

novobanco

INVESTOR PRESENTATION

November 2022



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This document includes unaudited financial information.

*Novo Banco, SA | Av. da Liberdade, n. 195 Lisboa, Portugal
Share Capital: 6 304 660 637.69 Euros represented by 10 391 043 938 shares
NIPC: 513 204 016 | LEI: 5493009W2E2YDCXY6S81*

AGENDA

Overview of novobanco

3Q22 Financial Performance

Key Themes

Closing Remarks

novobanco is a Portuguese bank focused on serving the domestic market...



~€230bn

Nominal GDP

Expected in 2022

~€250bn

Lending Assets

Banks total assets at €450bn

~10 million

Population

(<15 yrs: 13%; 15-64yrs: 65%; >65yrs: 24%)

~€360bn

Total Deposits

Households: €183bn (51%)
Financial & Non-financial: €84bn

~70%

Top 5 Banks share

Of Total lending assets

10.7%

novobanco market share

% of total loans

novobanco

1.5 million

Number of Clients

as of Sep-22

~€47bn

Total Assets

a leading player in Portuguese market

~€25.8bn

Gross Loan Book

+2.6% YoY

56%

Weight of Corporates

in the loan book

300

Branches

+22 corporate centers

49%

Commercial Cost to Income

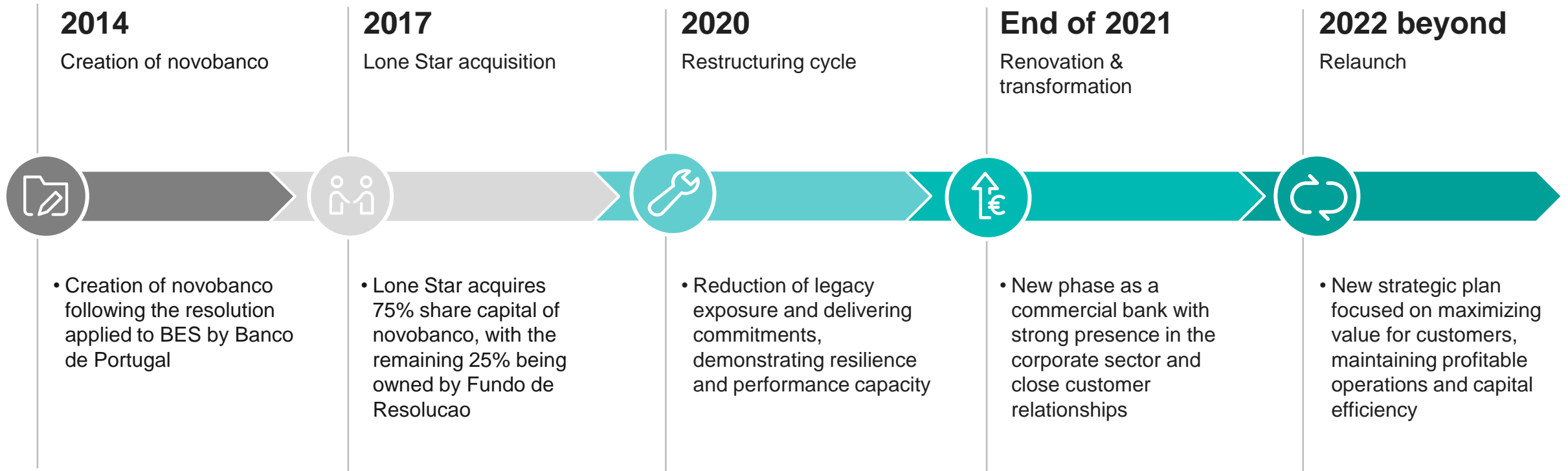
recurrent basis

12.4%

RoTE

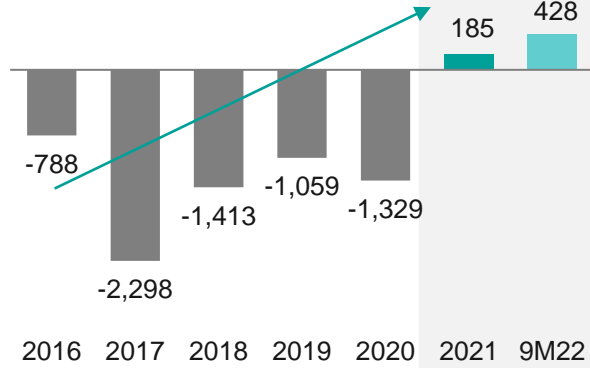
9M22 pre-tax

...and is now geared towards commercial transformation after completion of its restructuring process

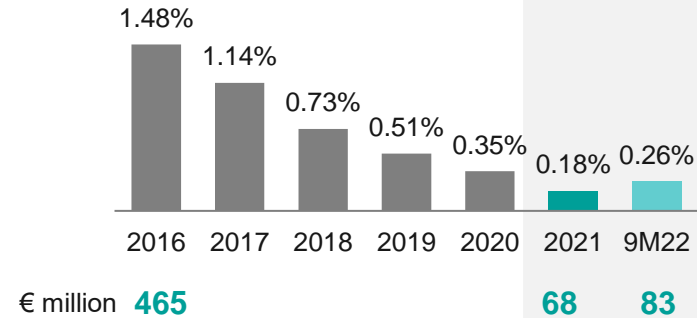


During the restructuring cycle, novobanco maintained strict discipline and, as of 2021, ensures value creation for stakeholders

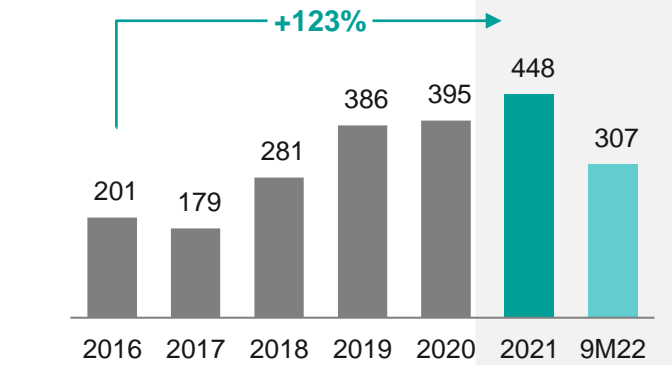
Net Income
(€ million)



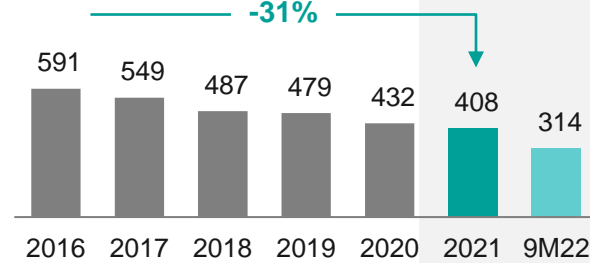
Interest Bearing Liabilities
(%)



Core Banking Income
(€ million)



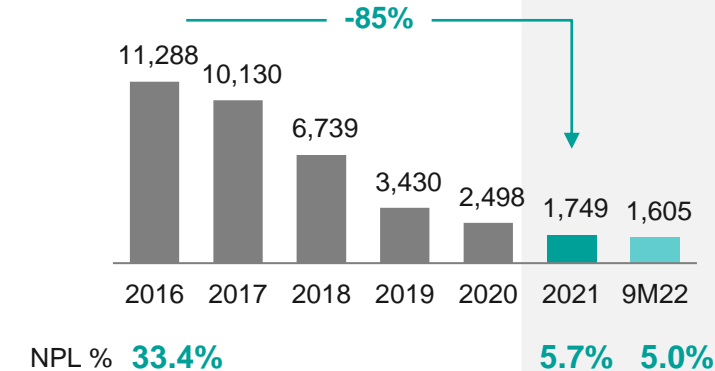
Operating Costs
(€ million)



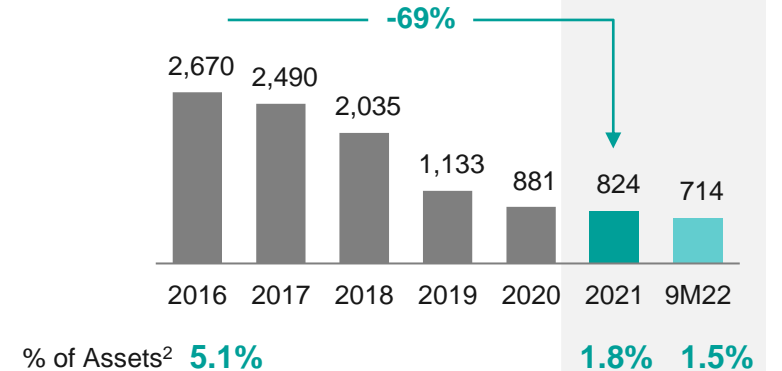
Employees **6 096**
Branches **537**

4 139
300

NPLs
(€ million; %)



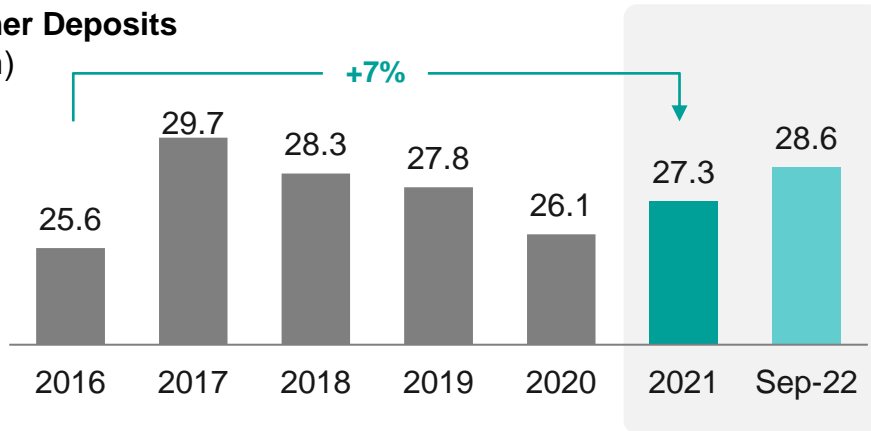
Real Estate Exposure
(€ million; %)



novobanco maintained its activity constant, despite adjustments in its size

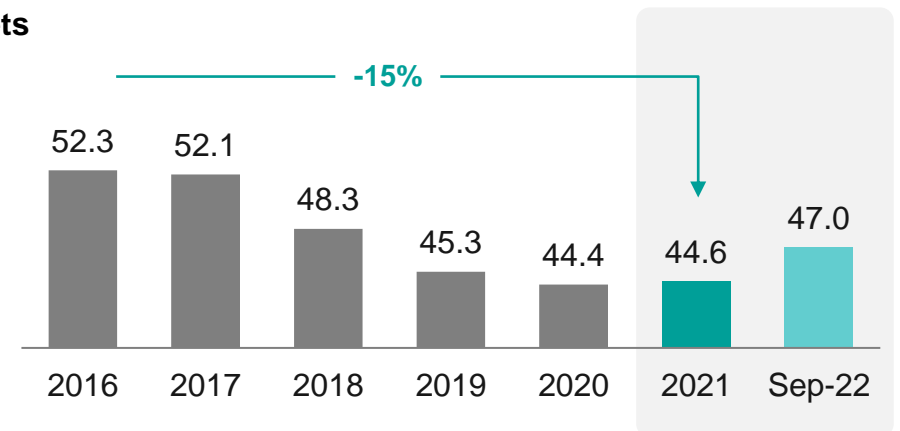
Customer Deposits

(€ billion)



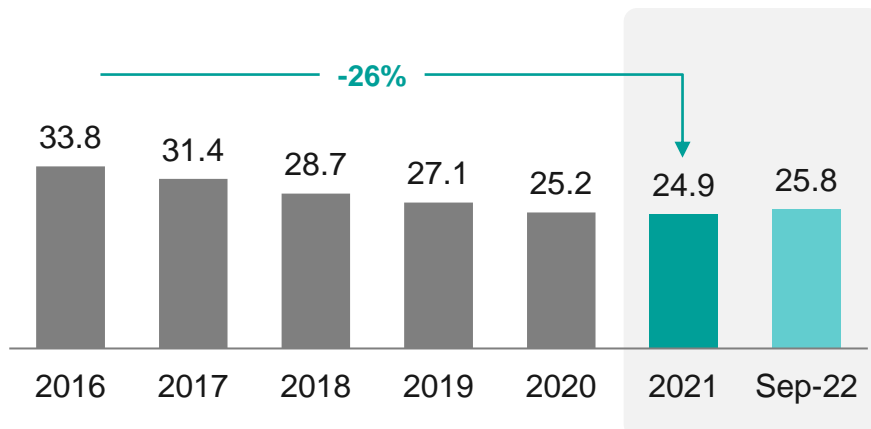
Total Assets

(€ billion)



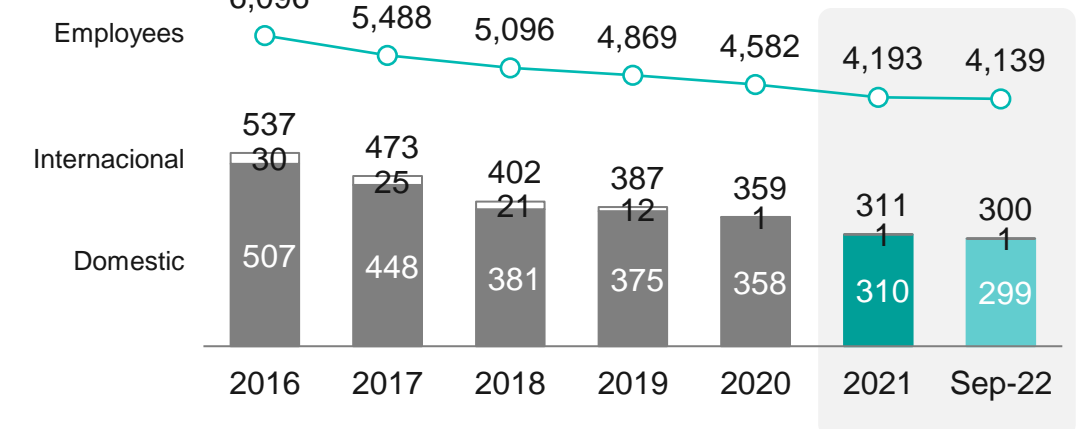
Customer Loans

(€ billion; gross)

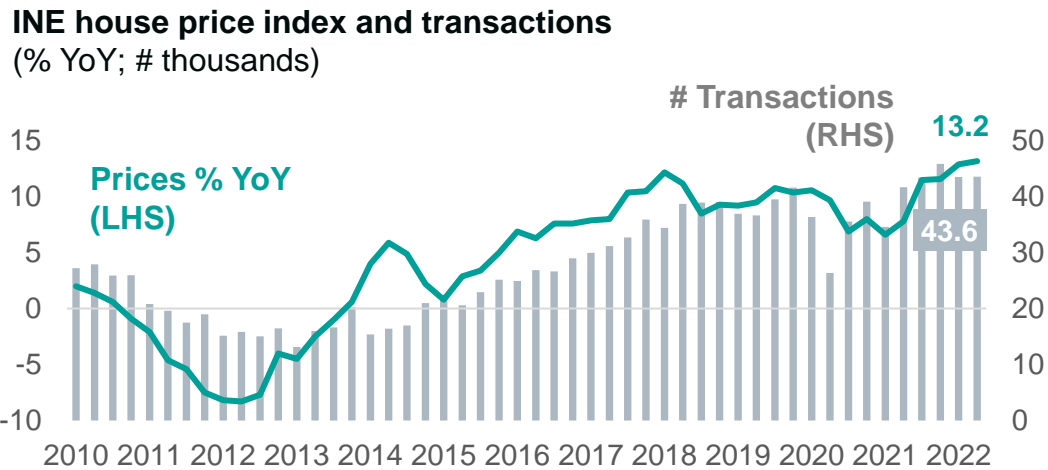
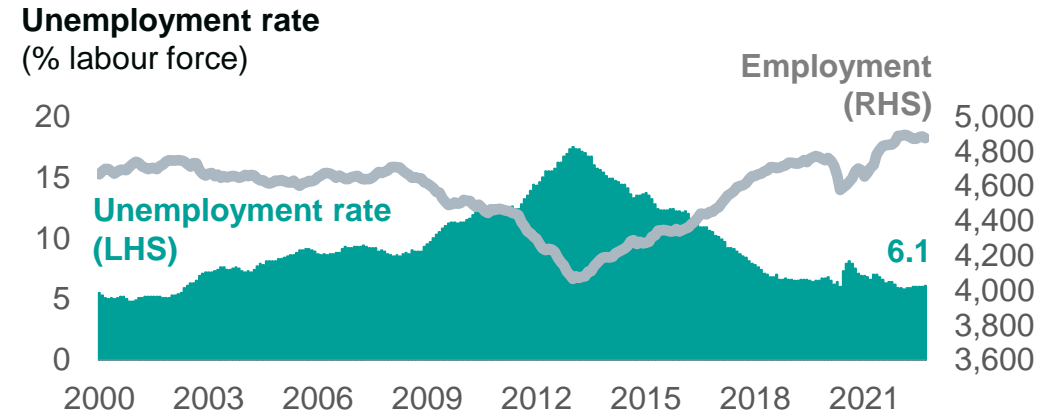
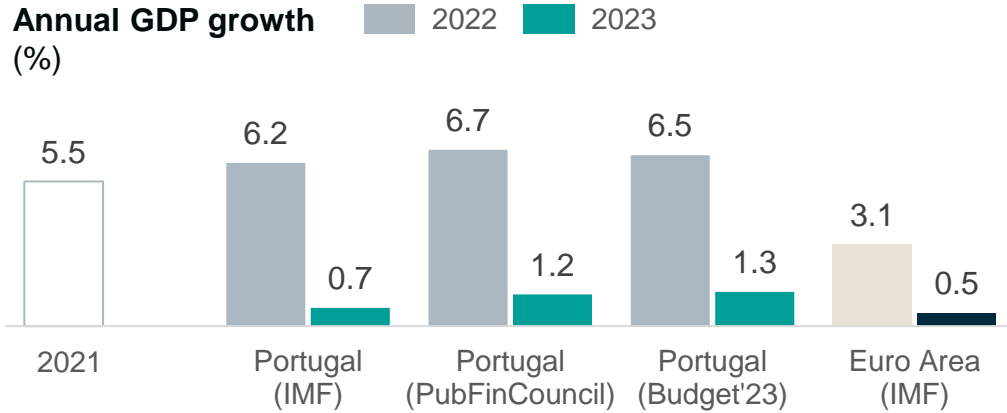


Branches and Employees

(number)

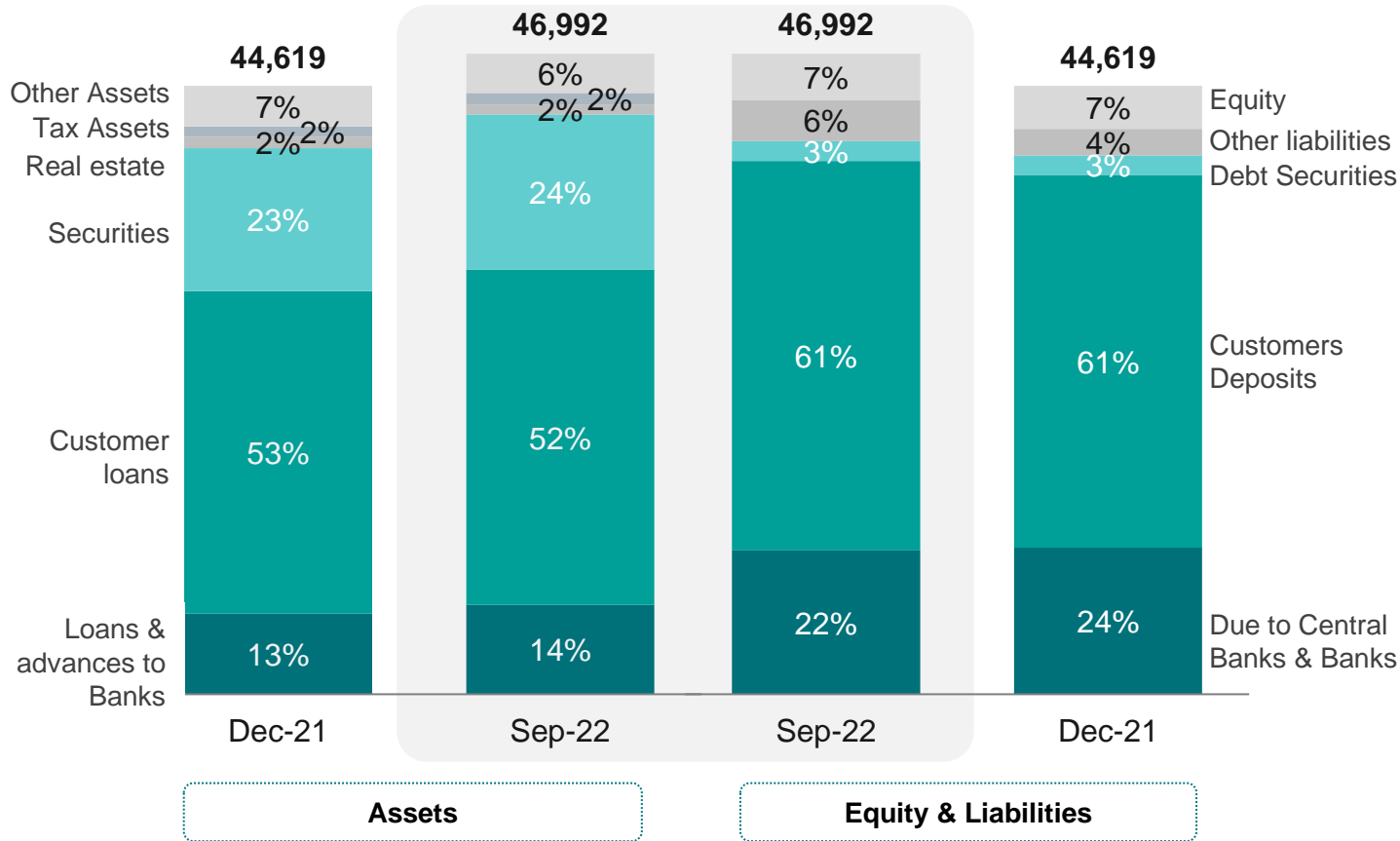


A domestic player in a market with 2022E GDP growth >6.5%, with resilient private consumption, strong recovery in tourism and rise in net exports,...



