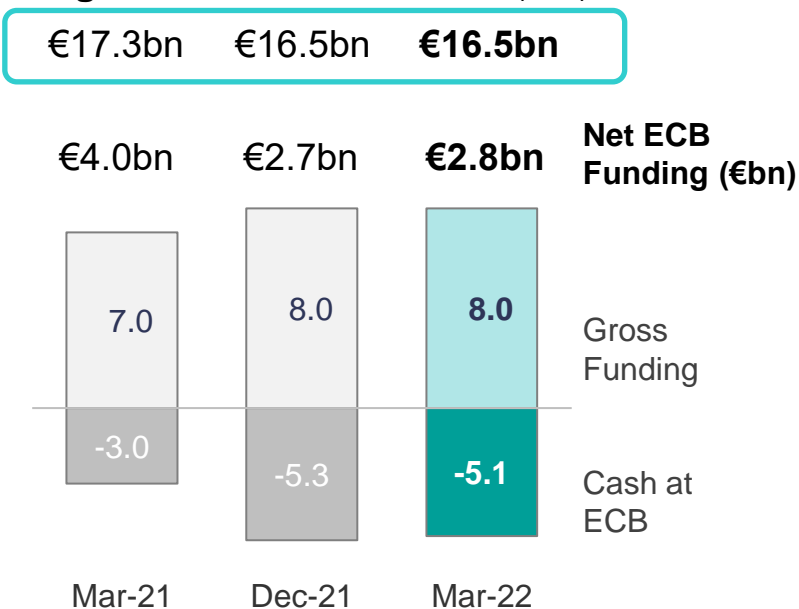
Loan to Deposit Ratio (%)



Liquidity Ratios (%)



Eligible Assets at the ECB<sup>2</sup> (€bn)

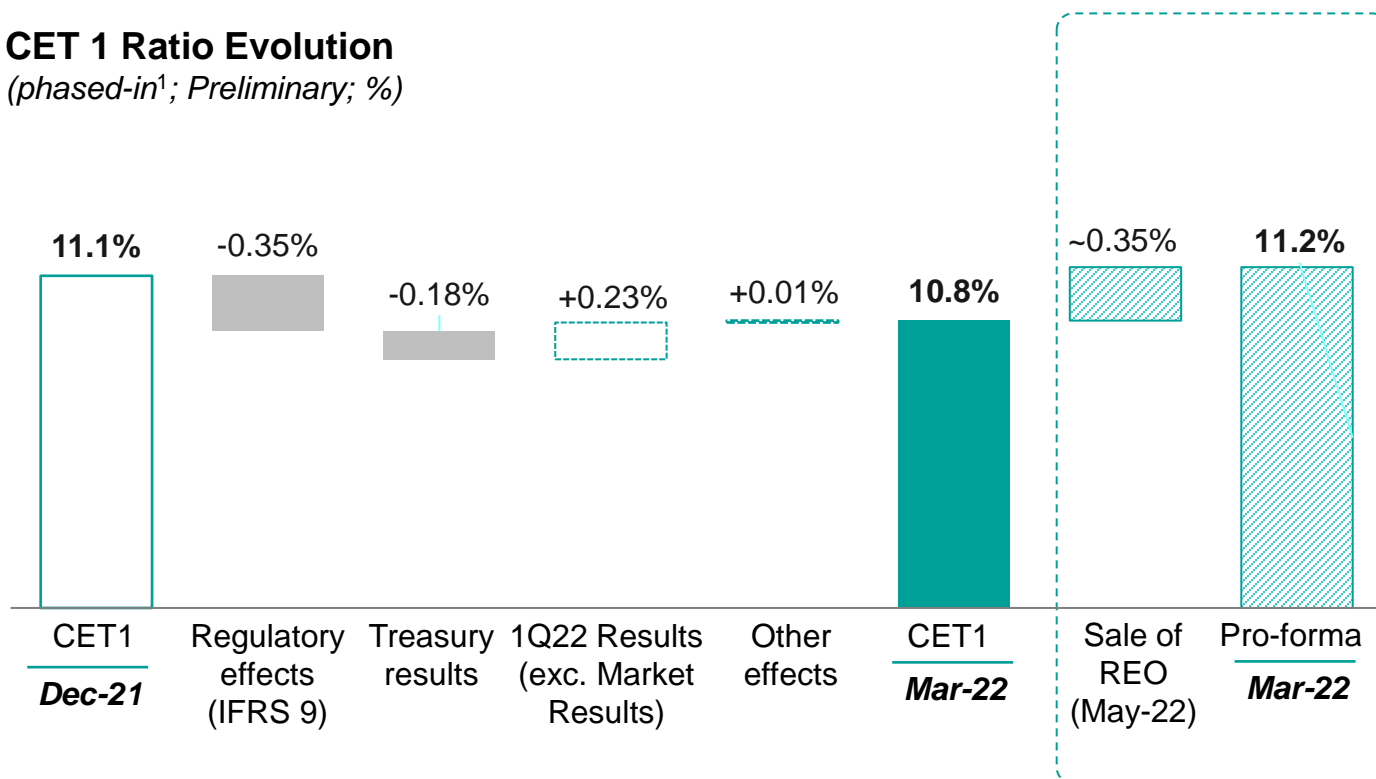


Liquidity buffer ~€12.5bn, mostly composed of highly liquid assets (~90%).

# Capital accretive business model and continued focused on RWA discipline was more than offset by...

## CET 1 Ratio Evolution

(phased-in<sup>1</sup>; Preliminary; %)



### > Main 1Q22 events on CET1:

#### • Regulatory effects of IFRS 9: -0.35%

- CET1 deduction of €98mn (of which €66mn from phased-in to fully-loaded)

#### • Treasury Results: -0.18%

- Includes revaluation reserves and market results (P&L) in light of 1Q22 market volatility and on the other hand the restructuring of treasury portfolio

#### • 1Q22 Results: +0.22%

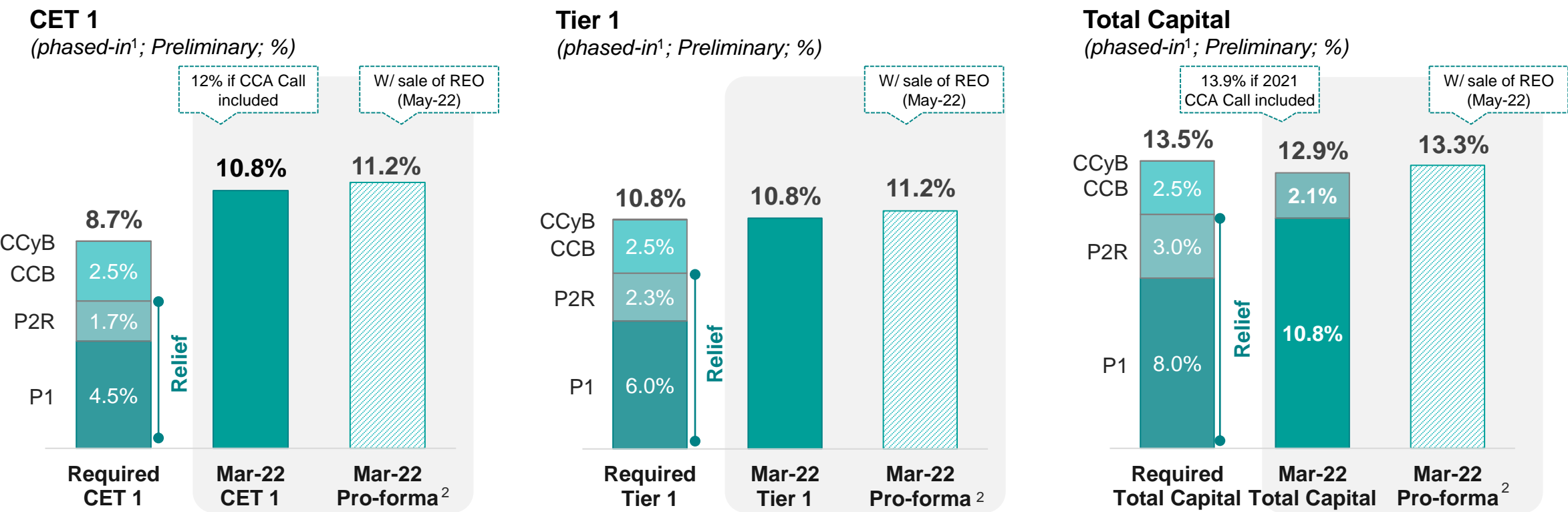
- Incorporation of 1Q22 Net income (net of market results) of €51mn

