

# novobanco

INVESTOR PRESENTATION

NOVEMBER 2023



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*This document includes unaudited financial information.*

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

# AGENDA

## **Novobanco's Journey**

Novobanco at a Glance

Recap of 9M 2023 Results – Financial Performance

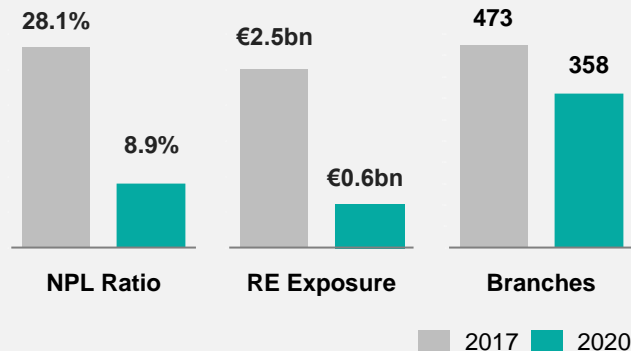
# Novobanco's successful recovery & restructuring journey...

## Restructure

2017-2020

- Sale of Novo Banco to Lone Star (2017)
- Deep operational and balance sheet restructuring
- Exit from all international operations
- Completion of balance sheet clean-up

### Deep Balance Sheet Restructuring

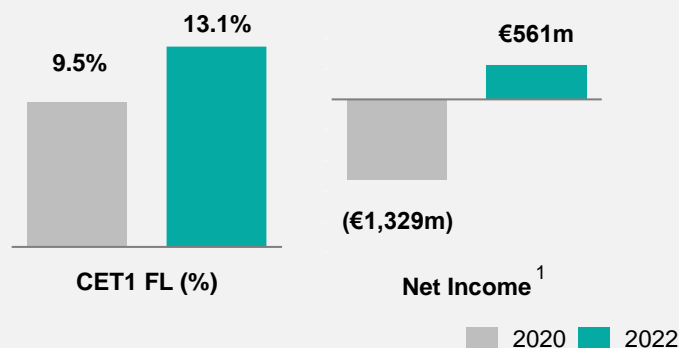


## Transform

2021-2022

- Return to profitability with 8 profitable quarters
- Targeted growth in core business
- Significant investment in transformation
- Normalised cost of risk <50 bps achieved
- Strengthening capital position: CET1 FL 13.1%

### Reached Comfortable CET1 & Profitability

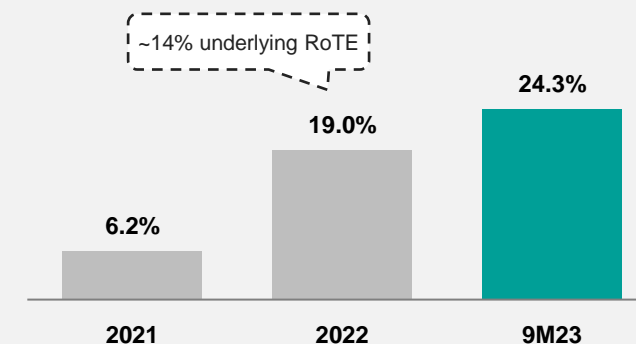


## Re-Launch

2023 and beyond

- Substantial top-line growth
- Outstanding capital generation (340bps) in 9M23
- Best in class levels of efficiency and profitability