...with a solid Balance Sheet...

Consolidated Balance Sheet (€mn)



Assets

- **Net customer loans growth €0.9bn YTD** reflecting the higher pace of origination. Performing loan book €24.2bn growing +€1.1bn
- **Securities increased by €0.9bn YTD**, building up liquidity given the repayment of TLTRO III

Liabilities

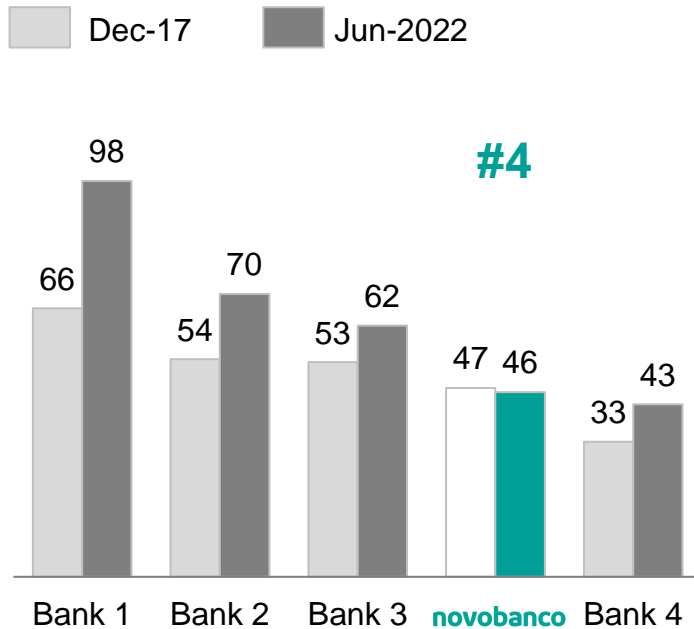
- **Customer Deposits growing €1.3bn (+4.6% YTD)**, with the outperformance of the Retail segment;
- **Other Liabilities change (+€1.0bn YTD)** mostly due to transactions pending settlement and derivatives margin and clearing accounts

Capital & Liquidity

- **CET 1 ratio of 12.7%, +90bps capital generation QoQ**, from organic profitability and acceleration of balance sheet deleverage (disposal of high density RWA);
- **Comfortable liquidity position with LCR at 193% and NSFR at 108%.**

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

A leading player in the Portuguese market
Total Assets – Domestic activity¹
 (Portuguese Banks, €bn)



Total Loans Market Share of 10.7%

Customer-centric

Reflecting evolving customer expectations through **distinctive value propositions**

Leveraging **digital and an omnichannel approach** as drivers of **service** and **proximity**

Skilled talent pool

Attracting and developing a team of **skilled, experienced** and **diverse** professionals

Developing a **dynamic, collaborative culture** in an environment adapted to the **new ways of working**

Simple & efficient

Simplifying the banking experience, through a superior usage of **technology and data**

Improving **internal processes** to upgrade **productivity and efficiency**

Sustainable business

Delivering **sustainable returns** through **disciplined risk, capital and funding management**

Strengthening integration of **ESG across business** to support sustainable growth and key stakeholders

9M22 achievements confirm novobanco execution skills, ...

9M2022

Customer-centric



1.5 million clients
including 56% of
SMEs in Portugal



€2.9bn
Loans originated
in 9M22



57.4%
Active digital channels;
Production +276% YoY



89%
Very satisfied clients -
Medium Enterprise

Simple and efficient



56.2%
Forms signed with
phygital



> 65%
Households: % of self-
service transactions



49%
Cost to income
(recurrent basis)



€149.1k (+3% YoY)
Commercial banking
income per avg employee

Skilled talent pool



4 139
Employees of Grupo
novobanco



> 54%
Women



~19
Average seniority
of employees



5.8k
Hours of ESG training to
employees

Sustainable business



12.4%
Return on Tangible
Equity



18.7%
MREL Ratio (above
binding of 17.66%)



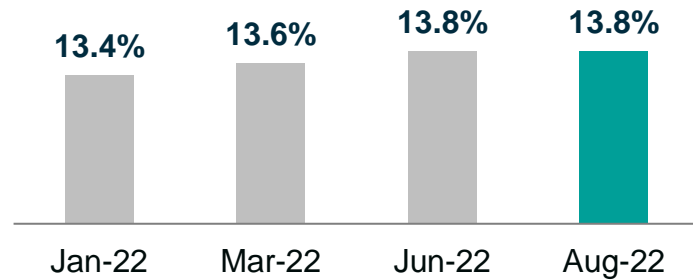
82.8%
Loan to Deposit
Ratio



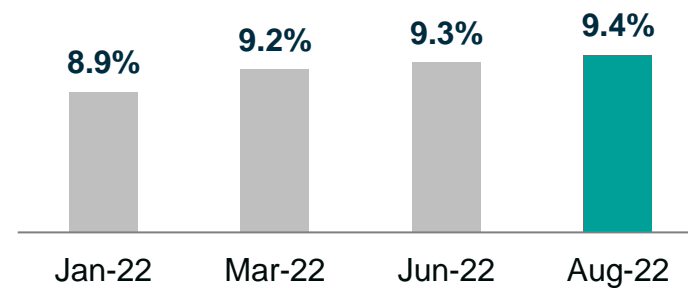
€279.6mn
Financing in green
investment (EU Taxonomy)

...competing as a strong and independent Portuguese bank focused on serving the domestic market

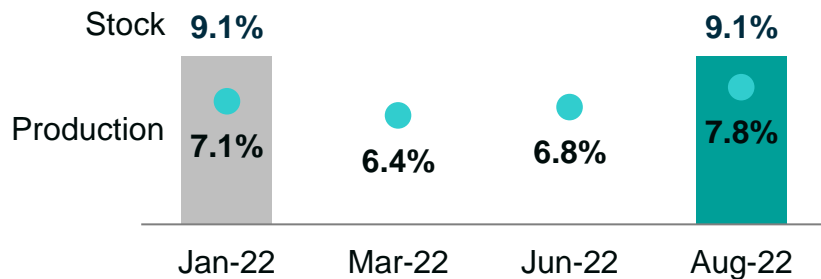
Corporate Market Share:
Stock¹



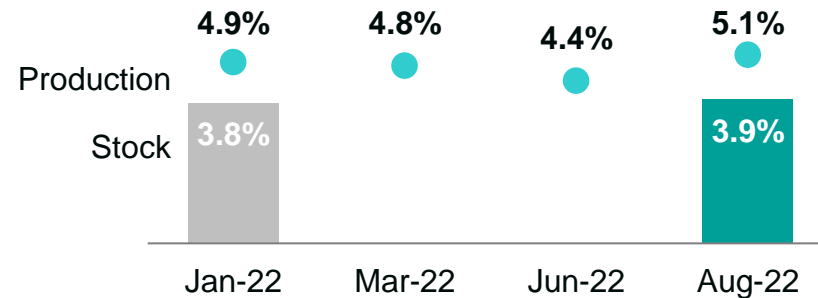
Deposits Market Share:
Stock



Mortgage Market Share
Stock and monthly Production



Consumer Market Share:
Stock and monthly Production



Leveraging **digital** and an **omnichannel approach** as drivers of **service and proximity**, increasing the **pace of origination** and moving towards an expanding loan book.

Being recognized by clients and the market:



Best Customer Experience:

App

Best Consumer finance lending:

Personal Finance Journey

Best SME Banking Solution:

online empresas

On track to deliver medium-term guidance with targets to be updated, by year end, to reflect current market environment

	9M21	9M22	Medium-term targets
Commercial Loan Book (performing)	€22.8bn	€24.2bn (+4.6% YTD)	2-3% per year <i>Expanding loan book</i>
Net Interest Margin	1.43%	1.32% (pro-forma)	[1.30 – 1.50%] <i>Set to benefit from Euribor repricing</i>
Cost-to-income	48%	49% (recurrent basis)	< 45% <i>Efficient operations</i>
CoR	61bps	20bps	< 50 bps <i>Achieving moderate risk profile</i>
NPL ratio	7.3%	5.0%	< 5% <i>Converging towards EU average</i>
RoTE (pre-tax)¹	8.2%	12.4%	≥ 10% <i>Delivering organic attractive returns</i>
CET 1	10.9%	12.7%	> 12% <i>Accelerating capital generation</i>

AGENDA

Overview of novobanco

3Q22 Financial Performance

Key Themes

Closing Remarks

Novobanco delivered a good set of numbers in 3Q22

novobanco announces a net income of €428.3mn in 9M22 (9M21: €154.1mn; 3Q22: €161.6mn) and **RoTE¹ improving to 12.4%**.

The business performance is in line with expectations. **The results confirm continued and stable profitability** of novobanco as well as its underlying ability to consistently and organically generate capital.

Moving towards an expanding loan book with €2.9bn customer loans origination in 9M22 (+44% YoY), of which 57% in the corporate segment. **Net customer loans at €24.6bn (+€934mn YTD)** reflecting the growth of the market-leading corporate segment, as well as the mortgage loan book. **Deposits increasing by 4.6% YTD (€1.3bn)**, driven by the Retail segment.

NII was €405.9mn (-5.6% YoY), with YoY evolution reflecting the improvement of the assets average rate and, on the other side, the impact of senior debt issuance in 4Q21 and accounting of TLTRO 3 interest expense based on forward-looking ECB deposit rate. NII, reflecting amended TLTRO III, would be €7.5mn higher. Reflecting a strong performance and an improved quarterly trend, **fee income increased by +3.8% YoY**. Operating costs of €314.2mn (+2.8% YoY) given one-off costs, cost control remains in place with **Cost/Income ratio² at 49% on a recurrent basis**.

CoR of 20bps (9M21: 61bps or 40bps ex-Covid related provisions) benefiting from successful recovery of moratoria clients, resilient asset quality and contained macroeconomic impacts. **NPL ratio of 5.0%** (Dec-21: 5.7%; Dec-20: 8.9%) and a **NPL coverage at 77.2%** (Dec-21: 71.4%), given the successful ongoing de-risking strategy. **RE exposure decreasing to 1.5% of total assets** (-0.3pp YTD).

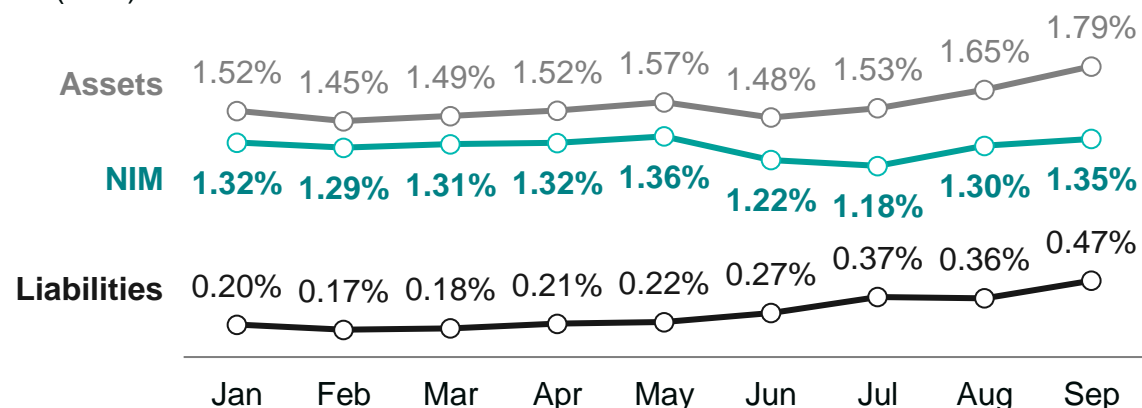
Driven by strong bottom-line profitability, **CET 1 increased 90bps in the quarter to 12.7% reaching a capital generation of 160bps YTD, fully-loaded CET 1 at 12.1% (+200bps YTD)**. **Total capital ratio reached 14.9%** (Jun/22: 13.9%), **above the 13.5% OCR³ requirement allowing build-up of P2G buffer**. A capital accretive business model, RWA discipline, combined with specific management action ensure early compliance with normalised post-pandemic capital requirements.

A strong 3Q performance with a positive NIM trend: higher Euribor, more than offsetting funding costs and TLTRO III phase-out

Income Statement (€mn)	1Q22	2Q22	3Q22	▲QoQ €mn
Net Interest Income	133.5	134.5	137.9	+3.4
+ Fees & Commissions	68.8	75.6	71.3	(4.3)
= Commercial Banking Income	202.3	210.1	209.2	(0.9)
+ Capital Markets Results	91.4	-5.6	-17.6	(12.0)
+ Other Operating Results	16.7	56.5	88.0	+31.5
= Banking Income	310.4	261.0	279.6	+18.6
- Operating Costs	103.6	105.1	105.5	+0.4
= Net Operating Income	206.8	155.9	174.1	+18.2
- Net Impairments & Provisions	21.8	-2.0	2.7	+4.7
= Income Before Tax	185.0	157.9	171.4	+13.5
- Corporate Income Tax	7.4	11.6	8.9	(2.7)
- Special Tax on Banks	34.1	-	-	-
= Income after Taxes	143.5	146.4	162.5	+16.1
- Non-Controlling Interests	0.9	22.3	0.9	(21.4)
= Net Income for the period	142.7	124.0	161.6	+37.6

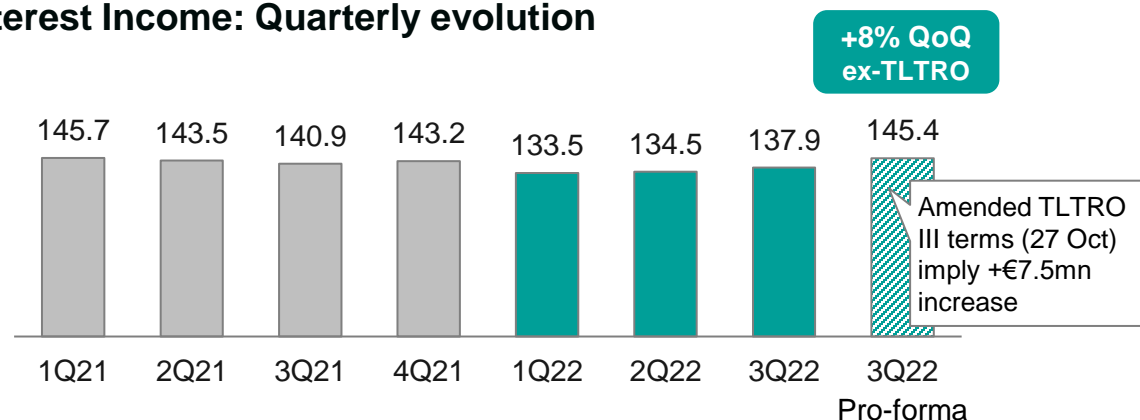
Net Interest Margin: Monthly evolution

(€mn)



Net Interest Income: Quarterly evolution

(€mn)



Maintaining a solid Balance Sheet...