> On May 2022 was announced the sale of a Real Estate portfolio predominantly comprising logistics assets, completion on agreed terms will **increase capital ratios by ~35bps**

...expected regulatory effects and the movement in capital reserves.

Accelerating the sale of non-core assets to increase capital generation in 2022.

# novobanco executed its de-risking strategy, operating above temporary capital requirement



Organic capital generation and further balance sheet deleverage  
(eg: divestment of high-density assets) to continue strengthen bank's capital position

# Met first MREL binding target as of January 1<sup>st</sup> 2022

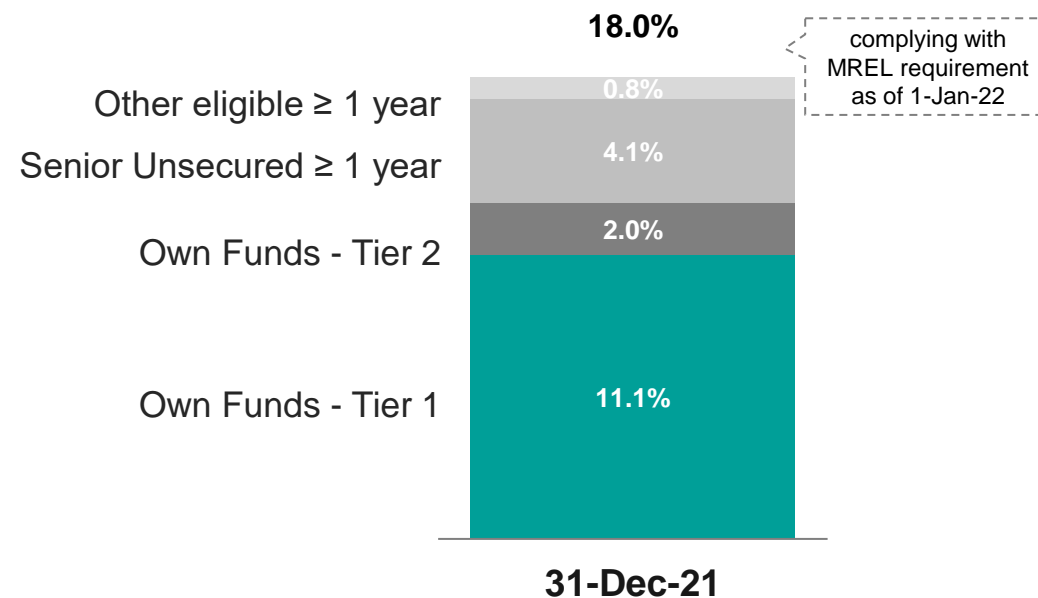
## MREL requirements:

(BdP notification of May 2022; %)

	Jan-22	Jan-26
TREA <sup>1</sup>	14.64%	23.16%
Combined Buffer	2.52%	n.a. <sup>3</sup>
<b>Total</b>	<b>17.16%</b>	<b>23.16% + CBR</b>
O-SII (LSF Nani)	0.50% <sup>2</sup>	
<b>Total + O-SII</b>	<b>17.66%</b>	<b>23.16% + CBR</b>
LRE <sup>4</sup>	5.91%	5.91%

## MREL ratio

(% RWA; Preliminary)



Going forward **novobanco** expects to be a regular issuer in the financial markets