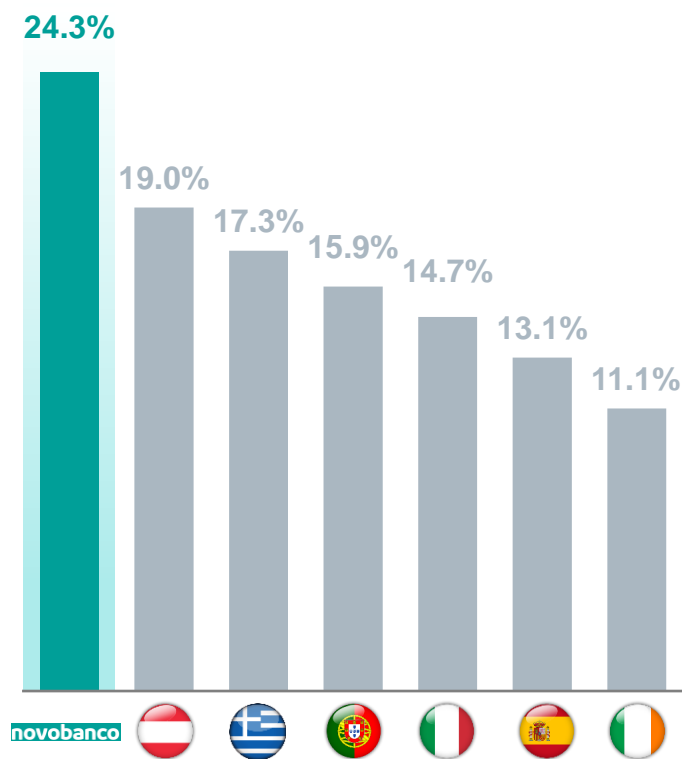
### Significant RoTE<sup>2</sup> Improvement



...has led to a very attractive positioning vs. European peers

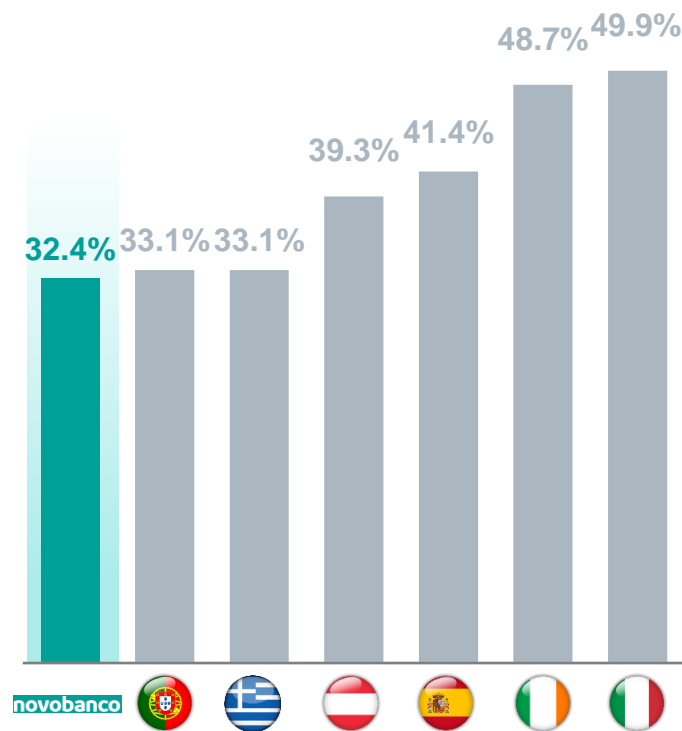
### RoTE vs peers

(9M23, %)



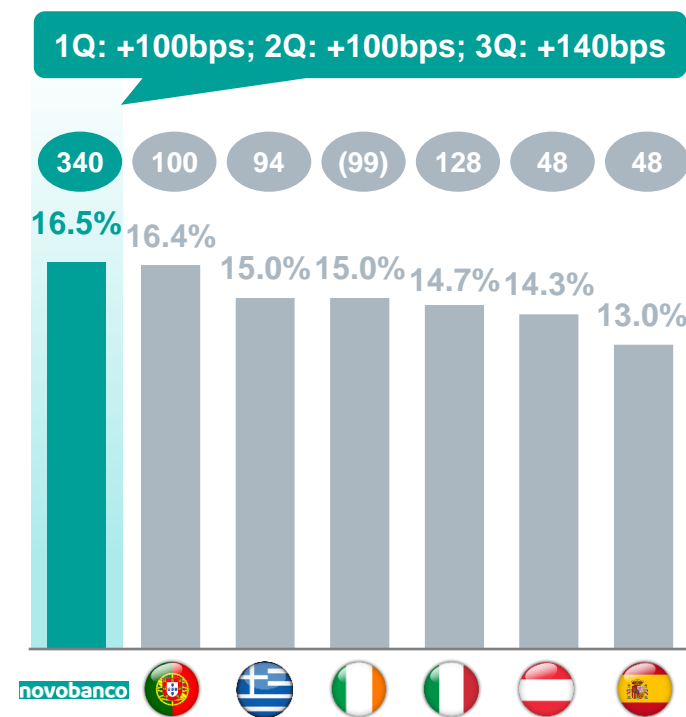
### C/I<sup>1</sup> vs peers

(9M23, %)