Balance Sheet (€mn)

Assets	Dec-21	Sep-22	▲ YTD	
			€mn	%
Loans and advances to banks	5,922	6,553	631	10.7%
Customer loans (net)	23,651	24,585	934	3.9%
Real estate	824	714	(110)	-13.4%
Securities	10,471	11,385	915	8.7%
Non-current assets held for sale	9	12	3	29.3%
Current and deferred tax assets	780	873	93	12.0%
Other assets	2,962	2,870	(92)	-3.1%
Total Assets	44,619	46,992	2,373	5.3%

Liabilities & Equity	Dec-21	Sep-22	▲ YTD	
			€mn	%
Customer deposits	27,315	28,582	1,267	4.6%
Due to central banks and banks	10,745	10,532	(213)	-2.0%
Debt securities	1,470	1,467	(3)	0.2%
Non-current liabilities held for sale	1	2	1	86.2%
Other liabilities	1,938	2,998	1,060	54.7%
Total Liabilities	41,469	43,581	2,112	5.1%
Equity	3,149	3,411	262	8.3%
Total Liabilities and Equity	44,619	46,992	2,373	5.3%

Assets

- **Net customer loans growth €0.9bn YTD** reflecting the higher pace of origination. Performing loan book €24.2bn growing +€1.1bn
- Securities increased by €0.9bn YTD, building up liquidity given the repayment of TLTRO III

Liabilities

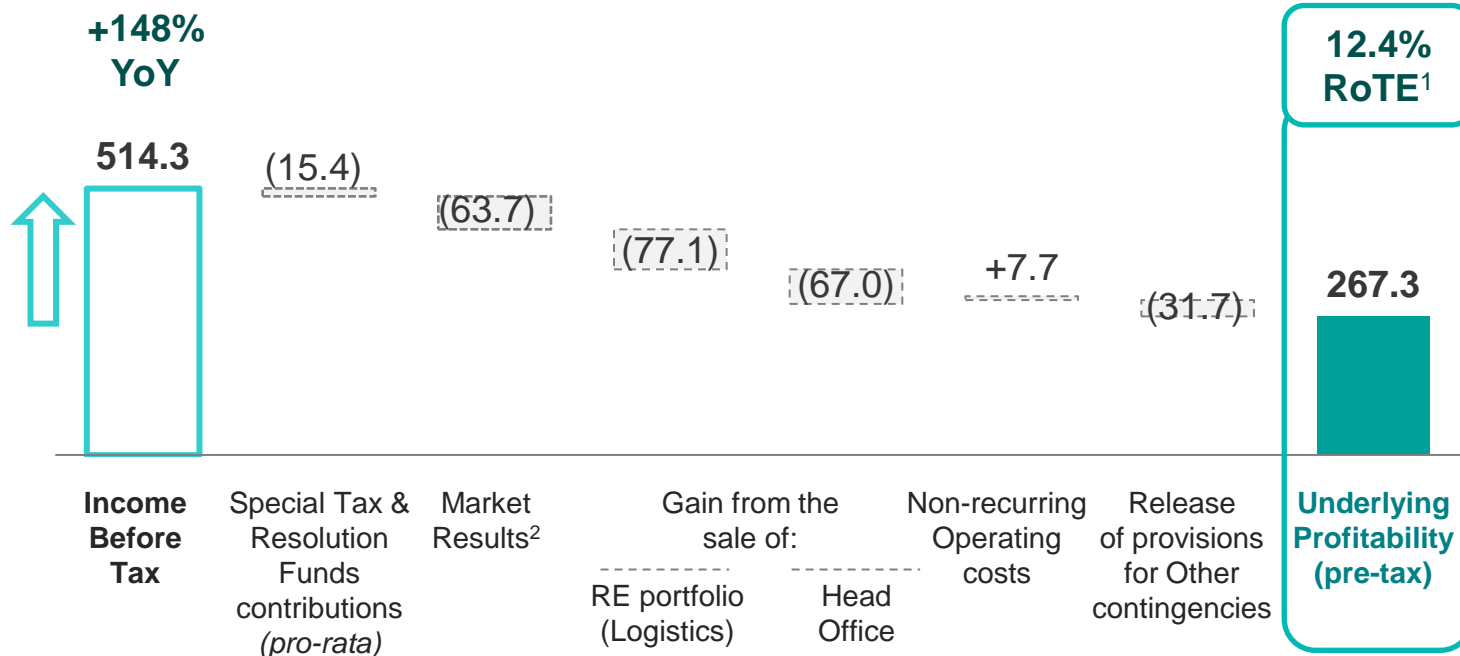
- **Customer Deposits growing €1.3bn (+4.6% YTD)**, with the outperformance of the Retail segment;
- Other Liabilities change (+€1.0bn YTD) mostly due to transactions pending settlement and derivatives margin and clearing accounts

Capital & Liquidity

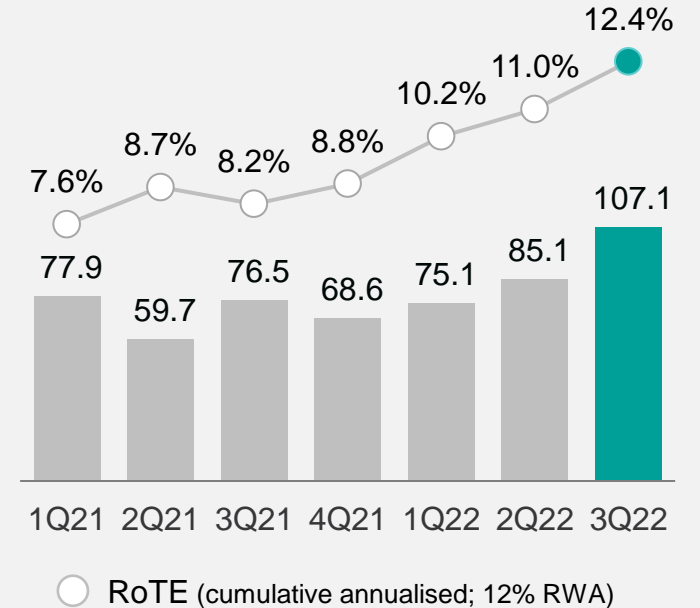
- **CET 1 ratio of 12.7%, +90bps capital generation QoQ**, from organic profitability and acceleration of balance sheet deleverage (disposal of high density RWA);
- **Comfortable liquidity position with LCR at 193% and NSFR at 108%.**

... and reaching RoTE of 12.4%, a further confirmation of the sustainability of its trajectory

From Income Before Tax to Underlying Profitability (9M22; €mn)



Underlying Profitability (€mn; pre-tax)



A solid business model delivering RoTE¹ of 12.4%, with further upside driven by increasing interest rates and assets repricing.

AGENDA

Overview of novobanco

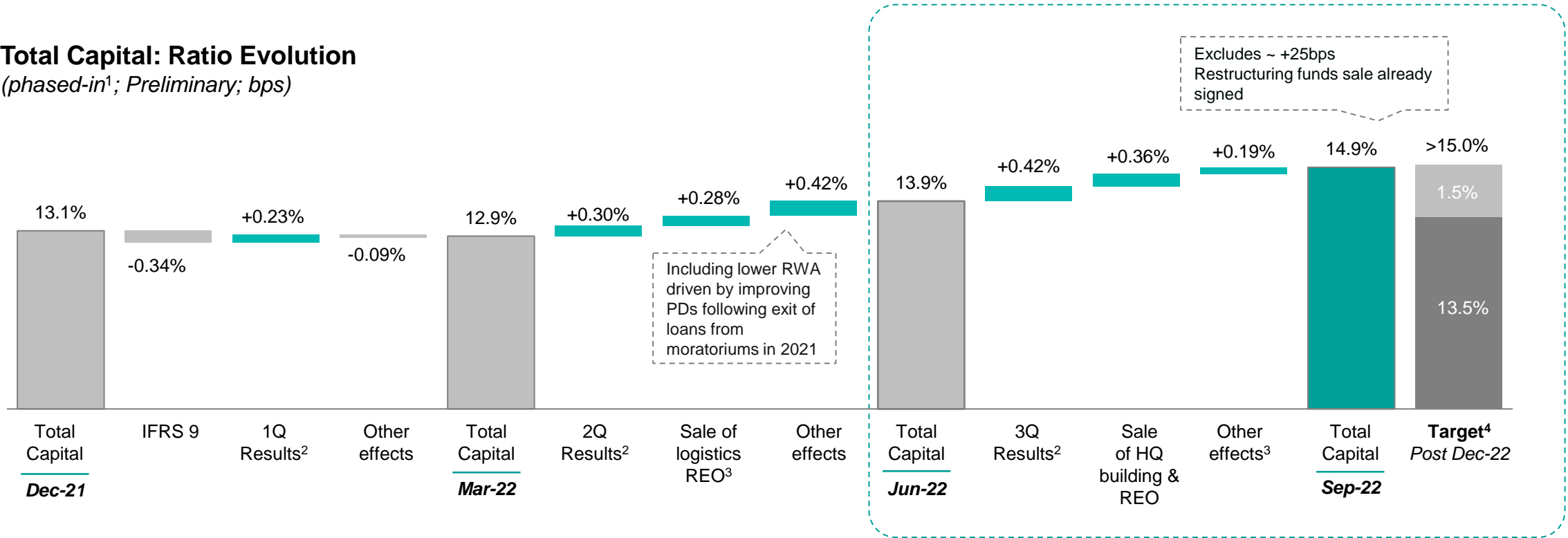
3Q22 Financial Performance

Key Themes

Closing Remarks

Capital increasing by 1.0pp in the 3Q22, driven by capital-accretive business model...

Total Capital: Ratio Evolution (phased-in¹; Preliminary; bps)



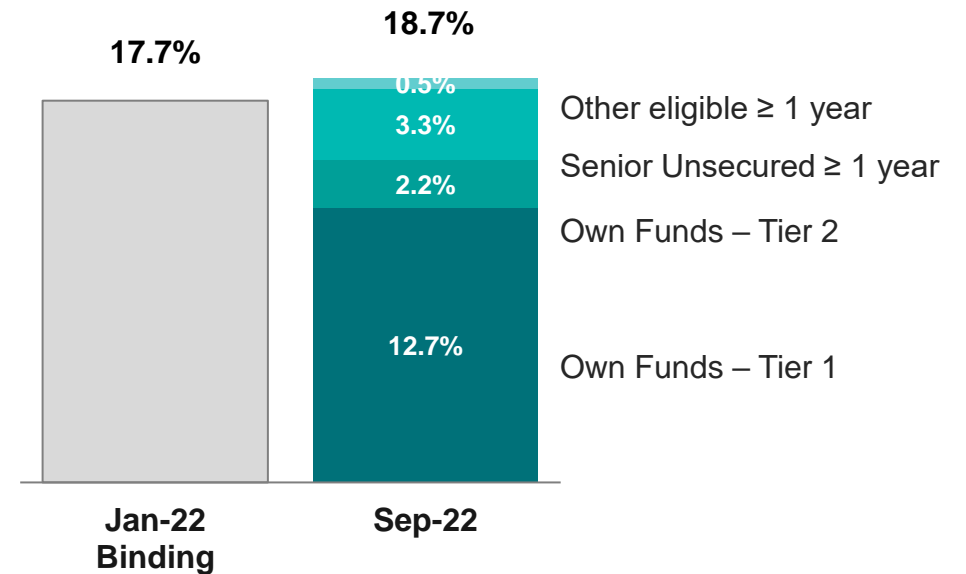
...and execution of measures to continue to comply with capital requirements going forward.
Execution of the de-risking strategy delivering Total Capital already above 13.5% OCR requirement and building P2G buffer.

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

MREL requirements:
(BdP notification of May 2022; %)

	Jan-22	Jan-26
TREA ¹	15.14%	23.16%
Combined Buffer	2.52%	n.a. ²
Total	17.66%	23.16% + CBR
LRE ³	5.91%	5.91%

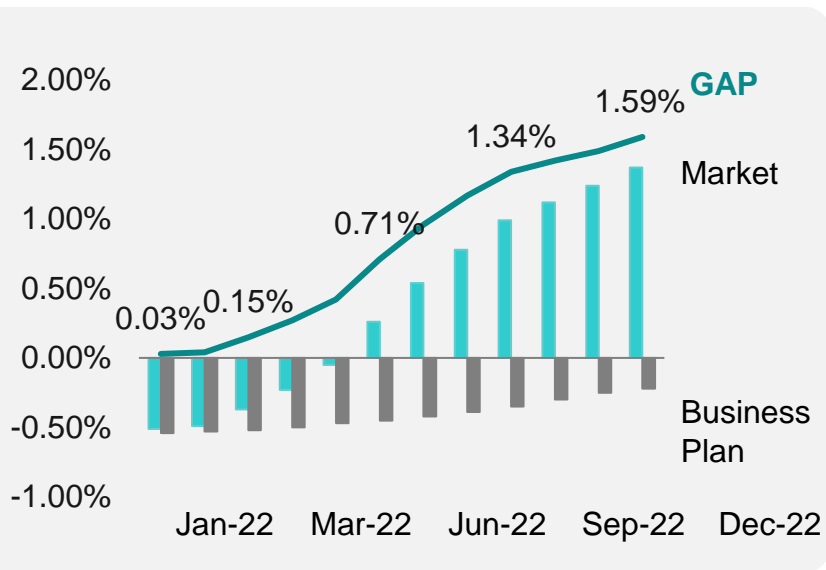
MREL ratio
(% RWA; Preliminary)



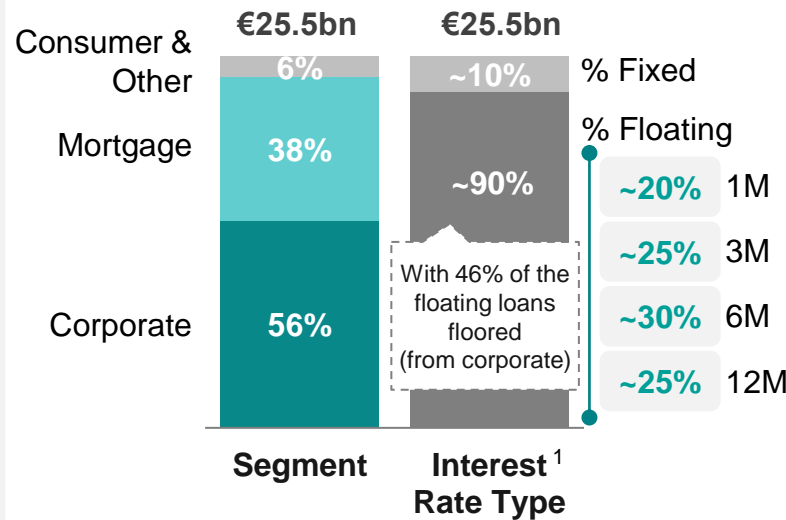
Organic capital generation and acceleration of balance sheet deleverage to contribute positively to MREL evolution.

With ~90% of the loan book floating, the repricing of Euribor will lead to higher NII

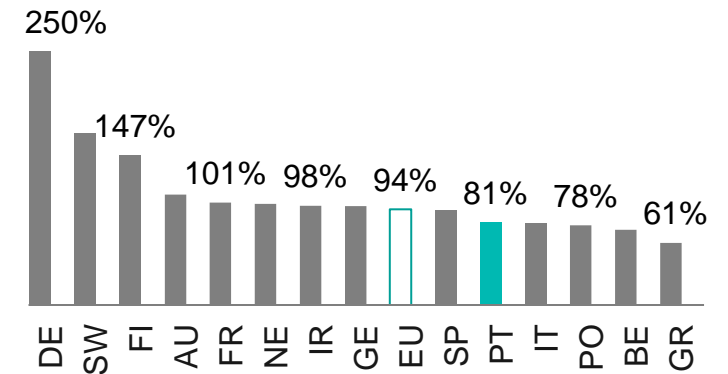
6-months Euribor curve
(%; as of 18-Jul)



Loans to Customers
(Gross Book Value; €bn)



Loan-to-Deposit ratios in Europe²
(%; March Data)



Ample liquidity in Portuguese banking sector

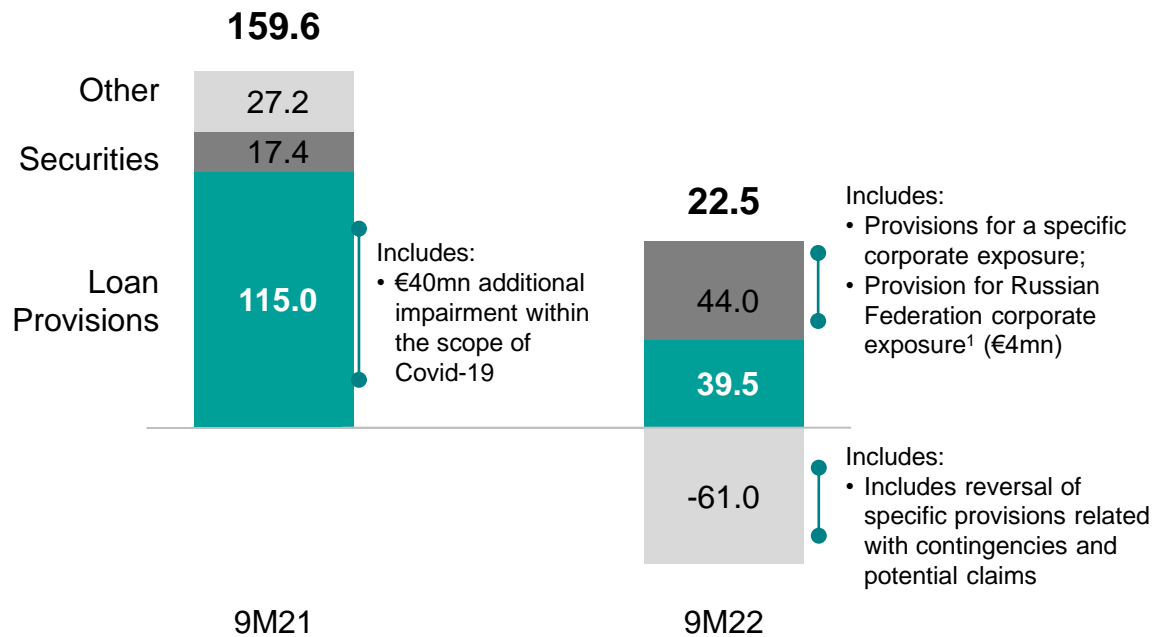
- ~€3.0bn of investment portfolio, yielding ~0.7%, matures within 2 years; investment portfolio at amortised cost is >50% hedged
- No zero Euribor floor on mortgages
- No structural deposits hedges
- No negative rates for retail & corporate deposits in Portugal

Provisions below run-rate reflecting a benign economic environment in 9M22

Impairment and Provisions

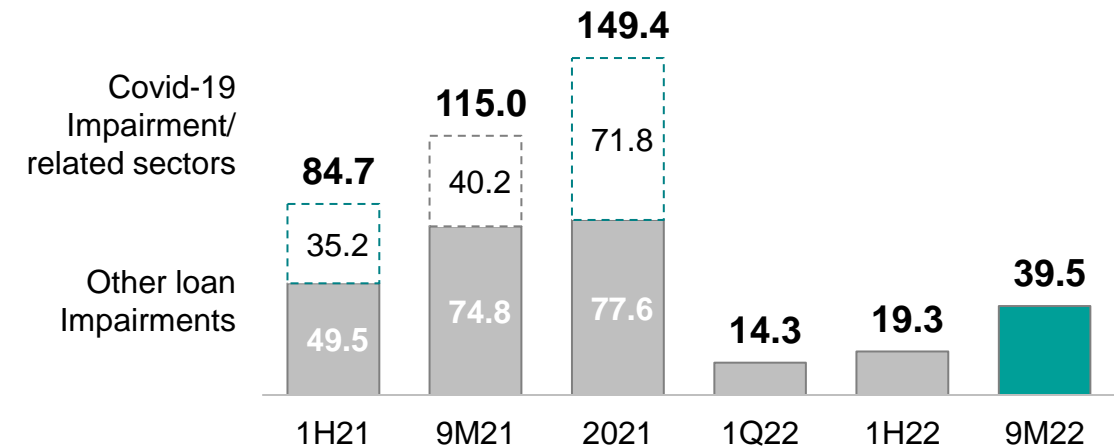
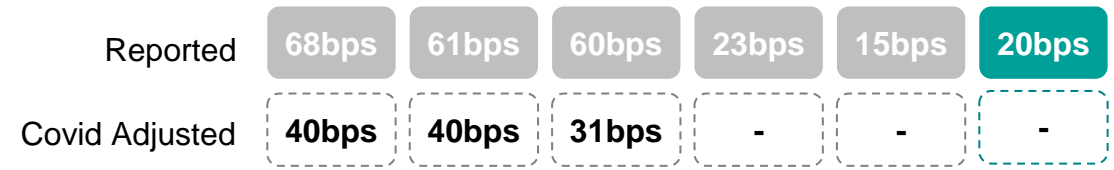
(€mn; %)

Loan Provisions Securities Other



Cost of Risk & Loan Provisions

(€mn; bps)

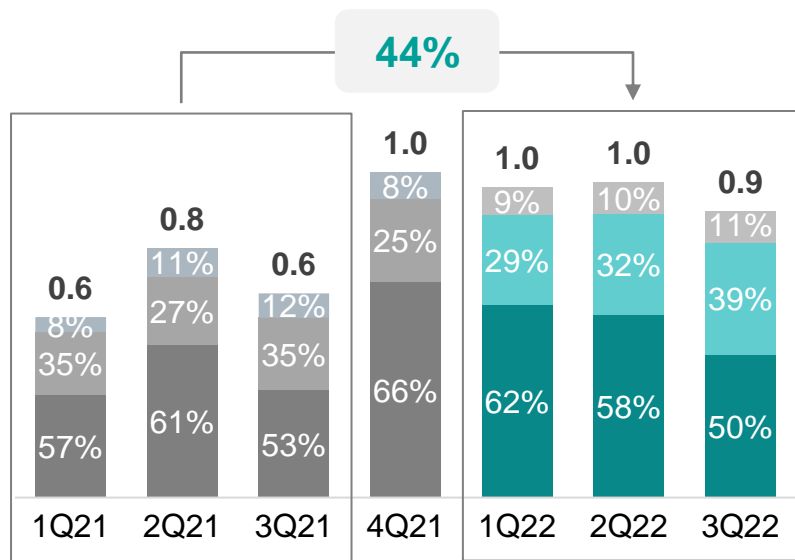


Moving towards expanding loan book with €2.9bn customer loans originated YTD

Loans to Customers: Origination

(€bn; %)

■ Corporate ■ Mortgage ■ Consumer & Other



New Distribution Model & Omnichannel

- **Promote customer relationship:** an innovative functional layout focused on customer relationship and an integrated experience (ie: distinctive self-service, employee mobility, digital communication)
- **3-yr nationwide investment** program of ~€120mn

Reconfiguration of Sectorial View

- **Deploying a specialized approach** for priority sectors (ie: Agriculture, Tourism, Manufacturing, Retail & Services)
- **Partnering with specialists** to provide our customers a wide range of solutions (ie: EU-funding)

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

205

Branches converted (~70% of total)

SME

representing >65% of Corporate origination

Pricing

of new loans is subject to RAROC hurdles

New management team and organization focused to deliver the next stage of novobanco's development, competing as a strong and independent Portuguese corporate and retail bank

AGENDA

Overview of novobanco

3Q22 Financial Performance

Key Themes

Closing Remarks

Closing Remarks

Delivering **improved profitability with consistent profits over the last 7 quarters**, reflecting a solid performance of the top-line together with efficiency measures implemented in recent years.