# AGENDA

Execution of the Restructuring Plan

Vision & Strategy

1Q22 Financial Performance

**Financial Guidance & Targets**

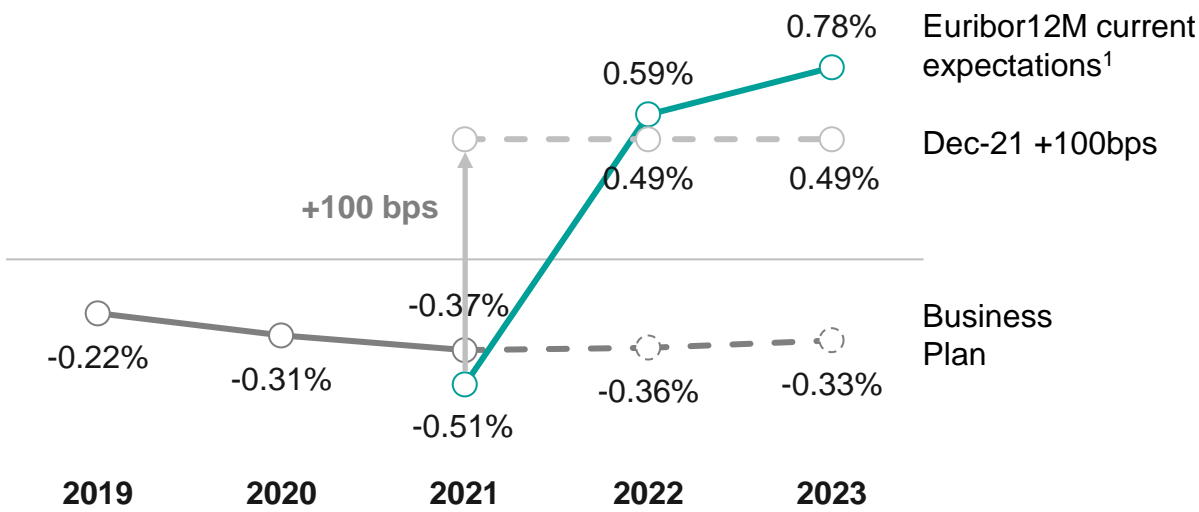
Annex

# On track to deliver medium-term guidance...

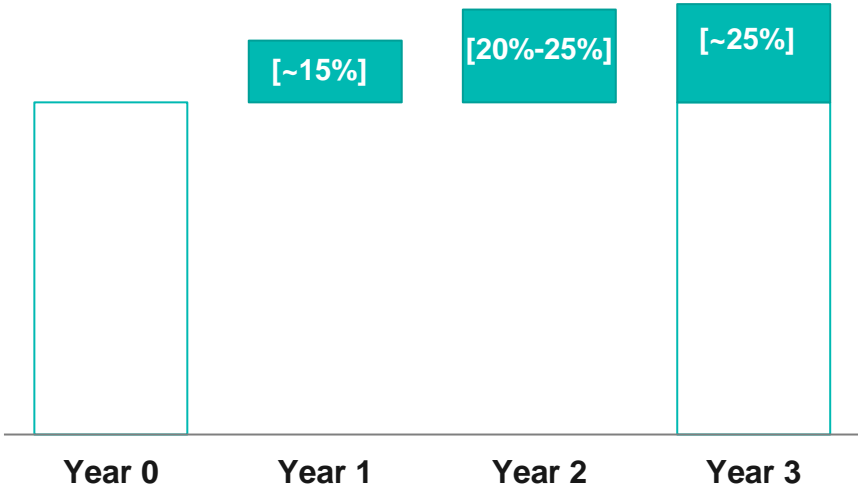
	2020	2021	1Q22	Medium-term targets	
<b>A universal customer-centric bank</b>	<b>Commercial Loan Book</b> (performing)	€22.7bn	€23.2bn (+2% YoY)	<b>€23.5bn</b> (+3.5% YoY)	2-3% per year
	<b>Net Interest Margin</b>	1.41%	1.42%	<b>1.31%</b>	[1.30 – 1.50%] <i>Safeguard income</i>
<b>Simple and efficient</b>	<b>Cost-to-income</b>	53%	48%	<b>51%</b>	< 45% <i>Efficient operations</i>
	<b>CoR</b>	208bps	60bps	<b>23bps</b>	< 50 bps <i>Achieve moderate risk profile</i>
<b>Profitable and safe risk profile</b>	<b>NPL ratio</b>	8.9%	5.7%	<b>5.7%</b>	< 5% <i>Converging towards EU average</i>
	<b>RoTE (pre-tax)<sup>1</sup></b>	6%	8.8%	<b>10.2%</b>	≥ 10% <i>Deliver attractive returns</i>
<b>Talent &amp; innovation</b>	<b>CET1</b>	10.9%	11.1%	<b>10.8%</b>	> 12% <i>Enhance capital position</i>

# ...with NII to benefit from the increase in interest rates...

**Euribor curve**  
(12 months average)



**Estimated NII impact from  
+100bps rates increase**



More than 85% of Customer loans are floating with ~75% of Corporate loans floored,  
leading to higher NII with the increase of interest rates above current market levels



# ...and accelerating measures to comply with capital requirements going forward

## Main expected organic measures *(Non-exhaustive and indicative impacts; bps)*



### > Measures to accelerate the sale of non-core and high-density assets, including:

- **Real Estate assets:** planned for 2022, excluding possible anticipation of sales target for 2023/24
- **Head-Office in Lisbon:** moving to another building outside the city-center;
- **Reestructuring Funds:** sale of ~40% of **novobanco**'s NBV in Restructuring Funds;

### > Other possible positive events not considered (potential upside):

- **CCA Call:** €209mn from 2021 CCA call;
- **RE Tax:** €116mn provision done in 2021 and pending clarification from tax authorities;
- **Arbitrations:** €165mn from 2020 CCA call

## Final Remarks

Delivering **stable earnings with 5 consecutive quarters of consolidated profits**, reflecting a solid performance of the top-line together with efficiency measures implemented in recent years.

**Moving towards expanding the loan book with business performance is in line with expectations** for this first quarter, despite the current macroeconomic conditions.

On track to meet medium term financial targets announced at 2021 Capital Markets Day, with **significant improvements across all KPIs**.

Implementing further **cost optimization measures while investing in the future of the franchise**, with digitalization and the new distribution model at the core of the omnichannel strategy.

**Executing of the de-risking strategy, capital accretion and normalized performance** together with **optimization initiatives** are set to ensure regulatory capital compliance going forward.

# AGENDA

Execution of the Restructuring Plan

Vision & Strategy

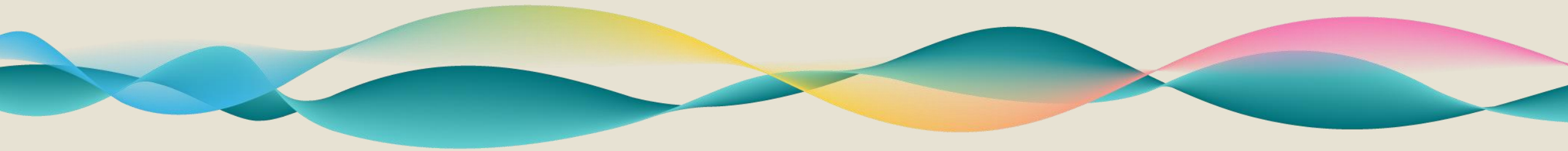
1Q22 Financial Performance

Financial Guidance & Targets

**Annex**

# ANNEX

Macroeconomic Environment  
Corporate Governance & ESG  
1Q22 Financial Statements  
Ratings  
Glossary



# Macroeconomic environment

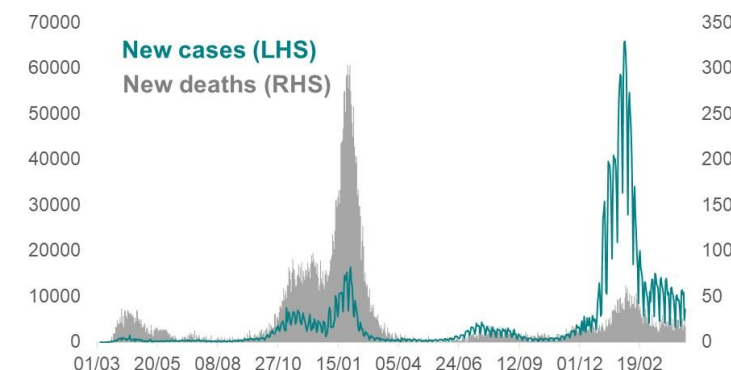
Pre-Ukraine conflict, the Portuguese economy was on a recovery path, supported by lower pandemic constraints, higher confidence levels and expectations of stronger domestic and external demand.

- GDP rose 4.9% in 2021, with a recovery in activity supported by:
  - (i) declining marginal impacts of the pandemic (and relatively less stringent Covid mitigation measures, given an above average vaccination rate);
  - (ii) stronger domestic demand, in part supported by the release of forced savings;
  - (iii) improvement in tourism activity and stronger exports growth (goods exports above pre-Covid levels after mid-2021).
- Pre-Ukraine conflict, most indicators suggested that the economic recovery should proceed in 2022-23, also with the support of the initial impacts from the Recovery and Resilience Plan, and in an environment of political stability.

**GDP growth (%; 2022E)**



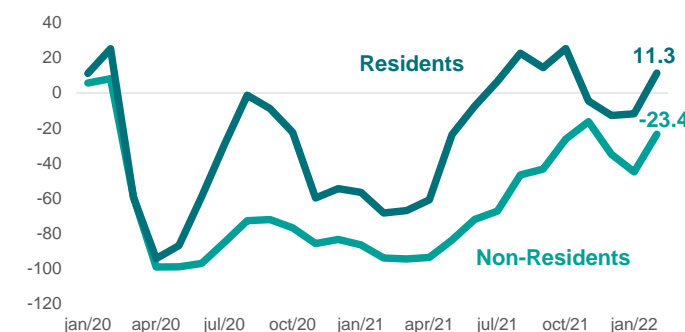
**Number of Covid-19 cases and deaths (daily net change)**



**Households' savings rate (4Q MA, % of disposable income)**



**Overnight stays in tourism accommodation facilities (% vs. same month in 2019)**

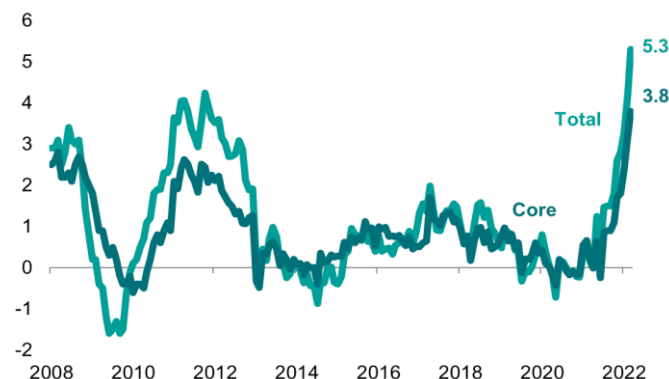


# Macroeconomic environment

Higher energy and food prices, with the effects of the pandemic reinforced by the Ukraine war. But inflation (and particularly energy inflation) remains lower than in the Euro Area.