### CET1 vs peers

(9M23, %)



Δ CET1 9M23 vs. 2022 (bps)

# Novobanco is a pure-play Portuguese universal bank...

## Focus on strategic pillars...



Customer-centric  
*1.5mn clients | 292 branches*



Simple & efficient  
*31% C/I (recurrent basis)*



People & culture  
*4,209 employees*



Sustainable performance  
*€560mn green financing<sup>2</sup>*

## ...together with strong product offering...



Corporate lending  
*€14.0bn gross loan book*



Mortgage lending  
*€10.2bn gross loan book*

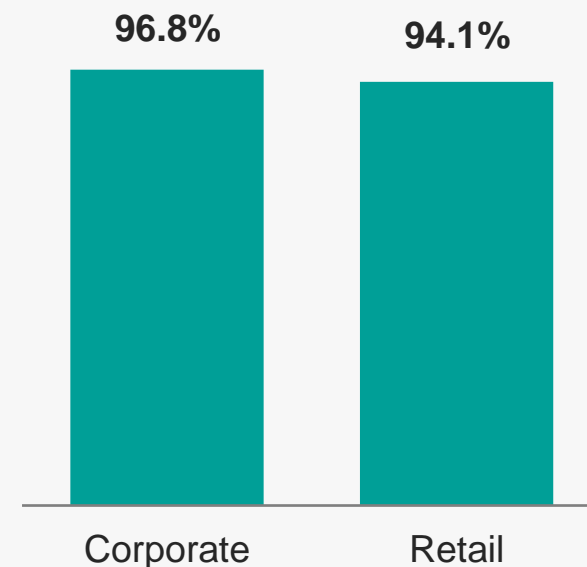


Personal loans  
*€1.5bn gross loan book*



Product factories ecosystem  
*Insurance, Payments, AM ...*

## ...leading to an outstanding client satisfaction<sup>1</sup>



... with rightsized nation-wide branch footprint supporting families and companies, throughout their lifetime