Expanding the loan book with **business performance in line with expectations** for this first semester, despite the highly challenging environment.

Maintaining a clear profitability turnaround enabled by restructuring efforts over recent years, delivering organic **RoTE of 12.4%** (pre-tax).

Total Capital at 14.9%, increasing by 100bps in the quarter driven by strong bottom line profitability and specific measures to ensure compliance with normalised post-pandemic capital requirement.

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

ANNEX

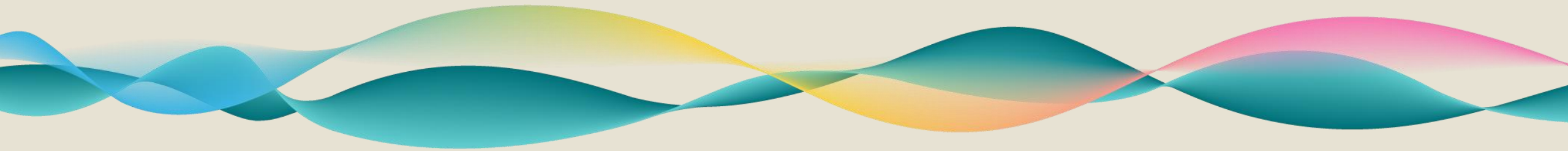
Portuguese macroeconomic environment

Corporate Governance & ESG

9M22 Financial Statements

Ratings

Glossary



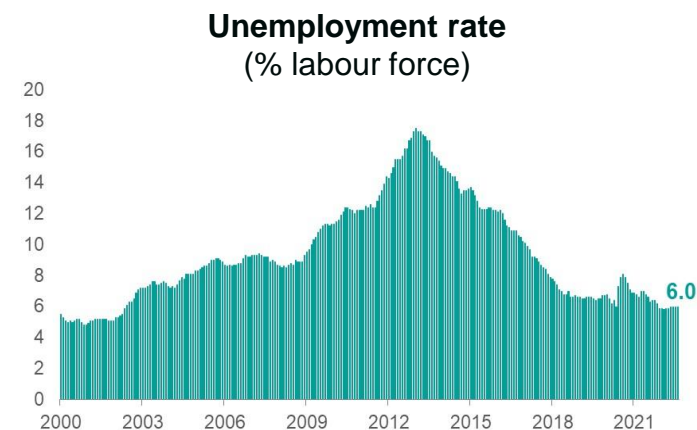
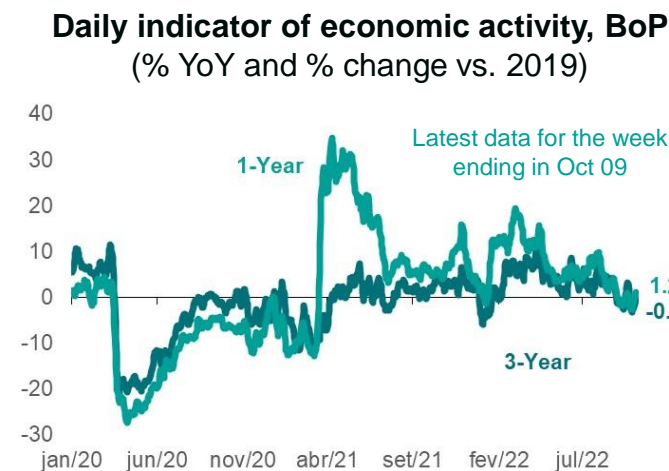
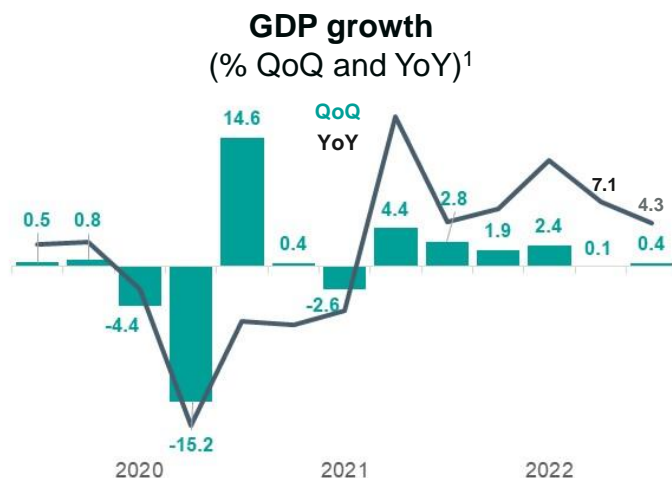
Macroeconomic environment

Annual GDP growth well above 6% is expected in 2022, supported by resilient private consumption, a strong recovery in tourism and a rise in net exports. Unemployment remains low.

After 2.4% QoQ in the first quarter and 0.1% QoQ in the 2Q22 (12% and 7.4% YoY), GDP increased 0.4% QoQ in the 3Q22, or 4.9% YoY).

Annual GDP growth is expected well above 6% in 2022 (vs. 3.1% in the Euro Area), supported by:

- I. Resilient private consumption growth, with removal of Covid-19 constraints, release of savings accumulated in the pandemic and policy support to households;
- II. Strong improvement in tourism activity and higher exports growth;
- III. Persistence of low unemployment rates.



(1) 3Q 2022 estimate; Sources: INE, Bank of Portugal, novobanco.

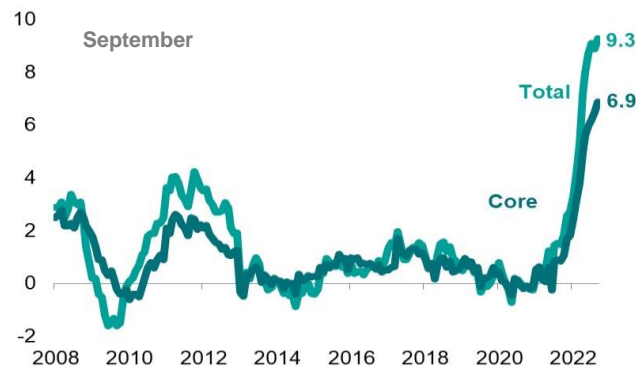
Macroeconomic environment

Impacts from the war in Ukraine, through higher inflation and interest rates, should be mitigated by policy measures supporting liquidity and income, and limiting the rise in energy prices.

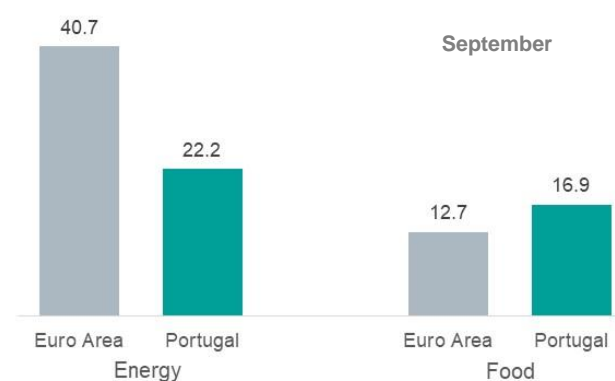
CPI inflation rose from 3.3% to 9.3% YoY in 9M 2022. Producer prices were up by 19.6% YoY in September. The impact from higher inflation should be mitigated by:

- I. Direct income transfers to households; temporary reduction of electricity VAT from 13% to 6%; tax measures increasing household liquidity in the short term (e.g. lower tax withholding rates); 2% cap in rent increases; temporary possibility of transition to the regulated gas market; freeze in public transportation prices and tariffs; etc.
- II. A price cap mechanism, decoupling electricity prices from gas prices.
- III. €3 bn programme to mitigate the effect of the rise in electricity and gas costs for firms (estimated reductions of 30%-31% in the electricity bill and 23%-42% in the gas bill vs. costs projected for 2023).

Headline and core inflation rate
(CPI, % YoY)



Energy and food CPI Inflation, Portugal and Euro Area (CPI, % YoY)



Industrial producer price index
(% YoY)



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



Sources: INE, OE 2023, novobanco.

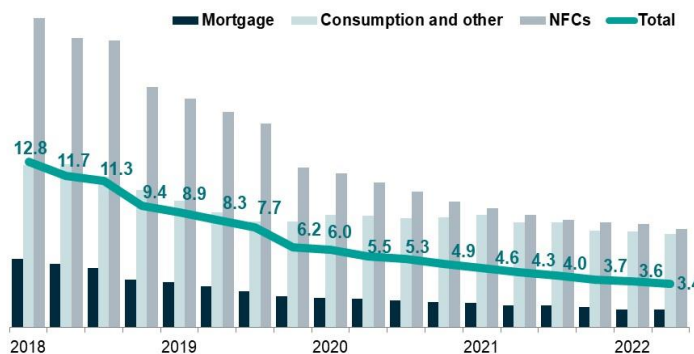
Macroeconomic environment

Improvement in public accounts has created room for policy support. NPLs and sovereign spreads remain contained. Resilient growth in house prices, supported by strong external demand.

The improvement in public accounts has allowed for policy measures, mitigating the impacts from the pandemic and from the war in Ukraine. Unemployment and NPLs have remained contained. Resilient growth in house prices, supported by strong external demand.

Contained rise in sovereign spreads reflects improved fundamentals vs. previous crisis.

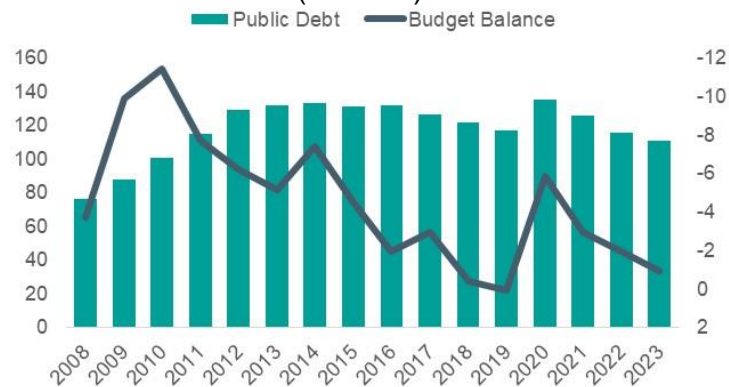
Non-performing loans
(% of total gross loans)



INE house price index
(market prices, % YoY)

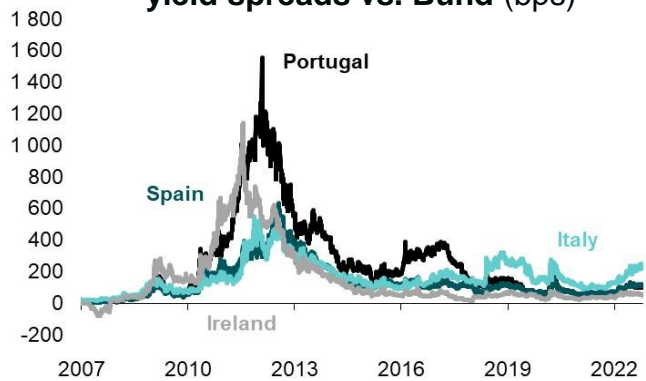


Public deficit and debt
(% GDP)

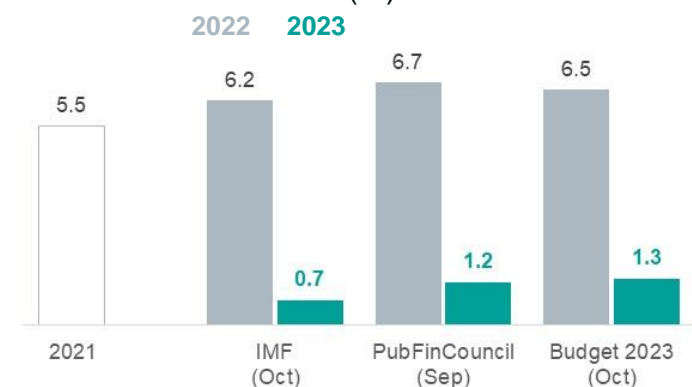


Sources: INE, Bank of Portugal, DDAE.

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



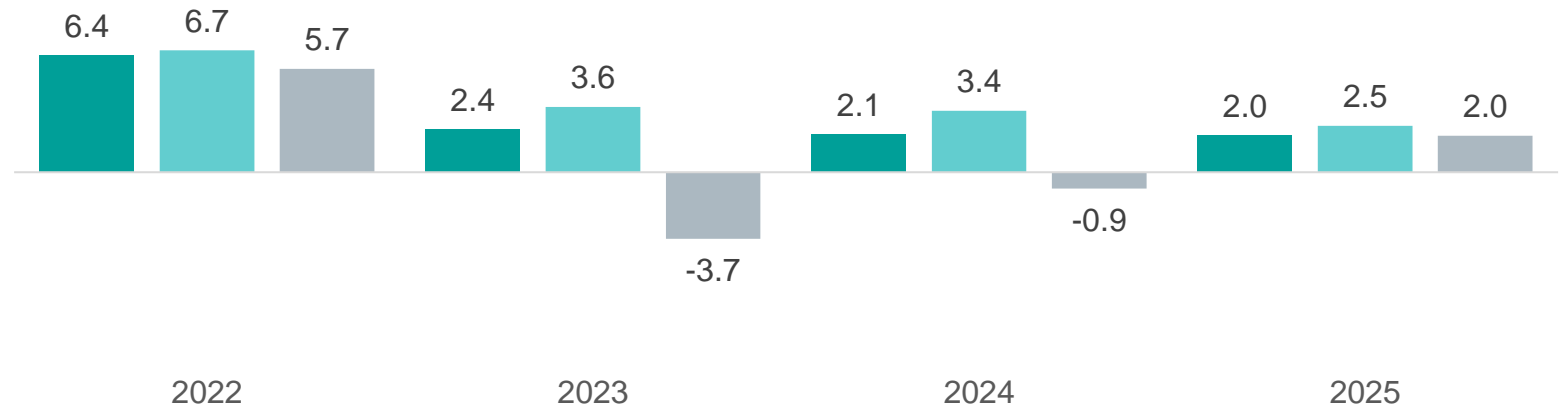
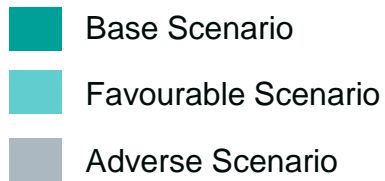
Annual GDP growth
(%)



Implied Macroeconomic scenarios

	Unit	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
		Base Scenario				Favourable Scenario				Adverse Scenario			
GDP	Real growth %	6.4	2.4	2.1	2.0	6.7	3.6	3.4	2.5	5.7	-3.7	-0.9	2.0
Domestic Demand	Real growth %	4.5	2.1	2.0	2.0	4.6	3.9	3.2	2.5	3.7	-3.4	-0.6	1.9
CPI	%	5.9	2.6	2.0	1.7	5.9	2.1	1.8	1.7	8.7	6.6	4.3	2.4
Unemployment	% labour force	5.8	5.7	5.8	5.8	5.7	5.4	5.3	5.1	6.3	9.4	13.7	11.6
Real Estate (Residential)	%	8.3	2.5	4.8	5.0	8.3	6.9	5.7	4.9	7.1	-8.5	-10.1	-1.3
Real Estate (Commercial)	%	3.6	-0.2	1.3	1.5	3.6	3.1	2.6	2.1	3.3	-10.3	-12.2	-1.6
Euribor (annual average)													
3-month	%	0.01	1.62	2.02	2.08	0.01	1.75	2.40	2.53	0.37	3.23	4.28	3.60
6-month	%	0.28	1.75	2.04	2.10	0.28	1.88	2.42	2.55	0.64	3.34	4.27	3.55
12-month	%	0.65	1.87	2.06	2.15	0.65	2.01	2.45	2.58	2.25	4.42	4.12	2.97