- The Portuguese economy is being impacted by the conflict in Ukraine through a rise in producer and consumer inflation, reinforcing the recent upward trend in prices.
- Energy (19.8% YoY) and Food (5.8% YoY) with major contributions to inflation.
- Food prices also supported by the effects of the recent drought.
- Inflation in Portugal remains below the levels observed in the Euro Area (5.3% YoY vs. 7.4% in the Euro Area).
- This is mainly due to lower energy inflation, given a higher share of renewables in electricity production and a more important role of the regulated market in electricity price setting.

**Headline and core inflation rate**  
(CPI, % YoY)



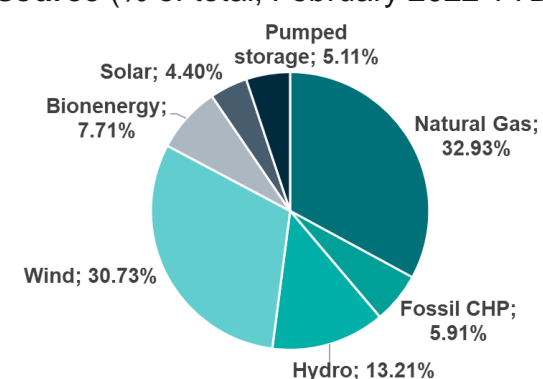
**Energy Inflation Rate, selected economies**  
(CPI, % YoY)



**Share of energy from renewable sources, 2019 (%)**



**Electricity generation by energy source**  
(% of total, February 2022 YTD)

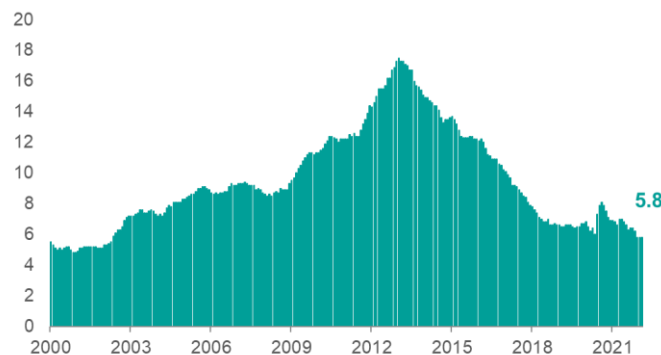


# Macroeconomic environment

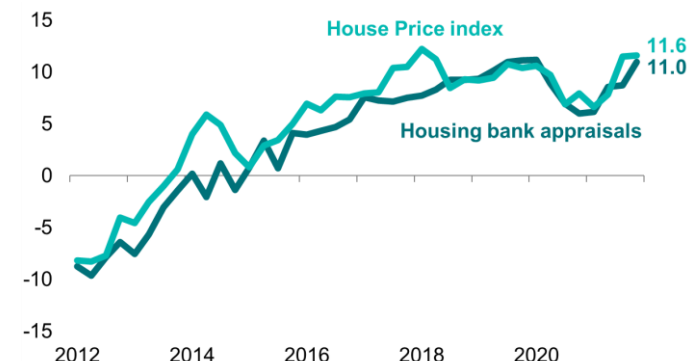
Improvement in public accounts has allowed for policy measures, mitigating the impacts from the pandemic and from the war in Ukraine. Unemployment, NPLs and sovereign spreads remain contained.

- The improvement in public accounts has allowed for policy measures, mitigating the impacts from the pandemic and from the war in Ukraine. With domestic and external demand recovering, unemployment and NPLs have remained contained. Resilient growth in house prices.
- Relatively low sovereign spreads reflect improved fundamentals vs. previous crisis.

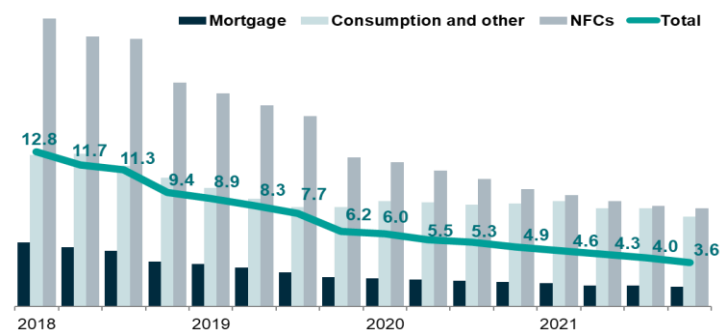
**Unemployment rate**  
(% labour force)



**INE house price index (% YoY) & Housing bank appraisals (median, % YoY)**



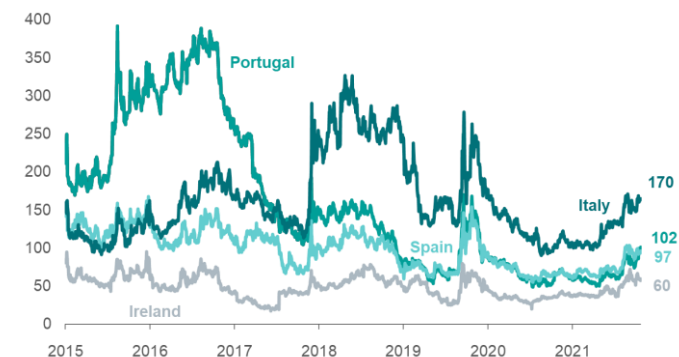
**Non-performing loans (% of total gross loans)**