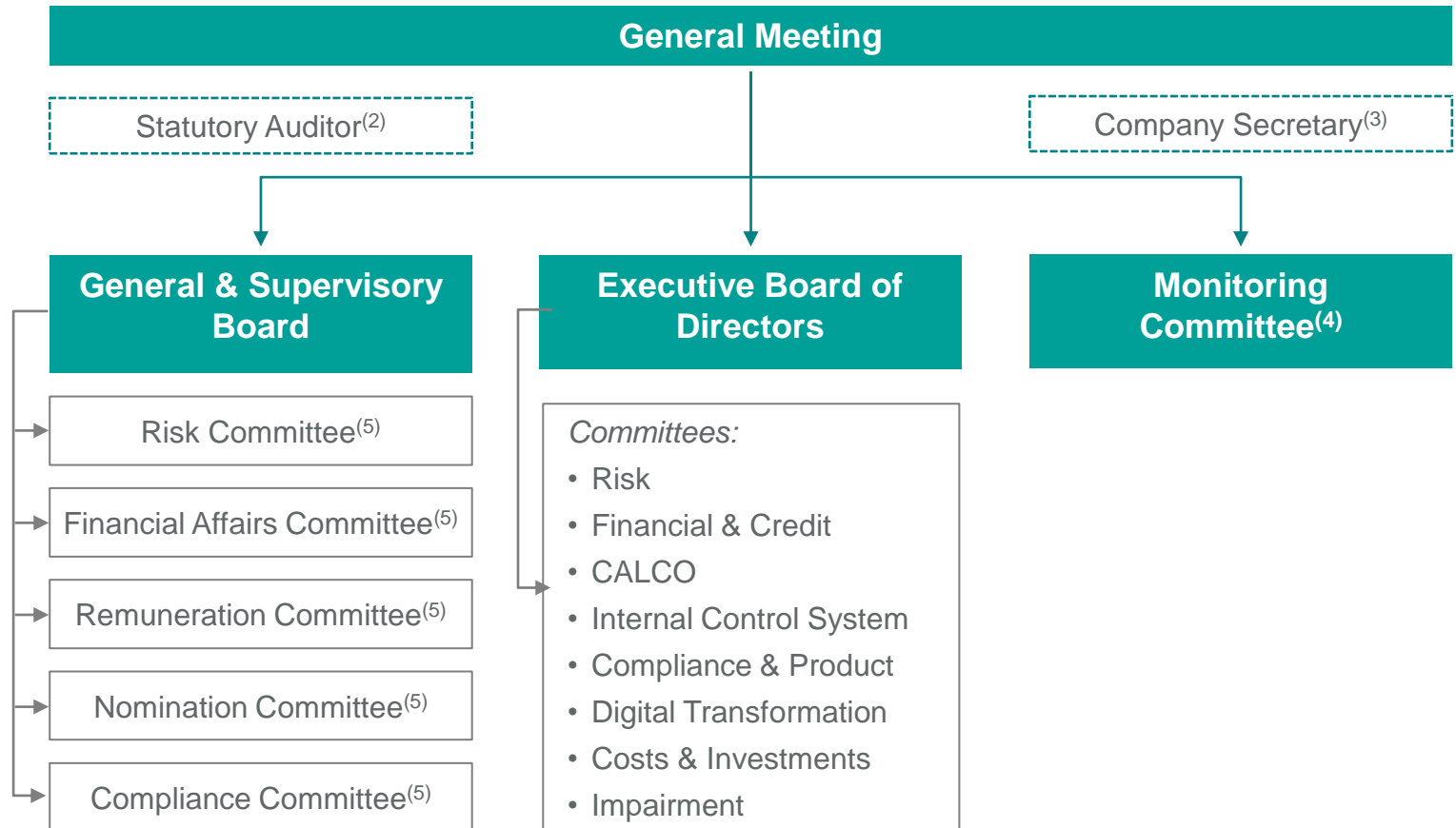
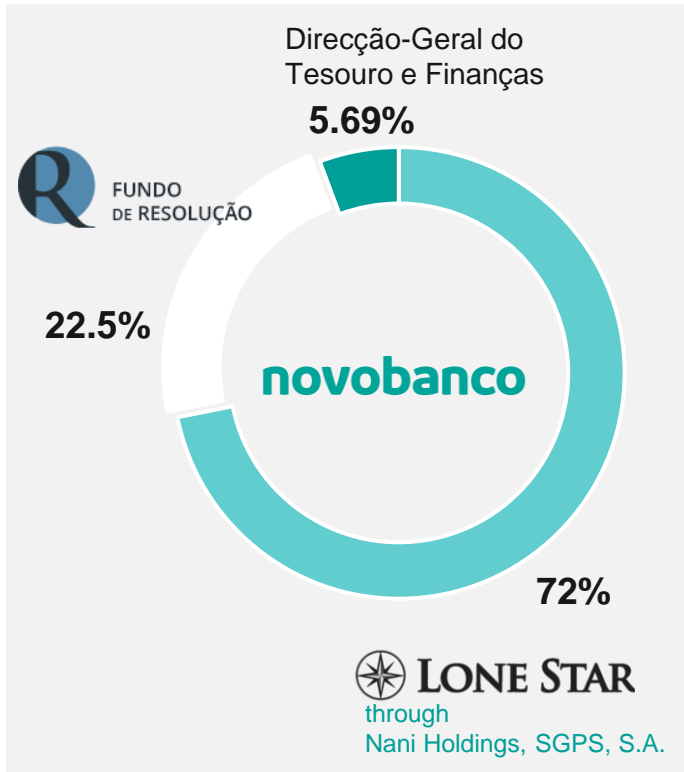
GDP (Real growth; %)



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

Shareholder Structure¹

(November 10th 2022; %)



(1) as a result of the agreements celebrated between the Resolution Fund and the Shareholder Lone Star in the context of the sale of 75% of the shares of novobanco, only the Resolution Fund will see its participation diluted with the conversion of the conversion rights, pending the delivery of the shares of the Resolution Fund to Nani Holdings on November 10th 2022; (2) Elected by the General Meeting upon a proposal of the General and Supervisory Board; (3) 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. (4) 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; (5) 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, and since Aug-22, a new composition of the EBD

General and Supervisory Board

4-years term: 2021 to 2024

Chairman

Byron Haynes ⁽¹⁾

Vice-chairman

Karl-Gerhard Eick ⁽¹⁾

GSB Members

Donald Quintin

Kambiz Nourbakhsh

Mark Coker

Benjamin Dickgiesser

John Herbert ⁽¹⁾

Robert A. Sherman ⁽¹⁾

Carla Antunes da Silva ⁽¹⁾

William Henry Newton ⁽¹⁾

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

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*

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:

- Defined annual goals for green production which were subject to thorough internal discussions, involving the key business lines and considering the potential alignment with the EU Taxonomy (a conservative approach as compared with current market practices).
- A baseline amount was computed, assessing historical production by segment/ business line, that informed targets set. Monitoring on a quarterly is ensured on a segment basis.

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 (i.e., 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.
- Implementation schedule: a) 2022YE technical developments concluded; b) 2023E pilot (covering sampled sectors)/ silent-run and roll-out (for remaining key sectors).

Credit Risk:

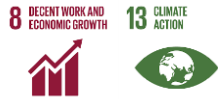
- Simplified approaches are already in place for pricing (ie: specific credit products have been designed to include ESG criteria broadly consistent with the Taxonomy requirements; promotional pricing allowed in those cases, as they are assessed as better prepared to face the transition risks).
- Once structural developments in terms of the risk methodologies are concluded, novobanco will be able to assess the performance of the classified exposures and, therefore, introduce any change to its pricing policy/ model.
- Methodologies to be deployed during 2023, with 2024 targeted for a comprehensive assessment of the new methodology's performance.

ESG Strategy | Sustainable Development Goals

Goals aligned to actively contribute to the 2030 SDGs defined by the United Nations Global Compact and with the Paris Agreement.



Sustainable Business



Minimize the negative **environmental impact** of our operations, promoting innovation and digitalization

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

Supporting our customers in the transition to a carbon neutral economy

Social & Financial Well-being



Ensuring **equal opportunities** and the **well-being** of our employees

Promoting **financial and digital literacy** among our customers and public in general

Tailoring **products to customer needs**, integrating social considerations and promoting savings

Responsible Banking



Ensure **ESG integration** into the bank's governance model

Select suppliers based on a **sustainability scoring**

Ensuring **equal gender** in the bank's top management staff

Our ESG Priorities and 9M22 achievements...



Sustainable Business

Social & Financial Well-being

Responsible Banking

€279.6mn	Green investment production ¹	5.8k	Hours of ESG training to employees	5.9%	Gender pay-gap ³ (vs 6.0% in Jun-22)
-13.2%	Electricity Consumption (YoY)				
~100%	Of clean electricity consumption; (no CO ₂)	3.3 K	Participations in 5+ program. A program destined to physical health, mental health, well-being, balance of the employees, launched in June 22	25.0%	Of women in senior leaders' roles ⁴
-10.7%	Paper consumption (YoY)				
-19.4%	CO ₂ emission (YoY) ²	€654.1k	Incl: donations, partnerships & specific conditions	48.3%	Of suppliers with Sustainability scoring

Novobanco launches a Sustainability Credit Line:

- Up to €250mn to support companies in their transition to a more sustainable and low-carbon economy

- ESG Talks Conference launched on September addressing sustainability issues. CO₂ emissions resulting from all participants displacement to the conference were off set. ESG Talks Deep Dive's will continue in 4Q22;
- novobanco and novobanco dos Açores service accounts associated to social responsibility causes: i) Social - Semear Project (Sow Project); ii) Cultural - Este Espaço Que Habito (This space I Inhabit), and; iii) Environmental (Recreational Toys Recycling Project) were finished.

Novobanco 2024 commitments

ESG

Group novobanco	ESG	+ 4.5 p.p. women in senior leadership positions ¹¹	- 18% GHG emissions (scope 1 e 2) ⁵	+ 50% low emissions vehicles (electric or hybrid)	100% green electricity procurement ¹⁵	
	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)
	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.

The 9M22 shows a significant improvement in profitability when compared with previous period

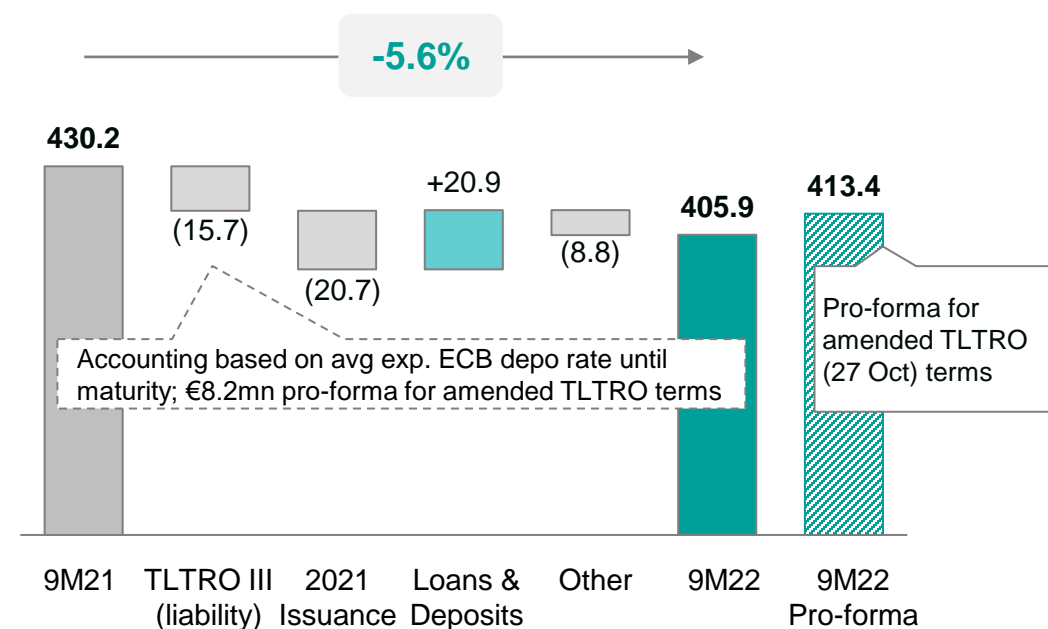
Income Statement (€mn)	9M21	9M22	▲YoY €mn
Net Interest Income	430.2	405.9	(24.2)
+ Fees & Commissions	207.9	215.7	+7.8
= Commercial Banking Income	638.0	621.6	(16.4)
+ Capital Markets Results	33.7	68.2	+34.5
+ Other Operating Results	1.2	161.3	+160.0
= Banking Income	672.9	851.1	+178.1
- Operating Costs	305.7	314.2	+8.5
= Net Operating Income	367.2	536.8	+169.6
- Net Impairments & Provisions	159.6	22.5	(137.1)
= Income Before Tax	207.6	514.3	+306.8
- Corporate Income Tax	13.0	27.8	+14.8
- Special Tax on Banks	34.2	34.1	(0.1)
= Income after Taxes	160.4	452.4	+292.0
- Non-Controlling Interests	6.3	24.0	+17.8
= Net Income for the period	154.1	428.3	+274.3

- NII at €405.9mn backed by loan book expansion and stable customer margins, set to benefit from a favorable rate environment. YoY deviation explained by senior debt issuance in 4Q21 and conservative accounting for TLTRO III interest in 3Q22, which reflected expected evolution of the ECB rates until its maturity;
- Commissions with a strong performance in payments given pick-up in business activity and revised pricing;
- Capital Markets Results positive by €68.2mn mostly due to gains from the hedging of interest rate risk. The fair value reserves decreased by €275mn;
- Other Operating Results of €161.3mn includes €77.1mn of gains from the sale of logistics assets in 2Q22 (€58.5mn net of non-controlling interests) and €71.5mn (€67.0mn net of contingencies) from the sale of the headquarters building in 3Q22, offsetting €40.9mn of contributions to resolution funds;
- Operating costs reflects the continued optimisation, investment done in the new distribution model, and the reduction of staff costs given the lower number of employees, being stable YoY on a recurring basis (€306.5mn);
- Provisions at €22.5mn reflecting the quality of the portfolio after the execution of the restructuring process (Cost of Risk was 0.20%, -41bp YoY);
- **Net Income of +€428.3mn (+€274.3mn; +178% YoY) reflecting a stable performance of commercial activities and lower credit impairments.**

Loan book expansion with defending rates, reaching NII of €413mn pro-forma for the amended TLTRO III terms

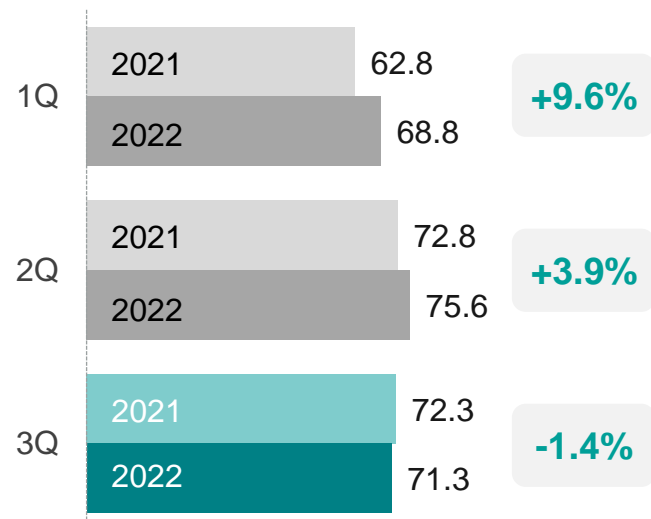
Net Interest Income (NII) Net Interest Margin (NIM)	9M21			9M22		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
€ million; %						
Customer Loans	24,960	2.02%	383	25,360	2.07%	399
Corporate loans	13,702	2.34%	244	14,116	2.36%	252
Mortgage lending	9,891	1.04%	78	9,808	1.12%	83
Consumer loans and Others	1,366	5.90%	61	1,436	5.79%	63
Money Market Placements	4,361	0.12%	4	6,240	-0.20%	-9
Securities and Other Assets	10,325	1.28%	100	9,964	1.36%	103
Interest Earning Assets & Other	39,646	1.62%	487	41,564	1.56%	492
Customer Deposits	26,512	0.20%	40	28,124	0.15%	32
Money Market Funding	10,455	-0.50%	-40	10,497	-0.23%	-18
Other Liabilities	1,014	6.70%	52	1,443	6.37%	70
Interest Bearing Liabilities & Other	39,686	0.17%	51	41,564	0.26%	83
NIM / NII¹		1.43%	430		1.29%	406

Net Interest Income (€mn)

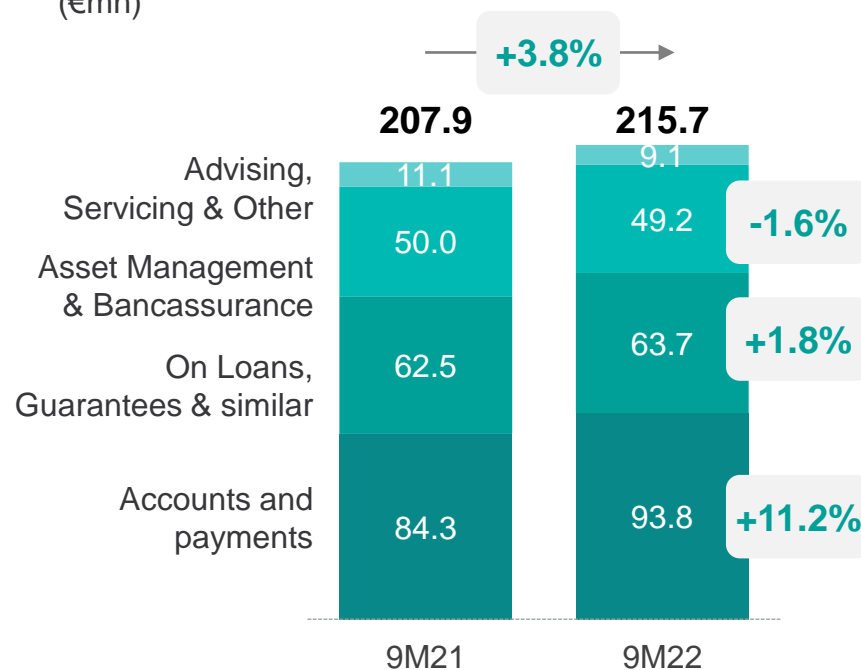


Fees grew 3.8% YoY, driven by economic recovery and increased transactionality

Fees: Quarterly Evolution
(€mn)



Fees: evolution per type
(€mn)



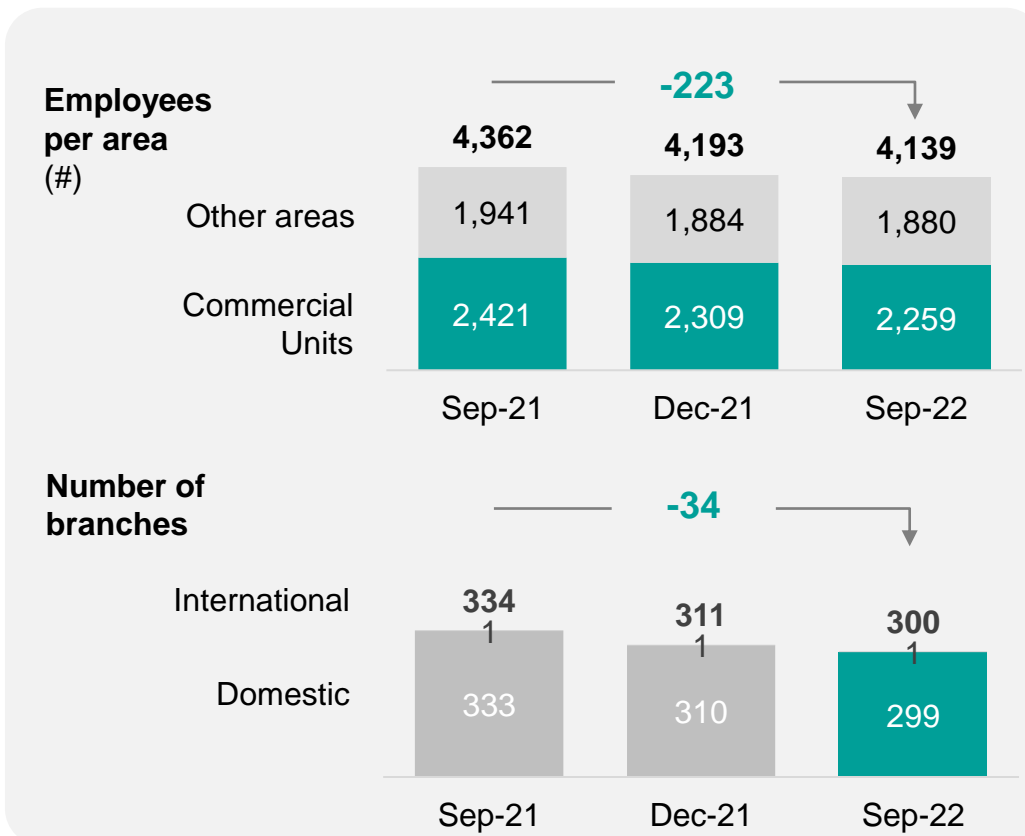
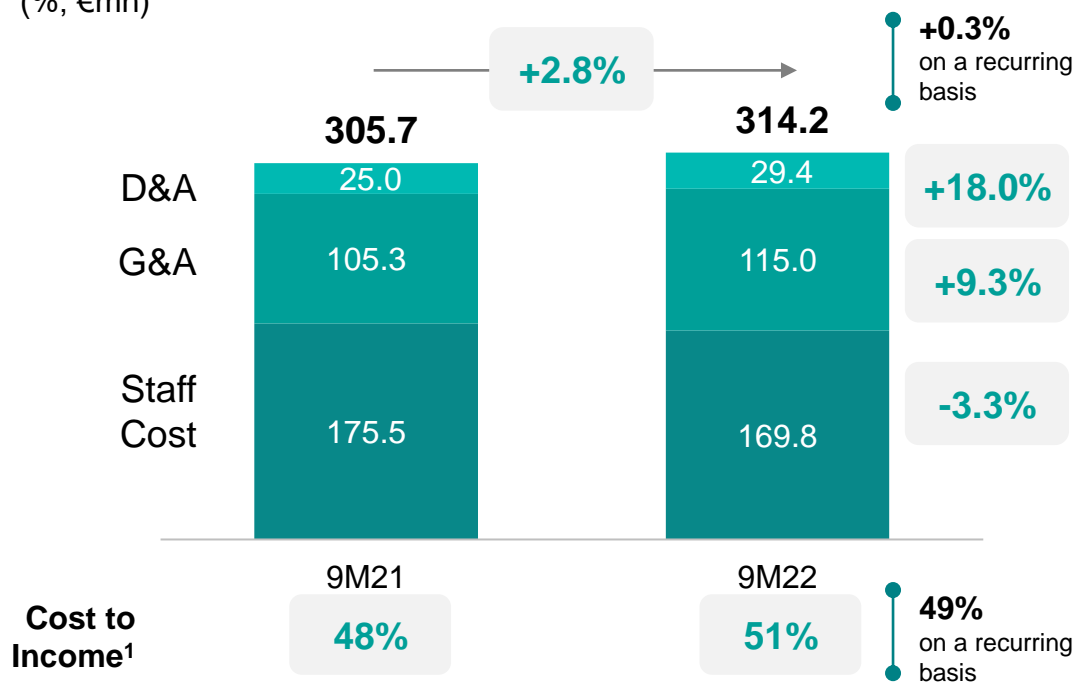
- **Asset management & bancassurance fees** (-€0.8mn; -1.6% YoY): reflecting higher fees in mutual funds, offset by lower fees in real estate funds given continued deleverage.
- **Commissions on Loans, Guarantees and similar** (+€1.1mn; +1.8% YoY): reflecting volume of guarantees and loans.
- **Accounts and Payments** (+€9.5mn; +11.2%) due to a higher volume of transactions and new pricing implemented in March for customer accounts.

Higher volume of transactions and new business are expected to drive fee income expansion.

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

Consolidated Operating Costs

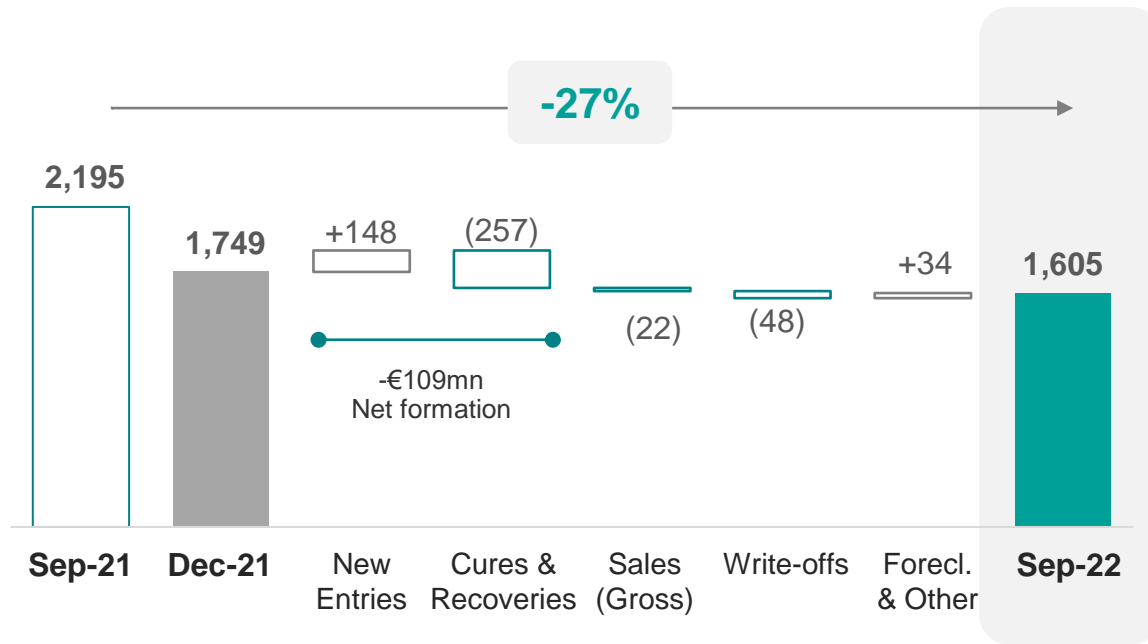
(%; €mn)



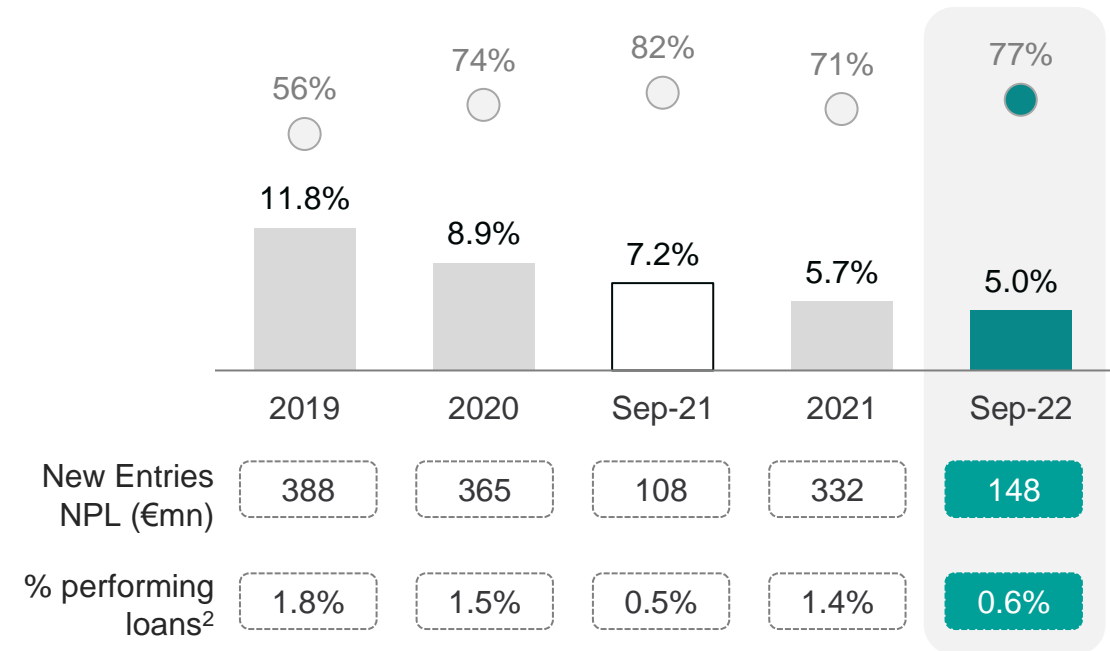
... the reduction of staff costs, and the investment done in the business and new distribution model.
 On a recurring basis, operating costs increased by 0.3% (to €306.5mn).

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

Non-performing Loans Evolution
(%; €mn; Gross NPL¹)



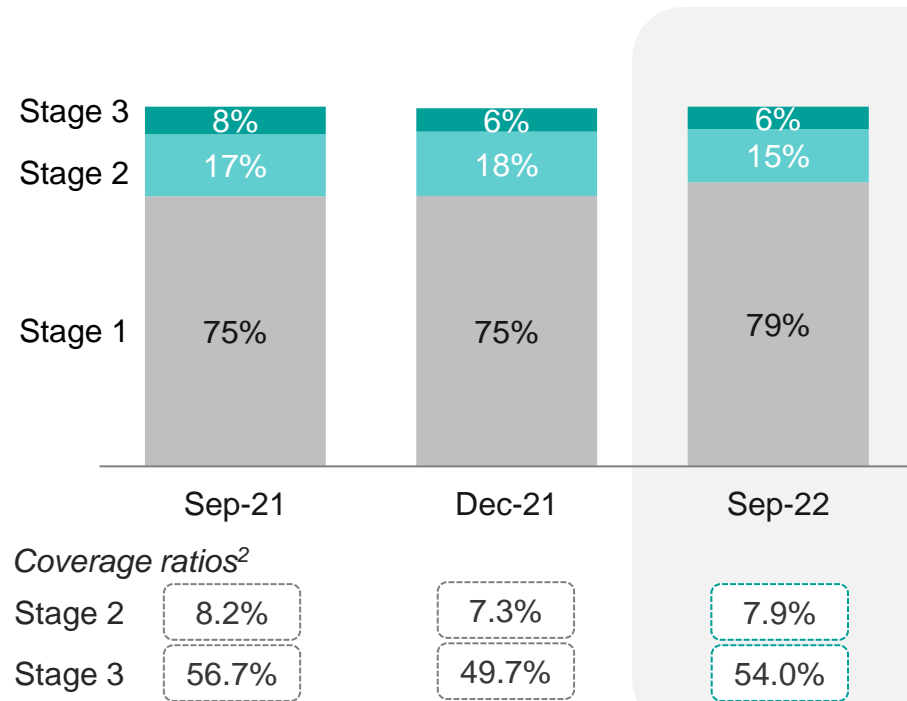
NPL ratio & Coverage evolution¹ ■ NPL ratio ○ NPL coverage
(%; Consolidated reported figures)



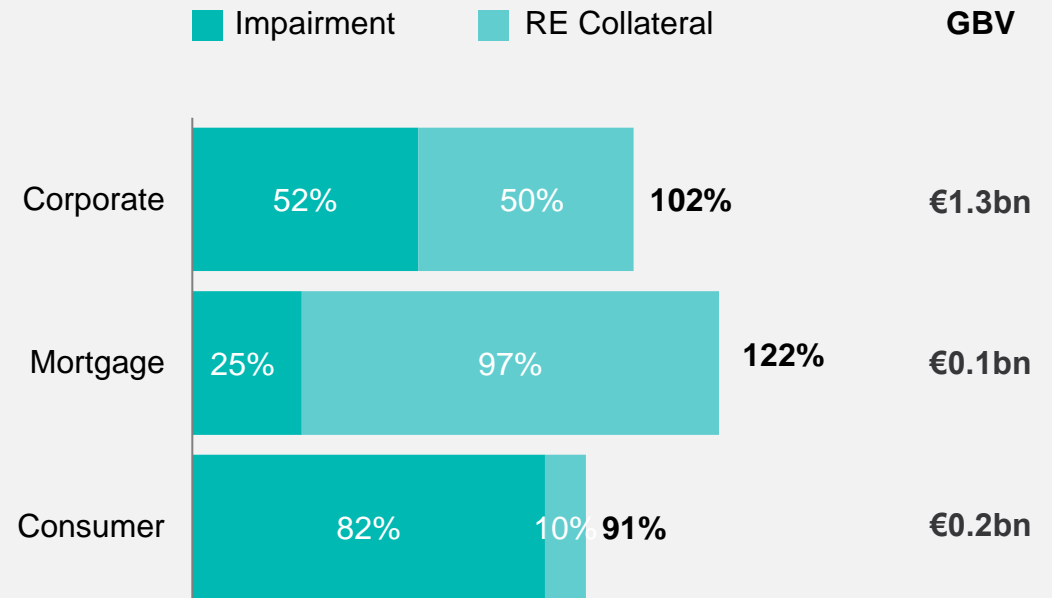
YTD Net formation of NPL at -€109mn and recent NPL reduction benefitting from sale of portfolios, being capital accretive and demonstrating adequacy of NPL coverage

Lower YTD stage 2 exposure mainly from debtors with moratorium concessions during 2021 reverting to stage 1

Loan Portfolio¹ by Stages



Stage² 3: Coverage by type

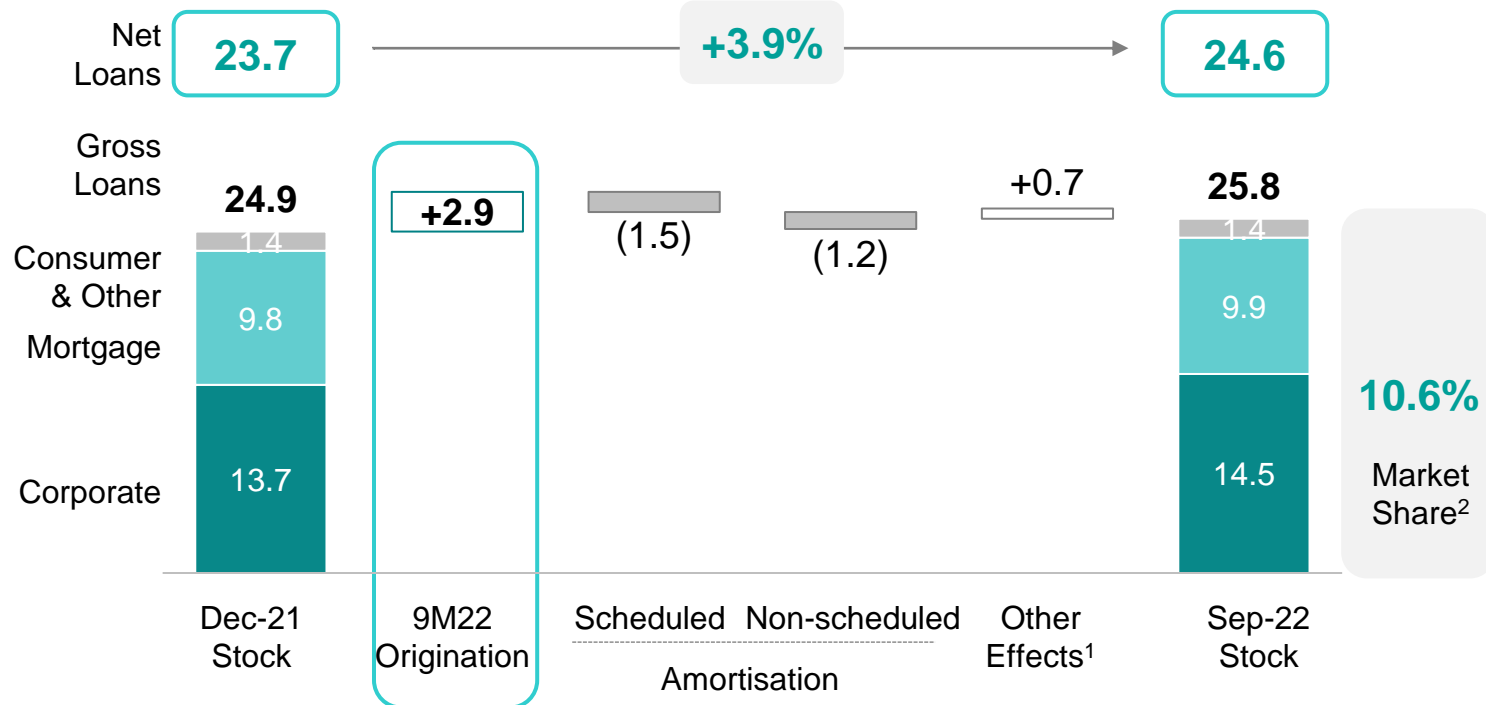


Stage 3 at €1.6bn GBV, with 54% coverage² by specific impairments

Moving towards expanding loan book with €2.9bn customer loans originated in the period

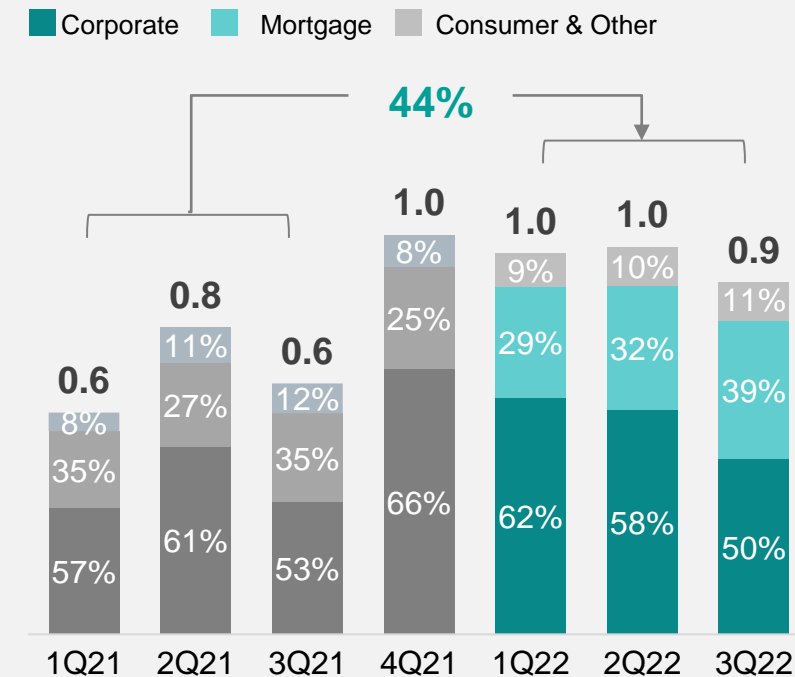
Loans to Customers – Gross Book Value Evolution

(€bn; %)

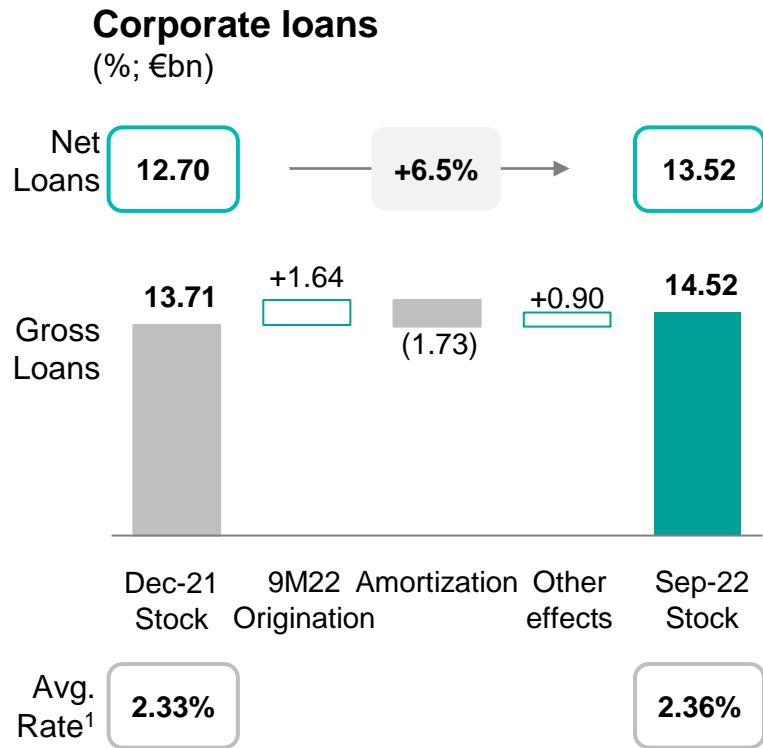


Loans to Customers: Origination

(€bn; %)