**General Government Budget Balance (% GDP)**



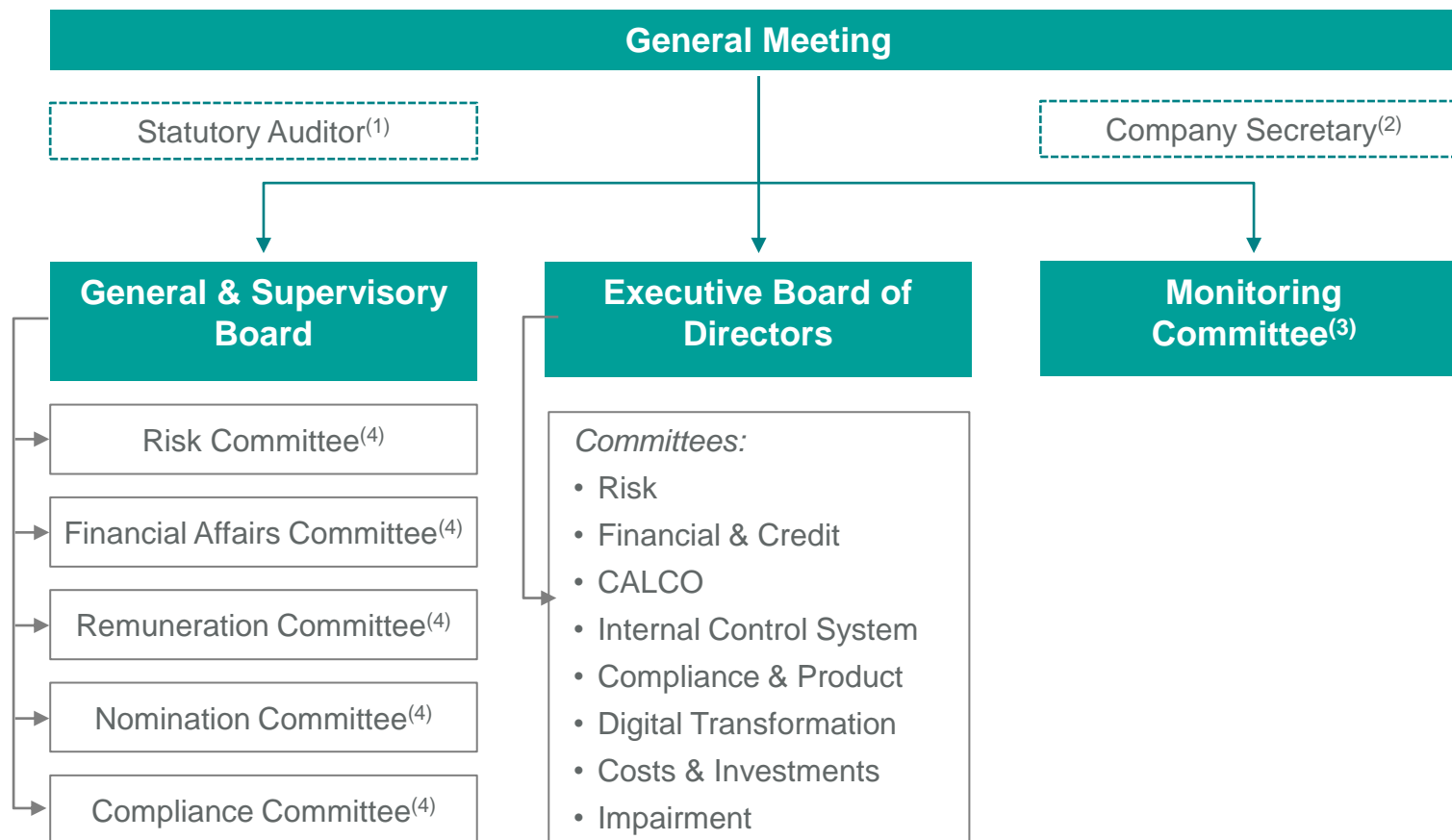
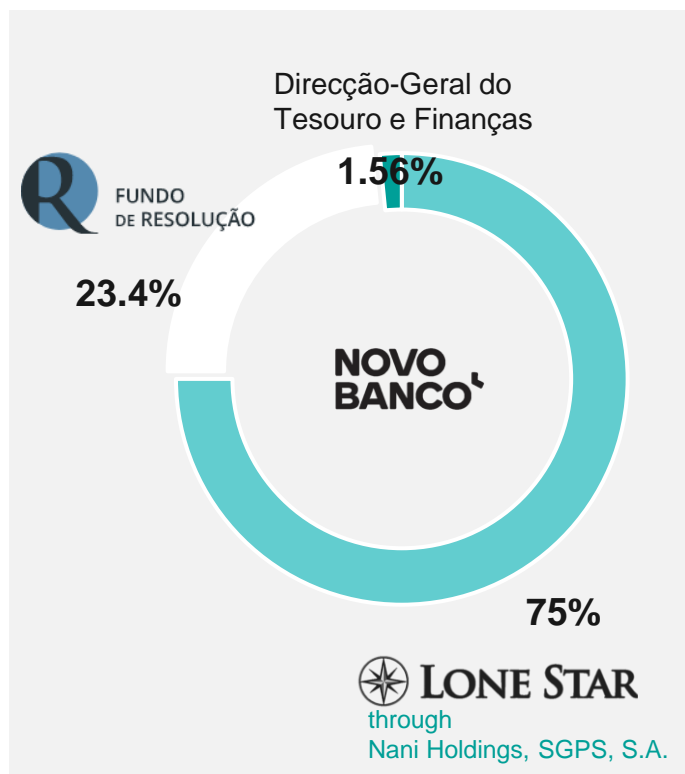
**10Y Periphery Government bond yield spreads vs. Bund (bps)**



# A unique governance model within the Portuguese financial sector...

## Shareholder Structure

(March 2022; %)



(1) Elected by the General Meeting upon a proposal of the General and Supervisory Board; (2) The General and Supervisory Board is consulted prior to any proposal of the Executive Board of Directors related to the appointment of the Company Secretary and Alternate Secretary. (3) The Monitoring Committee is composed of three members. The Monitoring Committee is an advisory body for the purposes of the Contingent Capital Agreement entered into between the Company and the Resolution Fund; (4) The Special Committees are composed of members of the General and Supervisory Board. The General and Supervisory Board sets up, appoints the members and approves the internal rules of the Special Committees.



...with 6 out of the 10 GSB members being independent

### General and Supervisory Board

4-years term: 2021 to 2024

#### **Chairman**

Byron Haynes <sup>(1)</sup>

#### **Vice-chairman**

Karl-Gerhard Eick <sup>(1)</sup>

#### **GSB Members**

Donald Quintin

Kambiz Nourbakhsh

Mark Coker

Benjamin Dickgiesser

John Herbert <sup>(1)</sup>

Robert A. Sherman <sup>(1)</sup>

Carla Antunes da Silva <sup>(1)</sup>

William Henry Newton <sup>(1)</sup>

### Monitoring Committee

4-years term: 2021 to 2024

#### **Chairman**

José Bracinha Vieira

#### **Members**

Pedro Marques e Pereira

Carlos Miguel Roballo

*To monitor the assets included in the Contingent Capital Agreement*

# On May-22 novobanco announced the composition of the EBD for a new mandate term

## Executive Board of Directors

4-years term: 2021 to 2024

### Chief Executive Officer

António Ramalho

Chief Financial Officer

Mark Bourke

Chief Risk Officer

Rui Fontes

Chief Legal and Compliance Officer

Luísa Soares da Silva

Chief Commercial Officer (Retail)

Luis Ribeiro

Chief Commercial Officer (Corporate)

Andrés Baltar Garcia

*Pending Fit & Proper Approval*

## Executive Board of Directors

4-years term: 2022 to 2025

### Chief Executive Officer

Mark Bourke

Chief Financial Officer

Leigh Bartlett

Chief Commercial Officer (Retail)

Luis Ribeiro

Chief Commercial Officer (Corporate)