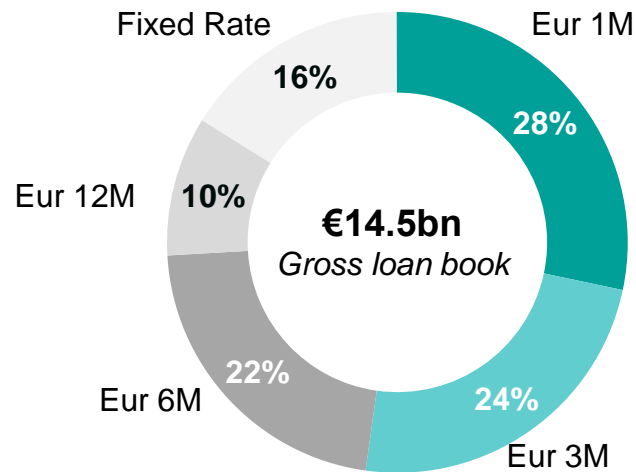


Net loan book growing by 3.9% YTD to €24.6bn (+€0.9bn YTD), driven by Corporate loans (+€0.8bn YTD)



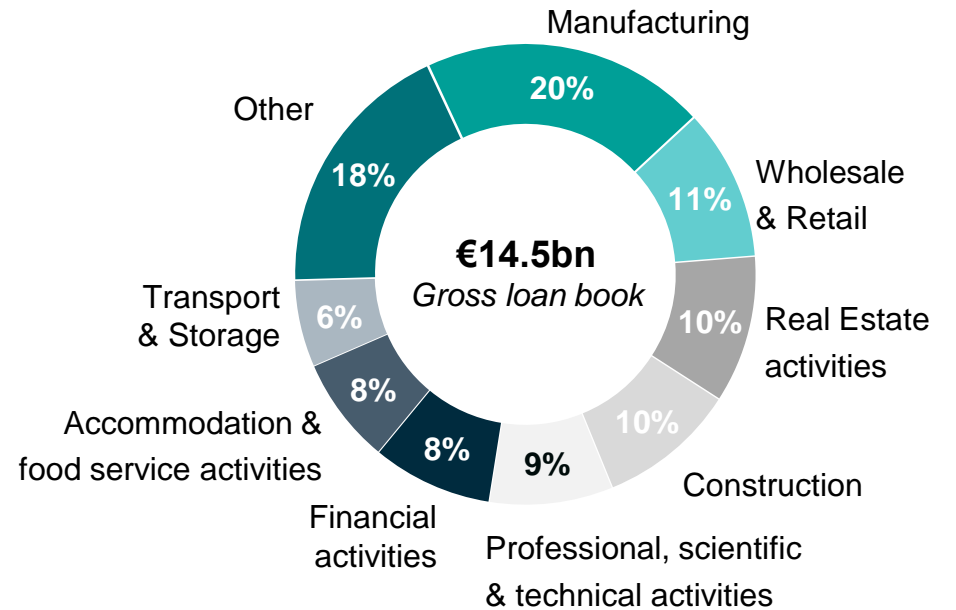
SME representing > 65% of origination and Small business > 22%

Corporate loan book by Rate Type (Sep-22; %)



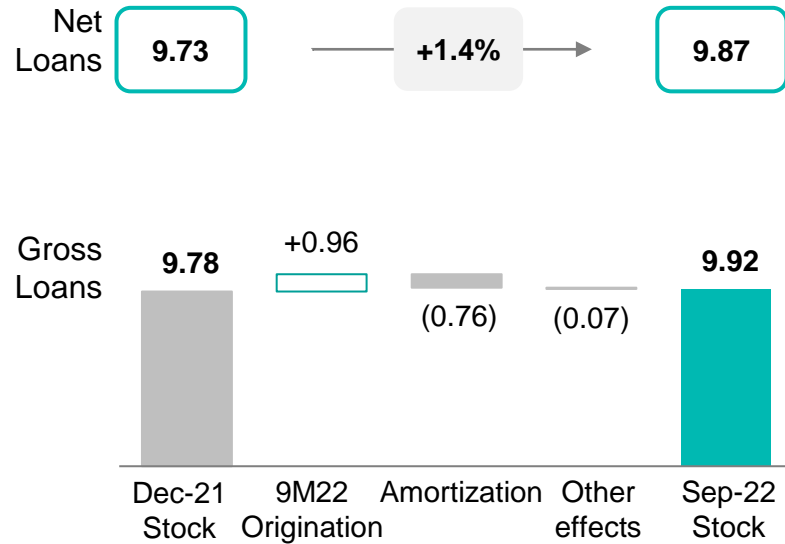
90% of the Corporate book is floating (incl. hedges), majority with Euribor 0% floor

Corporate loan book by Sector (Sep-22; %)

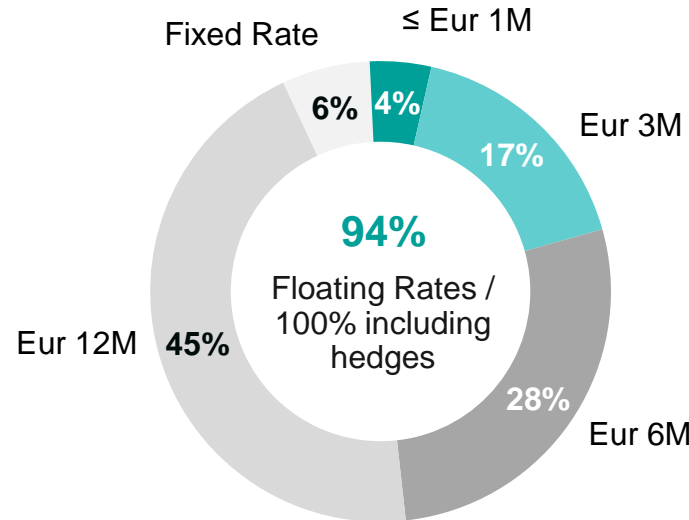


Mortgage loans representing 33% of YTD origination, with average LTV¹ of 65% in the period

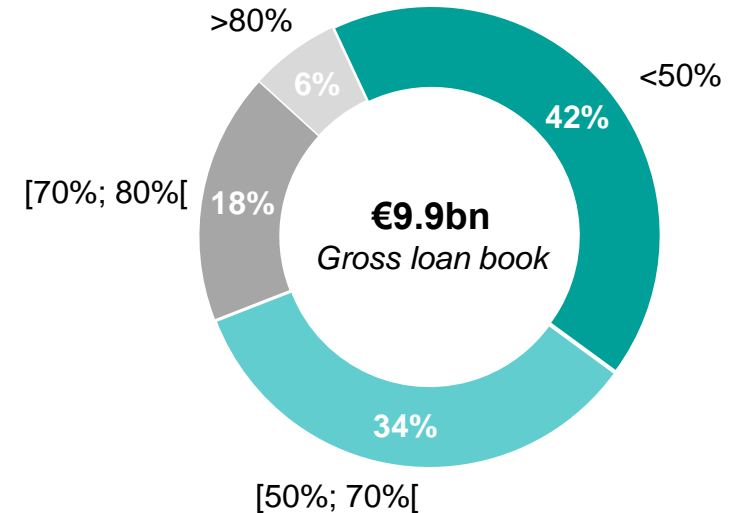
Mortgage loans
(%; €bn)



Mortgage loan book by Rate Type
(Sep-22; %)



Mortgage loan book by LTV bucket
(Sep-22; %)



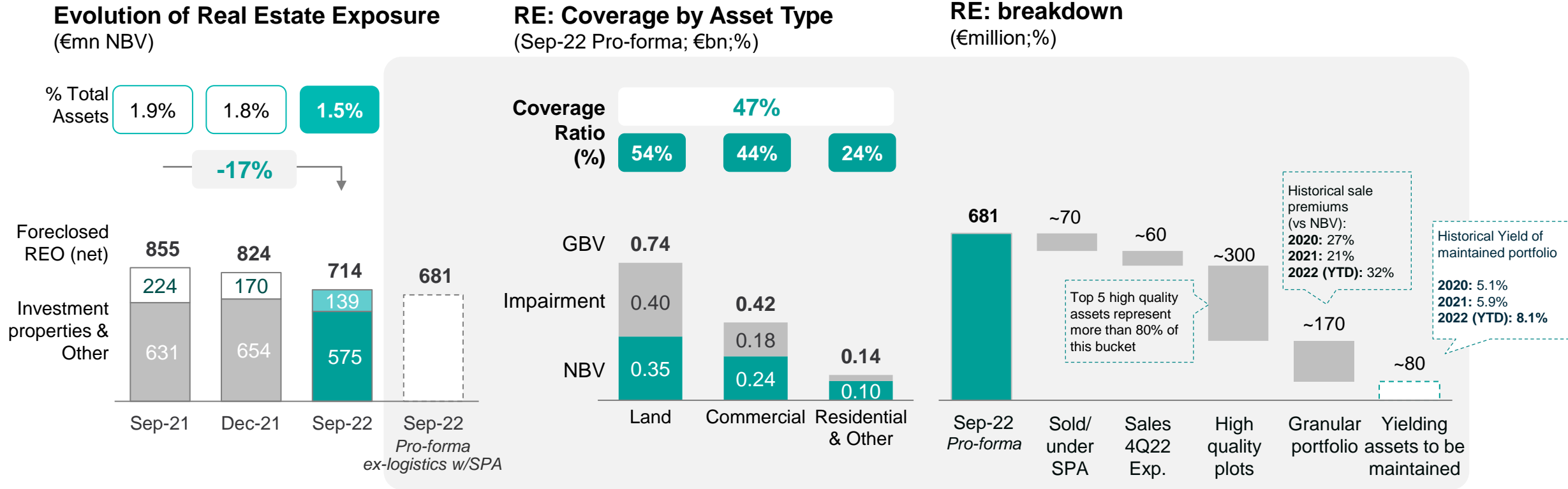
Avg. Rate² **1.04%**

Increase reflects repricing of reference rates (Euribor)

1.12%

A conservative mortgage portfolio with average LTV < 50%

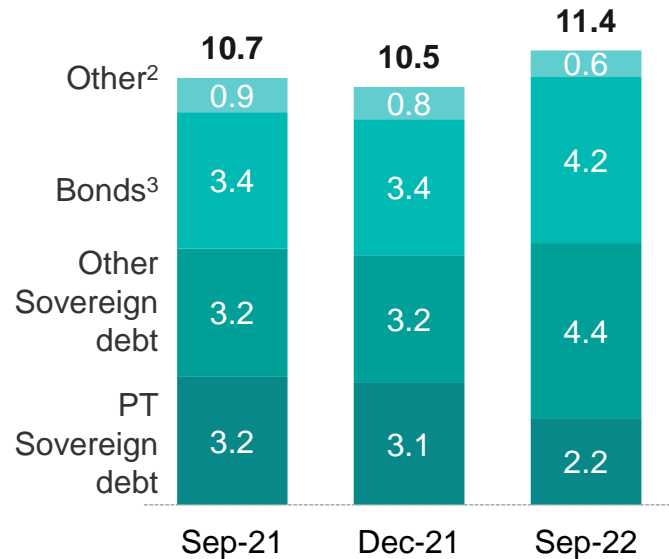
Decreasing RE exposure to €714mn (-17%; due to portfolio sales), with TOP 20 assets representing 62% of the portfolio



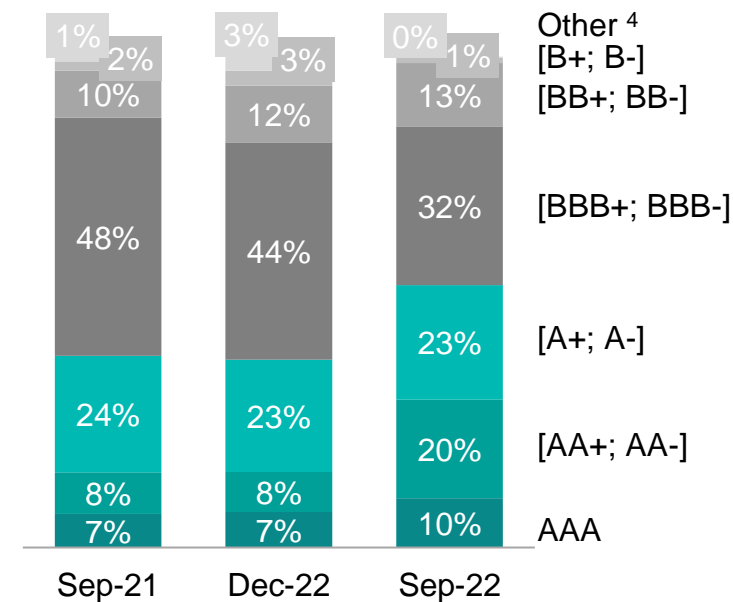
Coverage is supported by a robust appraisal policy, individual asset reviews, market pricing (bids received) and yield performance.

Conservative €11.4bn securities portfolio with HQLA¹ representing ~70%

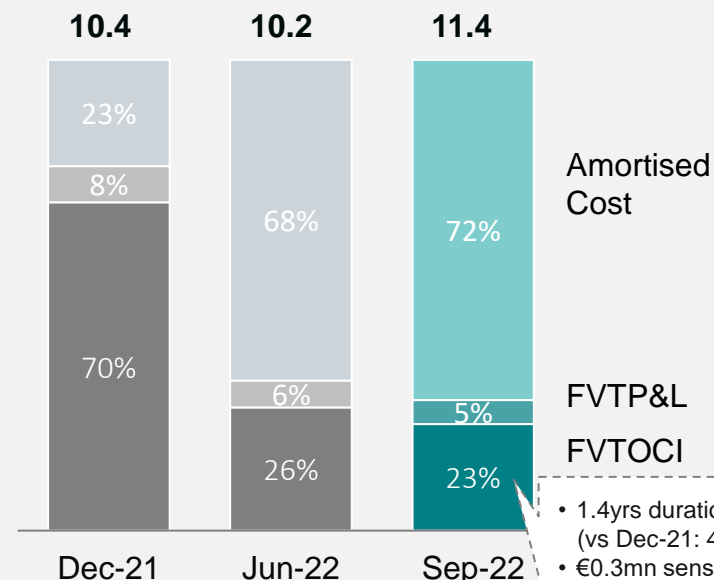
Securities Portfolio: Breakdown
(€bn)



Securities Portfolio: Ratings⁴
(€bn)



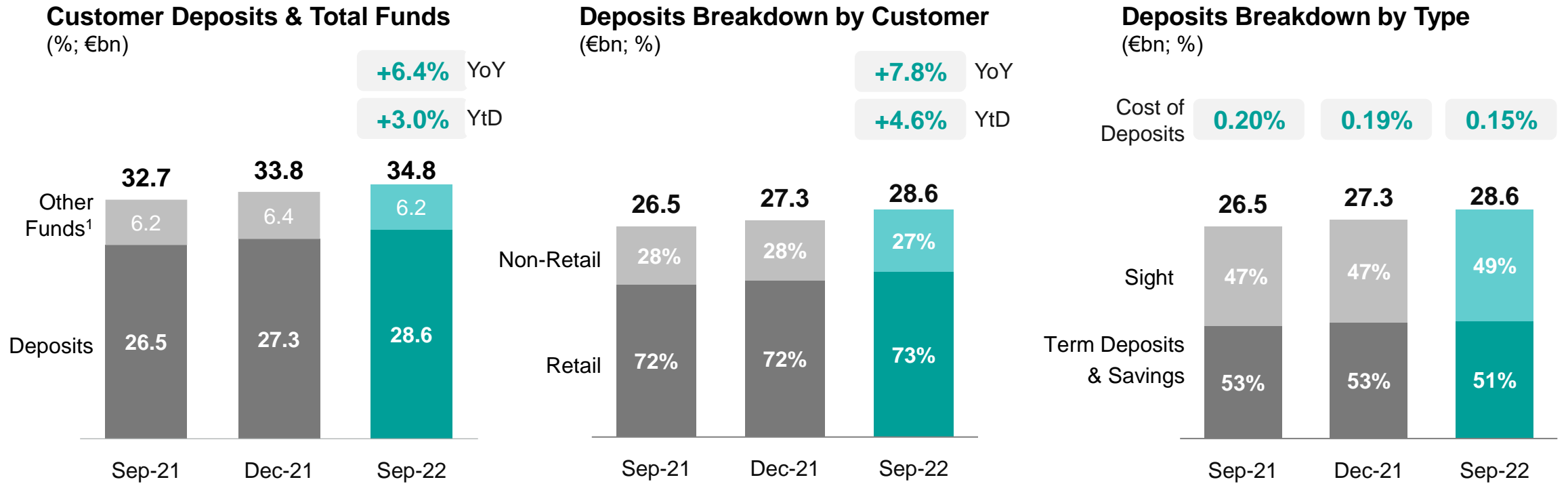
Banking Book
(excludes trading book; €bn; %)



- 1.4yrs duration (vs Dec-21: 4.1yrs)
- €0.3mn sensitivity for 1bps increase in interest rates (before hedges; Dec-21: €2.8mn);

Securities portfolio increasing by €0.9bn in advance of repayments of TLTRO III facility. Portfolio with an average yield of 1.36%, of which ~35% floating (after hedging).

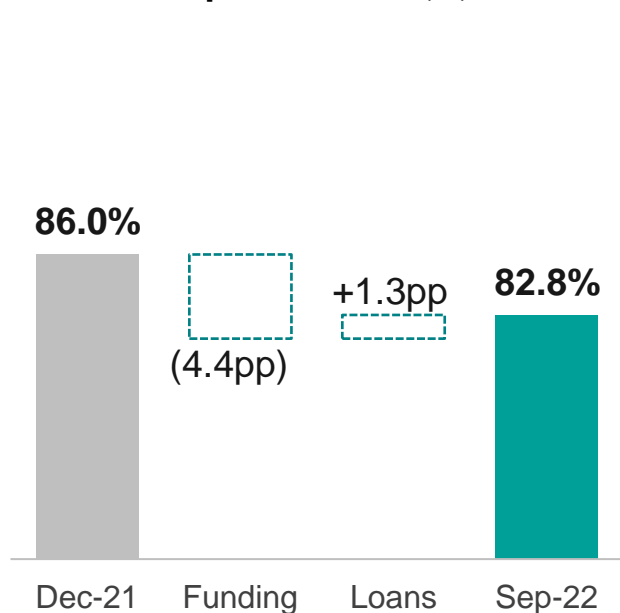
Customer deposits +7.8% YoY and Total Funds +6.4%...



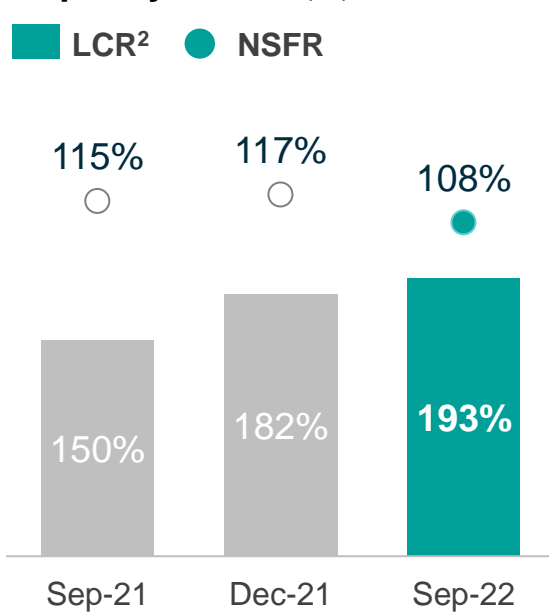
...with evolution reflecting growth of the business despite the low interest rate environment.