Andrés Baltar

Chief Legal and Compliance Officer

Luísa Soares da Silva

Chief Risk Officer

Carlos Brandão

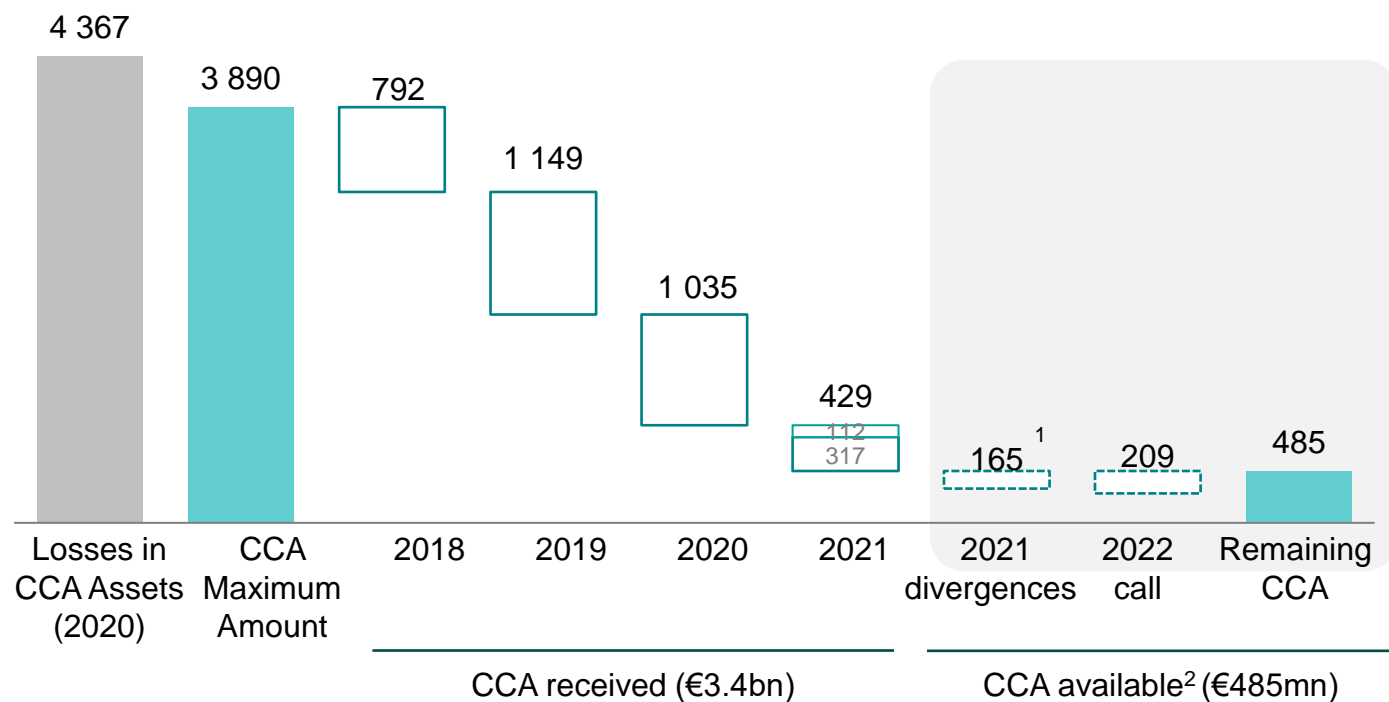
Chief Credit Officer

Rui Fontes

# CCA: €485mn available (excluding 2021 CCA call of €209mn)

## CCA - Contingent Capital Agreement Compensation amounts

(€ million)



- As agreed during the sale process of **novobanco**, a Contingent Capital Agreement (“CCA”) was entered into between the Resolution Fund (“FdR”) and the Bank.

- At the time of the sale, a capital injection backstop was agreed between the Portuguese Government and EU.

- novobanco** is to be paid up to €3.89bn for losses recognised in a predefined portfolio of assets (“CCA Assets”) and other CCA covered losses (the “CCA Losses”) in case the capital ratios decrease below a pre-defined threshold.

Minimum Capital Condition:

- CET1 or Tier 1 < CET1 or Tier 1 SREP requirement Plus a buffer for the first 3 years (2017 - 2019)
- CET1 < 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.

# Commitments for 2024

<div> <div>Grupo novobanco</div> <div>novobanco</div> </div>	ESG	+ 4.5 p.p. women in senior leadership positions <sup>11</sup>	- 18% GHG emissions (scope 1 e 2) <sup>5</sup>	+ 50% low emissions vehicles (electric or hybrid)	100% green electricity procurement <sup>15</sup>	
	Sustainable Business	+ €600mn in Green Investment <sup>1</sup> (vs. 2021)	€0mn financing to excluded sectors <sup>2</sup>	30% investment products with ESG characteristics <sup>3</sup>	- 30% paper consumption <sup>4</sup> (ton, vs. 2021)	-18% CO2 emissions from own operations <sup>5</sup> (ton. vs. 2021)
	Social and Financial Well-being	40% employees benefiting from social well-being program <sup>6</sup>	+ 3 p.p. employees assessed Healthy (psychosocial assessment <sup>7</sup> ) (vs. 2021)	+ 8 p.p. employees engagement level <sup>8</sup> (vs. 2021)	+ 11.8 points in customers' NPS <sup>9</sup> (vs. 2021)	+ 9,594 hours from employees volunteering service initiatives <sup>10</sup> (vs. 2021)
	Responsible Banking	+ 2.5 p.p. women in senior leadership positions <sup>11</sup>	- 0.9 p.p. gender pay gap <sup>12</sup>	+ 3 partnerships with to promote employment of people with disabilities <sup>13</sup>	90% suppliers with sustainability scoring <sup>14</sup>	+ 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.

# Income Statement – Quarterly data

(€ million)	1Q21	2Q21	3Q21	4Q21	1Q22	▲ €mn YoY	▲ % YoY
Net Interest Income	145.7	143.5	140.9	143.2	133.5	(12.2)	(8%)
Fees and Commissions	62.8	72.8	72.3	74.6	68.8	+6.0	+10%
<b>Commercial Banking Income</b>	<b>208.5</b>	<b>216.3</b>	<b>213.2</b>	<b>217.9</b>	<b>202.3</b>	<b>(6.2)</b>	<b>(3%)</b>
Capital Markets Results	52.8	40.5	(59.7)	42.2	91.4	+38.6	+73%
Other Operating Results	12.2	(41.3)	30.3	39.2	16.7	+4.5	+37%
<b>Banking Income</b>	<b>273.5</b>	<b>215.5</b>	<b>183.9</b>	<b>299.3</b>	<b>310.4</b>	<b>+36.9</b>	<b>+13%</b>
Operating Costs	102.7	101.4	101.6	102.6	103.6	+0.9	+1%
Staff Costs	58.7	58.9	57.9	57.8	55.7	(3.0)	(5%)
General and Administrative Costs	35.9	34.2	35.1	35.8	38.2	+2.3	+6%
Depreciation	8.1	8.2	8.6	9.0	9.8	+1.6	+20%
<b>Net Operating Income</b>	<b>170.8</b>	<b>114.1</b>	<b>82.3</b>	<b>196.6</b>	<b>206.8</b>	<b>+36.0</b>	<b>+21%</b>
Net Impairments and Provisions	61.8	27.4	70.4	193.1	21.8	(40.0)	(65%)
Credit	54.9	29.8	30.3	34.4	14.3	(40.6)	(74%)
Securities	0.9	15.1	1.4	30.4	11.1	+10.2	+1 159%
Other Assets and Contingencies	6.0	(17.5)	38.7	128.4	(3.6)	(9.6)	(159%)
<b>Income before Taxes</b>	<b>109.0</b>	<b>86.7</b>	<b>11.9</b>	<b>3.5</b>	<b>185.0</b>	<b>+76.0</b>	<b>+70%</b>
Corporate Income Tax	4.2	16.9	(8.1)	(28.2)	7.4	+3.1	+75%
Special Tax on Banks	32.8	1.5	0.0	(0.1)	34.1	+1.4	+4%
<b>Income after Taxes</b>	<b>72.0</b>	<b>68.4</b>	<b>20.0</b>	<b>31.8</b>	<b>143.5</b>	<b>+71.5</b>	<b>+99%</b>
Non-Controlling Interests	1.3	1.4	3.6	1.4	0.9	(0.4)	(34%)
<b>Net Income for the period</b>	<b>70.7</b>	<b>67.0</b>	<b>16.4</b>	<b>30.4</b>	<b>142.7</b>	<b>+71.9</b>	<b>+102%</b>

# Balance Sheet

(€ thousands)	Dec-21	Mar-22
Cash, cash balances at central banks and other demand deposits	5 871 538	5 548 223
Financial assets held for trading	377 664	336 893
Financial assets mandatorily at fair value through profit or loss	799 592	614 948
Financial assets at fair value through profit or loss, or through other comprehensive income	7 220 996	5 192 655
Financial assets at amortised cost	26 039 902	28 653 355
Debt securities	2 338 697	4 584 599
Loans and advances to credit institutions	50 466	58 420
Loans and advances to customers	23 650 739	24 010 340
Derivatives – Hedge accounting	19 639	161 374
Fair value changes to the hedged items in portfolio hedge of interest rate risk	30 661	-43 346
Investments in subsidiaries, joint ventures and associates	94 590	102 473
Tangible assets	864 132	867 402
Tangible fixed assets	238 945	249 399
Investment properties	625 187	618 003
Intangible assets	67 986	67 546
Tax assets	779 892	851 526
Current tax assets	35 653	36 131
Deferred tax assets	744 239	815 395
Other assets	2 442 550	2 261 806
Non-current assets and disposal groups classified as held for sale	9 373	11 877
<b>Total Assets</b>	<b>44 618 515</b>	<b>44 626 732</b>

	Dec-21	Mar-22
Financial liabilities held for trading	306 054	209 756
Financial liabilities measured at amortised cost	40 215 994	40 360 208
Due to banks	10 745 155	10 530 564
Due to customers	27 582 093	27 890 706
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1 514 153	1 522 916
Other financial liabilities	374 593	416 022
Derivatives – Hedge accounting	19 639	161 374
Provisions	442 834	434 814
Tax liabilities	15 297	15 551
Current tax liabilities	12 262	12 516
Deferred tax liabilities	3 035	3 035
Other liabilities	443 437	415 686
Liabilities included in disposal groups classified as held for sale	968	1 725
<b>Total Liabilities</b>	<b>41 469 044</b>	<b>41 459 599</b>
Capital	6 054 907	6 054 907
Other comprehensive income – accumulated	-1 045 489	-1 210 774
Retained earnings	-8 576 860	-8 351 166
Other reserves	6 501 374	6 513 003
Profit or loss attributable to parent company shareholders	184 504	142 678
Minority interests (Non-controlling interests)	31 035	18 485
<b>Total Equity</b>	<b>3 149 471</b>	<b>3 167 133</b>
<b>Total Liabilities and Equity</b>	<b>44 618 515</b>	<b>44 626 732</b>

# Customer loans

€mn	Mar-21	Dec-21	Mar-22	YTD ▲ Consolidated	
				€mn	%
<b>Customer Loans (net)</b>	<b>23 460</b>	<b>23 685</b>	<b>23 979</b>	294	1.2%
<b>Customer Loans (gross)</b>	<b>24 952</b>	<b>24 932</b>	<b>25 215</b>	282	1.1%
Corporate	13 657	13 714	14 034	320	2.3%
Residential Mortgage	9 959	9 812	9 766	- 46	-0.5%
Consumer finance and other	1 335	1 406	1 416	9	0.6%
<b>Non-Performing Loans (NPL)*</b>	<b>2 279</b>	<b>1 749</b>	<b>1 747</b>	- 2	-0.1%
<b>Impairment **</b>	<b>1 492</b>	<b>1 248</b>	<b>1 236</b>	- 12	-1.0%
<b>NPL Ratio*</b>	<b>8.0%</b>	<b>5.7%</b>	<b>5.7%</b>	0p.p.	
<b>NPL coverage*</b>	<b>77.0%</b>	<b>71.4%</b>	<b>70.8%</b>	- 1p.p.	
<b>Cost of Risk (bps)</b>	<b>88</b>	<b>60</b>	<b>23</b>	- 37	-62.2%
<b>Cost of Risk (bps) - Covid Adjusted</b>	<b>53</b>	<b>31</b>	<b>-</b>	-	-

\* Includes Deposits and Loans and advances to Banks and Customer Loans

\*\* Includes impairment for Customer Loans and to Banks

# Net book volume at €24.0bn (+€0.3mn YTD)

## Loan Portfolio Evolution (€bn; %)

	Corporate loans	Mortgage loans	Consumer & other	Gross loans	Impairments	Net loans
Closing balance Dec-21	€13.7	€9.8	€1.4	€24.9	€1.2	€23.7
Movement	+€0.3	€0.0	€0.0	+€0.3	€0.0	+€0.3
<b>Closing balance Mar-22</b>	<b>€14.0</b>	<b>€9.8</b>	<b>€1.4</b>	<b>€25.2</b>	<b>€1.2</b>	<b>€24.0</b>
	+2%	0%	+1%	1%		1%
<b>NPL Ratio</b>				<b>5.7%</b>	NPL at €1.7bn, with YoY reduction (€0.5bn) benefiting from the disposal of Wilkinson portfolio	
<b>NPL Coverage</b>				<b>70.8%</b>		

Loan book growing 1% YTD reflecting novobanco focus on pricing discipline.



# Capital ratios

		mn€			
CAPITAL RATIOS (CRD IV/CRR)		31-Dec-21 (Phased-in)	31-Dec-21 (Fully loaded)	31-Mar-22 * (Phased-in)	31-Mar-22 * (Fully loaded)
Risk Weighted Assets	(A)	24 929	24 689	23 761	23 622
Own Funds					
Common Equity Tier 1	(B)	2 768	2 507	2 571	2 419
Tier 1	(C)	2 769	2 509	2 572	2 420
Total Own Funds	(D)	3 276	3 016	3 076	2 925
<b>Common Equity Tier 1 Ratio</b>	<b>(B/A)</b>	11.1%	10.1%	10.8%	10.2%
Tier 1 Ratio	(C/A)	11.1%	10.1%	10.8%	10.2%
<b>Solvency Ratio</b>	<b>(D/A)</b>	13.1%	12.2%	12.9%	12.4%
Leverage Ratio		6.0%	5.4%	5.5%	5.2%