Stable deposit base supporting strong liquidity position

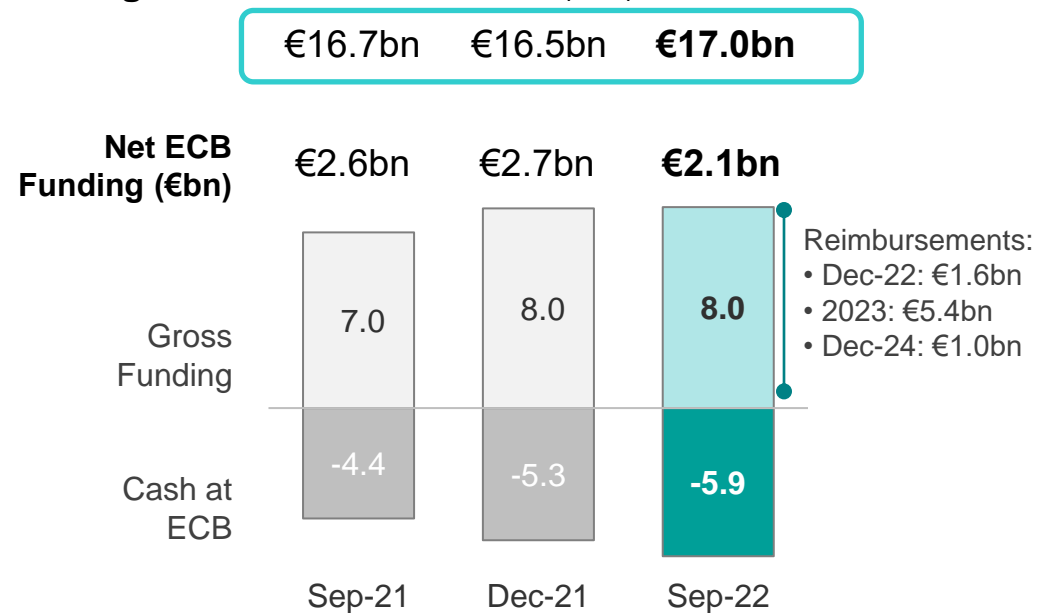
Loan to Deposit Ratio¹ (%)



Liquidity Ratios (%)



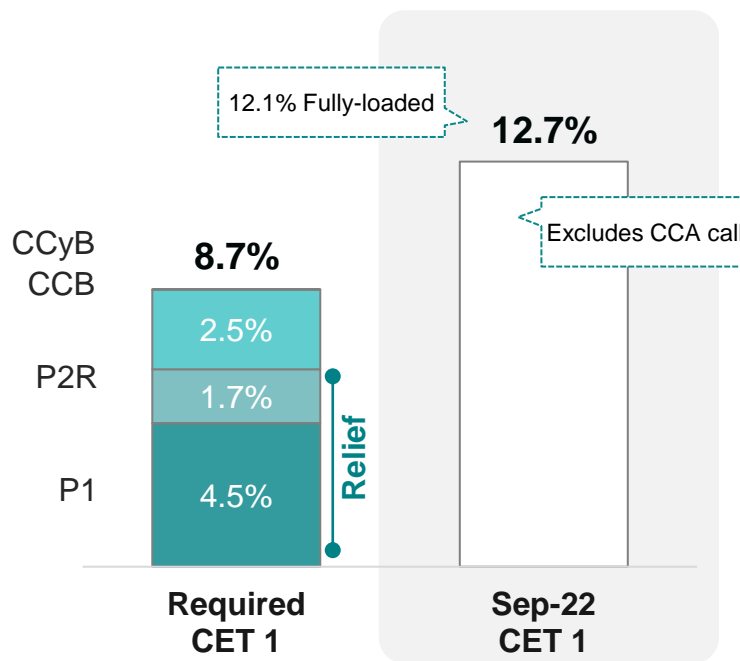
Eligible Assets at the ECB³ (€bn)



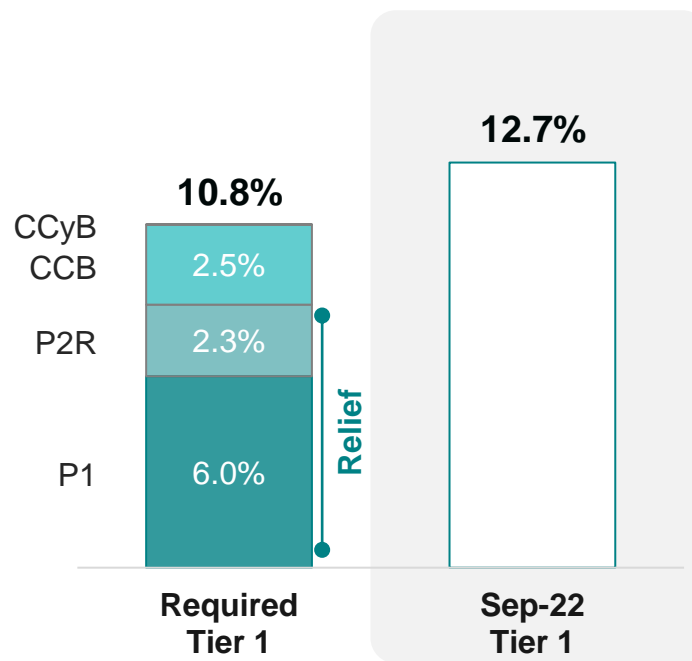
Liquidity buffer ~€13.1bn, mostly composed of highly liquid assets (~90%).

Execution of the de-risking strategy delivering Total Capital ratio already above 13.5% OCR requirement and building P2G buffer¹

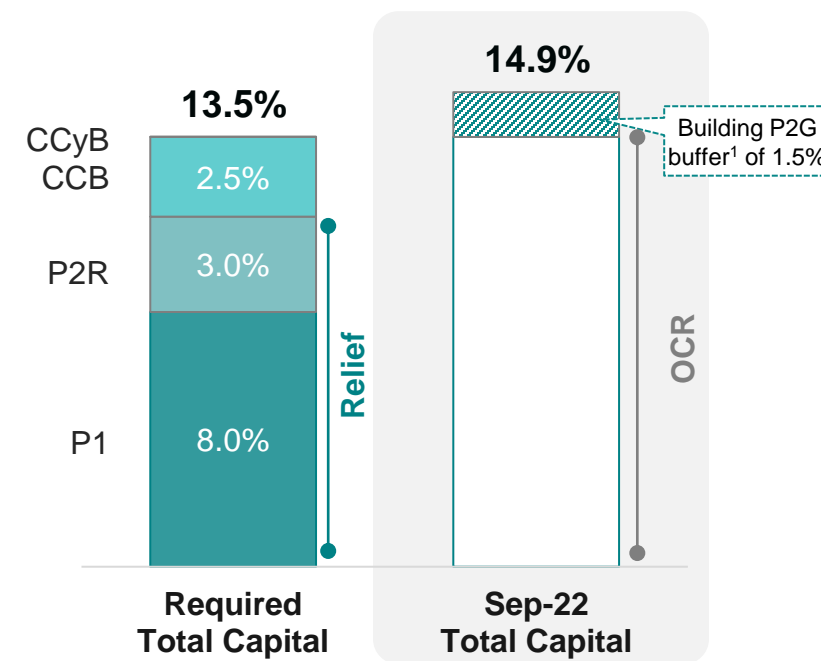
CET 1
(phased-in^{2:3}; Preliminary; %)



Tier 1
(phased-in^{2:3}; Preliminary; %)



Total Capital
(phased-in^{2:3}; Preliminary; %)



Organic capital generation and acceleration of balance sheet deleverage.

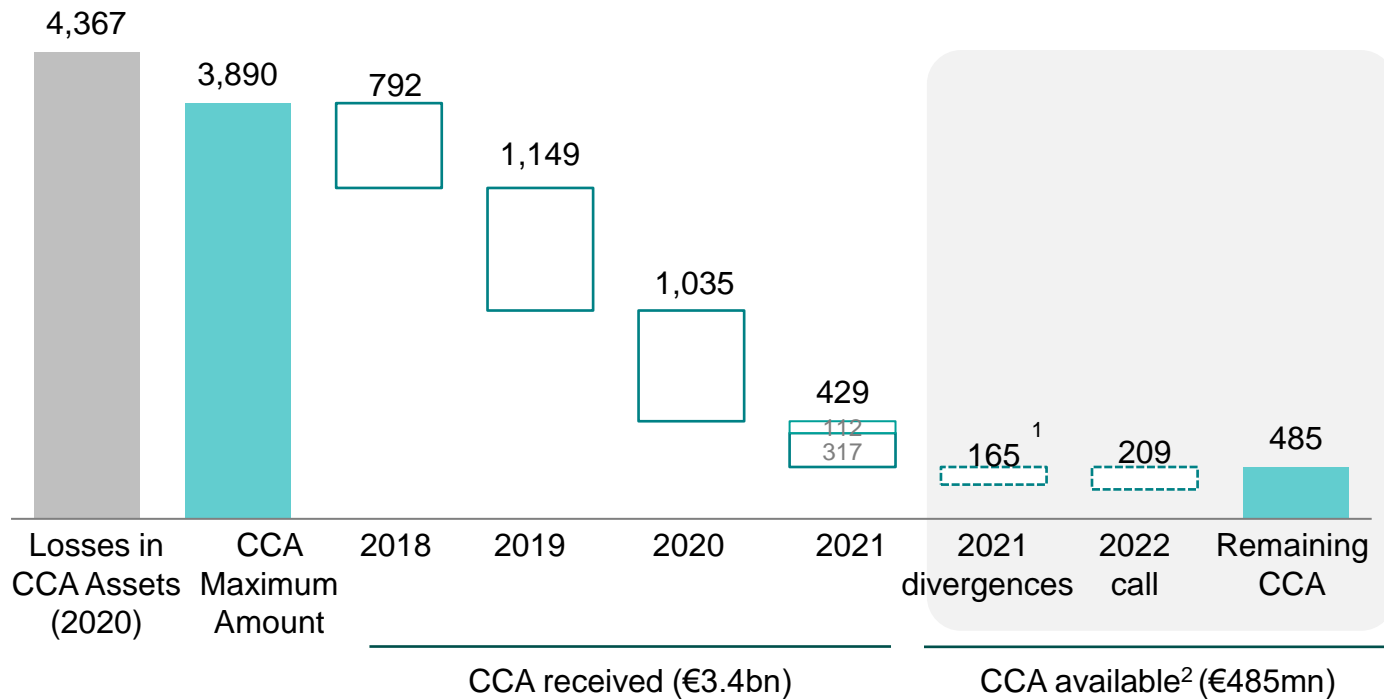
Capital ratios

		mn€							
CAPITAL RATIOS (CRD IV/CRR)		31-Dec-21	31-Dec-21	31-Mar-22	31-Mar-22	30-Jun-22	30-Jun-22	30-Sep-22*	30-Sep-22*
		<i>(Phased-in)</i>	<i>(Fully loaded)</i>	<i>(Phased-in)</i>	<i>(Fully loaded)</i>	<i>(Phased-in)</i>	<i>(Fully loaded)</i>	<i>(Phased-in)</i>	<i>(Fully loaded)</i>
Risk Weighted Assets	(A)	24 929	24 689	23 761	23 622	23 058	22 914	22,848	22,695
Own Funds									
Common Equity Tier 1	(B)	2 768	2 507	2 571	2 419	2 711	2 558	2,906	2,746
Tier 1	(C)	2 769	2 509	2 572	2 420	2 712	2 559	2,908	2,747
Total Own Funds	(D)	3 276	3 016	3 076	2 925	3 214	3 061	3,409	3,248
Common Equity Tier 1 Ratio	(B/A)	11.1%	10.1%	10.8%	10.2%	11.8%	11.2%	12.7%	12.1%
Tier 1 Ratio	(C/A)	11.1%	10.1%	10.8%	10.2%	11.8%	11.2%	12.7%	12.1%
Solvency Ratio	(D/A)	13.1%	12.2%	12.9%	12.4%	13.9%	13.4%	14.9%	14.3%
Leverage Ratio		6.0%	5.4%	5.5%	5.2%	5.7%	5.4%	5.9%	5.6%

* preliminary

CCA: €485mn available

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.

Deferred Tax Assets

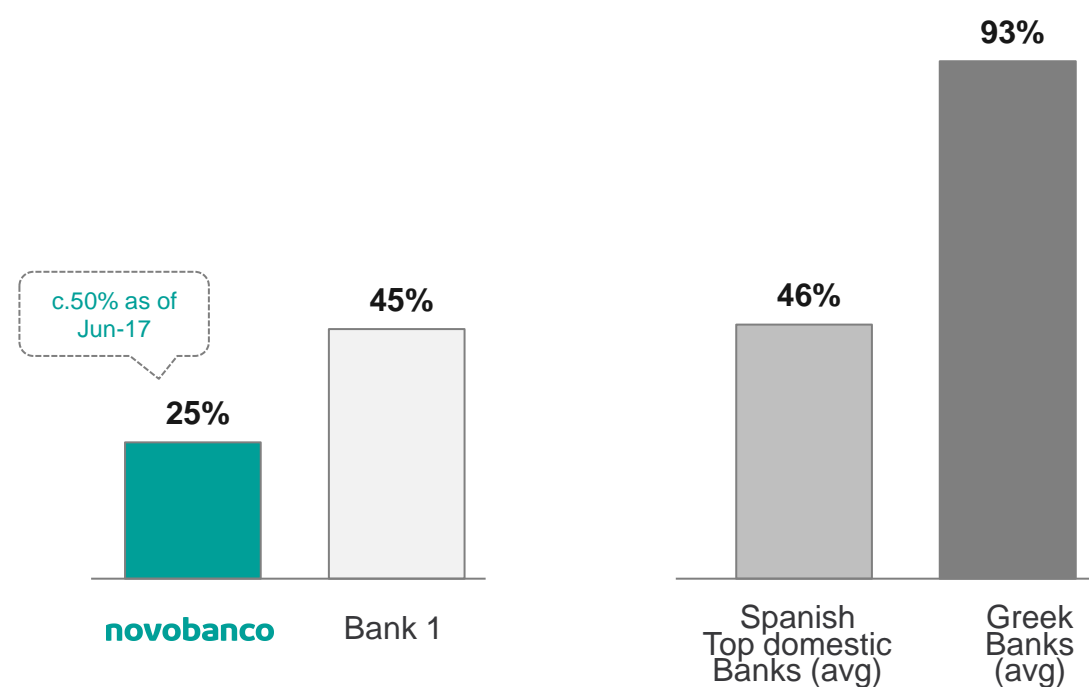
Overview of Deferred Tax Assets

(€ millions)	Dec-21	Sep-22
Timing-Difference DTAs – under Special Regime ⁽¹⁾	267	298
Timing-Difference DTAs – other	473	538
Total DTAs on Balance Sheet	741	836

- 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 Equity¹

novobanco vs listed banks and average by market



Income Statement – Quarterly data

(€ million)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	▲ €mn YoY	▲ % YoY
Net Interest Income	145.7	143.5	140.9	143.2	133.5	134.5	137.9	(3.0)	(2%)
Fees and Commissions	62.8	72.8	72.3	74.6	68.8	75.6	71.3	(1.0)	(1%)
Commercial Banking Income	208.5	216.3	213.2	217.9	202.3	210.1	209.2	(4.0)	(2%)
Capital Markets Results	52.8	40.5	(59.7)	42.2	91.4	(5.6)	(17.6)	+42.1	(70%)
Other Operating Results	12.2	(41.3)	30.3	39.2	16.7	56.5	88.0	+57.7	+190%
Banking Income	273.5	215.5	183.9	299.3	310.4	261.0	279.6	+95.7	+52%
Operating Costs	102.7	101.4	101.6	102.6	103.6	105.1	105.5	+3.9	+4%
Staff Costs	58.7	58.9	57.9	57.8	55.7	56.1	57.9	+0.1	+0%
General and Administrative Costs	35.9	34.2	35.1	35.8	38.2	39.2	37.7	+2.6	+7%
Depreciation	8.1	8.2	8.6	9.0	9.8	9.8	9.9	+1.3	+15%
Net Operating Income	170.8	114.1	82.3	196.6	206.8	155.9	174.1	+91.8	+112%
Net Impairments and Provisions	61.8	27.4	70.4	193.1	21.8	(2.0)	2.7	(67.7)	(96%)
Credit	54.9	29.8	30.3	34.4	14.3	5.0	20.2	(10.1)	(33%)
Securities	0.9	15.1	1.4	30.4	11.1	30.6	2.4	+1.0	+70%
Other Assets and Contingencies	6.0	(17.5)	38.7	128.4	(3.6)	(37.6)	(19.9)	(58.6)	(151%)
Income before Taxes	109.0	86.7	11.9	3.5	185.0	157.9	171.4	+159.5	+1,343%
Corporate Income Tax	4.2	16.9	(8.1)	(28.2)	7.4	11.6	8.9	+17.0	(210%)
Special Tax on Banks	32.8	1.5	0.0	(0.1)	34.1	-	-	(0.0)	(100%)
Income after Taxes	72.0	68.4	20.0	31.8	143.5	146.4	162.5	+142.5	+714%
Non-Controlling Interests	1.3	1.4	3.6	1.4	0.9	22.3	0.9	(2.7)	(76%)
Net Income for the period	70.7	67.0	16.4	30.4	142.7	124.0	161.6	+145.3	+888%

Balance Sheet

<i>(€ thousands)</i>	Dec-21	Sep-22
Cash, cash balances at central banks and other demand deposits	5,871,538	1,009,724
Financial assets held for trading	377,664	181,346
Financial assets mandatorily at fair value through profit or loss	799,592	577,879
Financial assets at fair value through profit or loss, or through other comprehensive income	7,220,996	2,574,653
Financial assets at amortised cost	26,039,902	38,346,080
Debt securities	2,338,697	8,218,014
Loans and advances to credit institutions	50,466	5,543,227
Loans and advances to customers	23,650,739	24,584,839
Derivatives – Hedge accounting	19,639	523,410
Fair value changes to the hedged items in portfolio hedge of interest rate risk	30,661	-366,319
Investments in subsidiaries, joint ventures and associates	94,590	123,922
Tangible assets	864,132	821,389
Tangible fixed assets	238,945	250,842
Investment properties	625,187	570,547
Intangible assets	67,986	71,034
Tax assets	779,892	873,165
Current tax assets	35,653	36,379
Deferred tax assets	744,239	836,786
Other assets	2,442,550	2,243,173
Non-current assets and disposal groups classified as held for sale	9,373	12,121
Total Assets	44,618,515	46,991,577

	Dec-21	Sep-22
Financial liabilities held for trading	306,054	125,235
Financial liabilities measured at amortised cost	40,215,994	42,137,669
Due to banks	10,745,155	10,532,385
Due to customers	27,582,093	29,377,009
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,514,153	1,511,436
Other financial liabilities	374,593	716,839
Derivatives – Hedge accounting	19,639	523,410
Provisions	442,834	373,717
Tax liabilities	15,297	10,671
Current tax liabilities	12,262	9,826
Deferred tax liabilities	3,035	845
Other liabilities	443,437	918,454
Liabilities included in disposal groups classified as held for sale	968	1,802
Total Liabilities	41,469,044	43,580,786
Capital	6,054,907	6,054,907
Other comprehensive income – accumulated	-1,045,489	-1,188,216
Retained earnings	-8,576,860	-8,577,074
Other reserves	6,501,374	6,672,719
Profit or loss attributable to parent company shareholders	184,504	428,342
Minority interests (Non-controlling interests)	31,035	20,113
Total Equity	3,149,471	3,410,791
Total Liabilities and Equity	44,618,515	46,991,577

Moodys 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	

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 other comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off- balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

Asset Quality and Coverage Ratios	
Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.
Efficiency and Profitability Ratios	
Efficiency (Staff costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Efficiency (Operating costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
Return on tangible equity (RoTE)	Ratio of return for the period and tangible equity. The return corresponds to the annualized result before tax, less the contribution on the banking sector and contributions to resolution funds, being adjusted for events considered extraordinary. Tangible equity calculated as risk weighted assets x 12%.

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 ₂ e	tonnes of carbon dioxide equivalent
RWA	Risk weighted assets

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