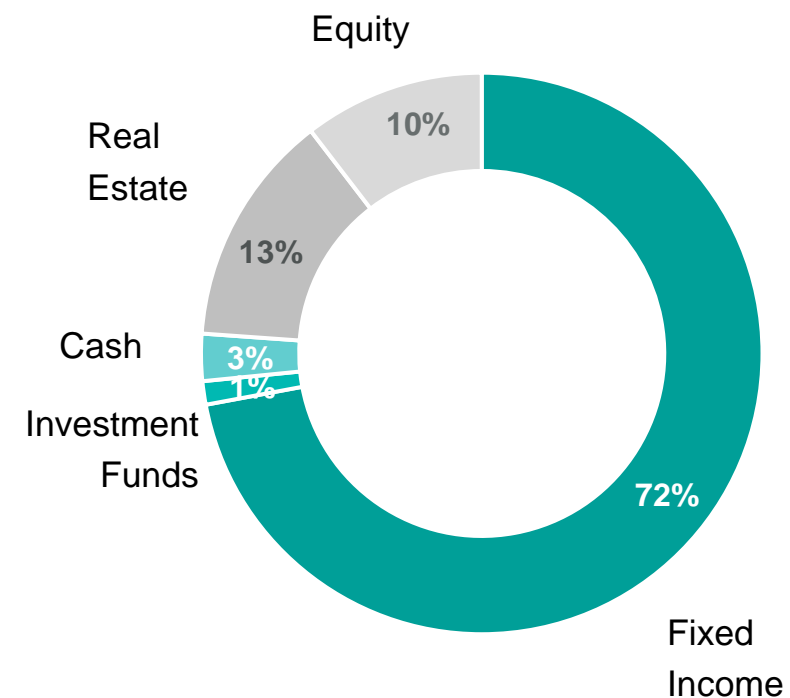
\* preliminary

# Pension Funds

Key Figures (€ Millions)	Dec-19	Dec-20	Dec-21
Retirement Pension Liabilities	1 849	1 935	1 929
Fund Assets	1 791	1 908	1 908
Liabilities Coverage	97%	99%	99%
Fund Performance			-0.2%

Actuarial Assumptions	Dec-19	Dec-20	Dec-21
Project rate of return on plan assets	1.35%	1.00%	1.35%
Discount rate	1.35%	1.00%	1.35%
Pension increase rate	0.25%	0.25%	0.50%
Salary increase rate	0.50%	0.50%	0.75%
Mortality table men	TV 88/90	TV 88/90	TV 88/90
Mortality table women	TV 88/90-2 yrs	TV 88/90-2 yrs	TV 88/90-3 yrs

**Pension Fund Portfolio**  
(Dec-21)



# Deferred Tax Assets

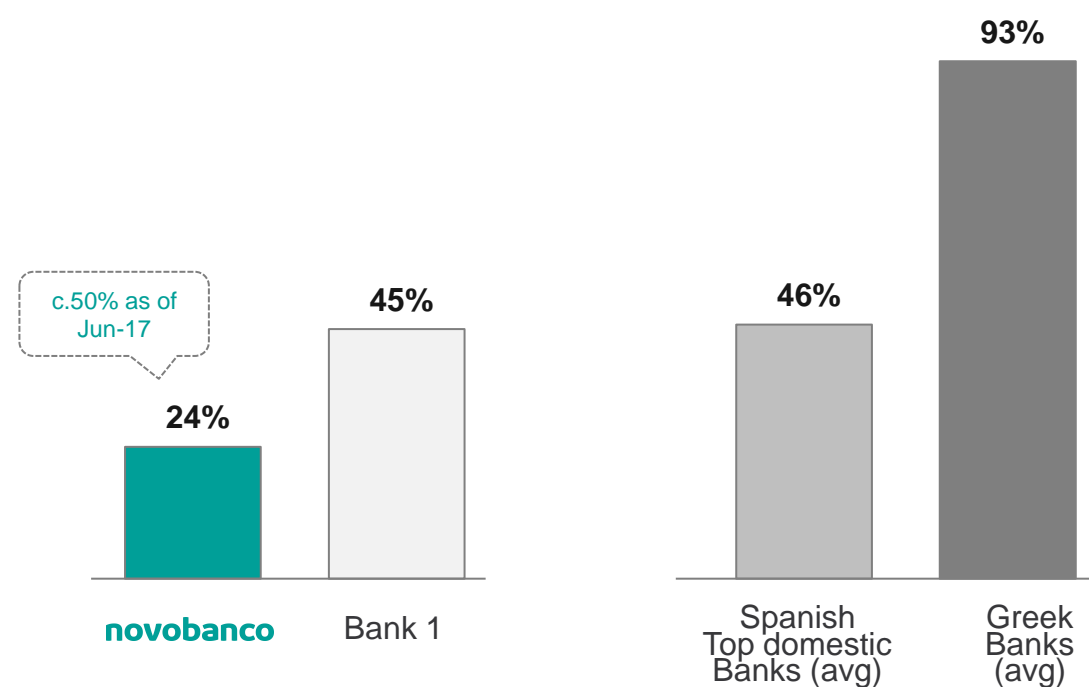
## Overview of Deferred Tax Assets

(€ millions)	Dec-20	Dec-21
Timing-Difference DTAs – under Special Regime <sup>(1)</sup>	401	267
Timing-Difference DTAs – other	374	477
<b>Total DTAs on Balance Sheet</b>	<b>775</b>	<b>744</b>

- Tax losses carried forward are recognised to the extent they are expected to be recovered with future taxable income;
- **novobanco** conservatively assesses the recoverability of tax losses carried forward considering its projected taxable income over a 5 year period;
- DTAs under Special Regime: YoY decrease reflects the conversion rights relating to 2020 fiscal year.

## Deferred Tax Assets as % of Equity<sup>1</sup>

*novobanco* vs listed banks and average by market



# Moody's and DBRS ratings

June 2022

MOODY'S	Long Term	Short Term
Baseline credit assessment (BCA)	b2	
Adjusted baseline credit assessment (BCA)	b2	
Counterparty risk rating	Ba2	NP
Counterparty risk assessment	Ba2 (cr)	NP (cr)
Deposits	Ba3 Positive Outlook	NP
Senior unsecured debt	B3 Positive Outlook	
Subordinated debt	B3	

April 2022

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

<b>Income Statement</b>	
<b>Fees and commissions</b>	Fees and commissions income less fees and commissions expenses
<b>Commercial banking income</b>	Net interest income and fees and commissions
<b>Capital markets results</b>	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
<b>Other operating results</b>	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
<b>Banking income</b>	Net interest income, fees and commissions, capital markets result and other results
<b>Operating costs</b>	Staff costs, general and administrative expenses and depreciation and amortisation
<b>Net operating income</b>	Banking income - operating costs
<b>Provisions and impairments</b>	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
<b>Balance Sheet / Liquidity</b>	
<b>Assets eligible as collateral for rediscount operations with the ECB</b>	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.
<b>Securities portfolio</b>	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.
<b>Due to customers</b> Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
<b>Net ECB funding</b>	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
<b>Total Customer Funds</b>	Deposits, other customer funds, debt securities placed with clients and off- balance sheet customer funds.
<b>Off-Balance Sheet Funds</b>	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
<b>Loan to deposit ratio</b> Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

<b>Asset Quality and Coverage Ratios</b>	
<b>Overdue loans ratio</b>	Ratio of overdue loans to total credit.
<b>Overdue loans &gt; 90 days ratio</b>	Ratio of overdue loans > 90 days to total credit.
<b>Overdue loans coverage ratio</b>	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
<b>Overdue loans &gt; 90 days coverage ratio</b>	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
<b>Coverage ratio of customer loans</b>	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
<b>Cost of risk</b>	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
<b>Non-performing loans</b>	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.
<b>Non-performing loans ratio</b>	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
<b>Non-performing loans coverage ratio</b>	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.
<b>Efficiency and Profitability Ratios</b>	
<b>Efficiency (Staff costs / Banking income)</b> 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).
<b>Efficiency (Operating costs / Banking income)</b> 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).
<b>Profitability</b> 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.
<b>Return on average net assets</b> Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
<b>Return on average equity</b> Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
<b>Return on tangible equity (RoTE)</b>	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%.

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 <sub>2</sub> e	tonnes of carbon dioxide equivalent
RWA	Risk weighted assets

# novobanco

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