# AGENDA

Novobanco's Journey

**Novobanco at a Glance**

Recap of 9M 2023 Results – Financial Performance

# Novobanco is uniquely positioned to deliver high profitability



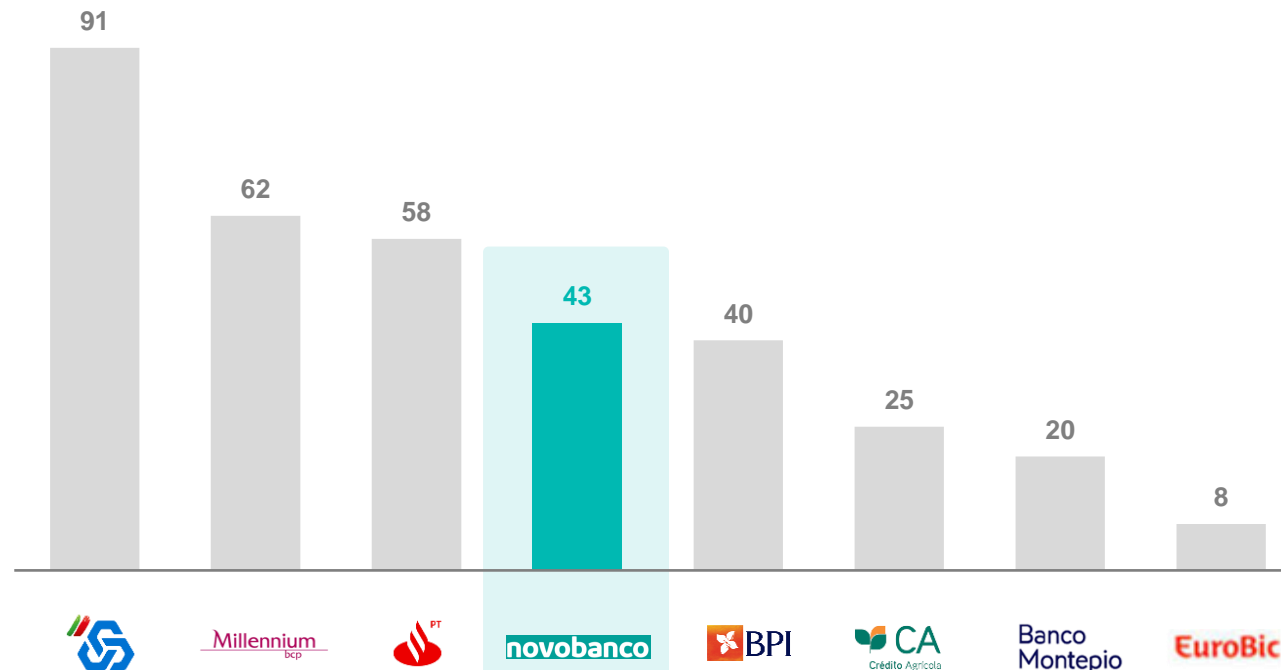
- 1** Leading independent domestic Portuguese bank with exposure to strong macro fundamentals
- 2** Low risk balance sheet well positioned to benefit from the increased interest rates environment
- 3** Diversified business model with a strong corporate and low-risk retail mortgage franchises
- 4** Strong digital adoption supported by strategic investments
- 5** Improved operating efficiencies and attractive funding mix leading to best-in-class profitability and capital generation



# Novobanco is a leading independent Portuguese bank

## Novobanco is the 4<sup>th</sup> largest bank in Portugal...

(Ranking by total assets in Portugal<sup>1</sup>, €bn, latest)



## ...with attractive market shares in key segments

(Market share, as of Aug-23)

### Deposits



9.7%

### Corporate Loans



14.5%

### Trade Finance



20.0%

**9.8% Global Market Share**

+0.2pp YTD

# Stable political environment which continues to deliver fiscal discipline

## “ Market recognition

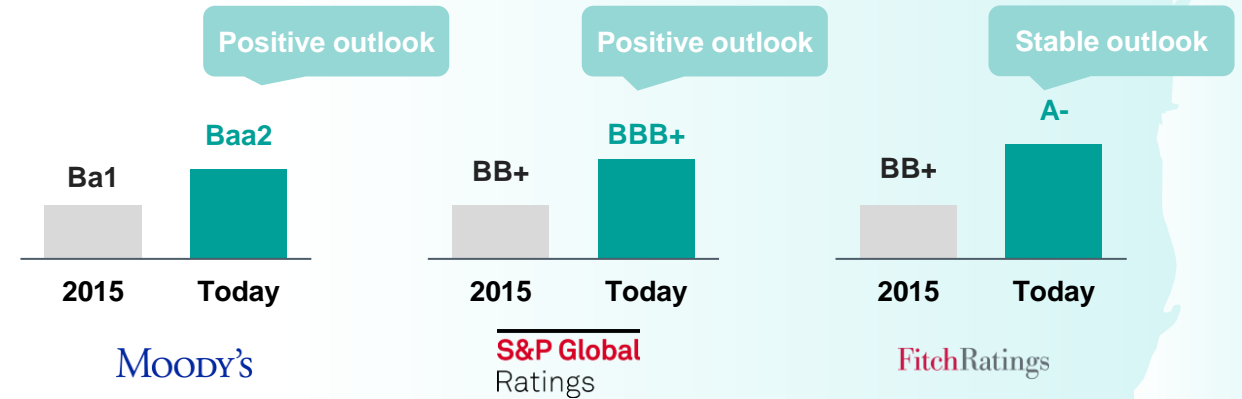
*The government's fiscal policy will see net debt to GDP to decline from 99% in 2023 to an expected 87% at end-2026, one of the steepest declines in Europe*

S&P, 8 September 2023

**novobanco**

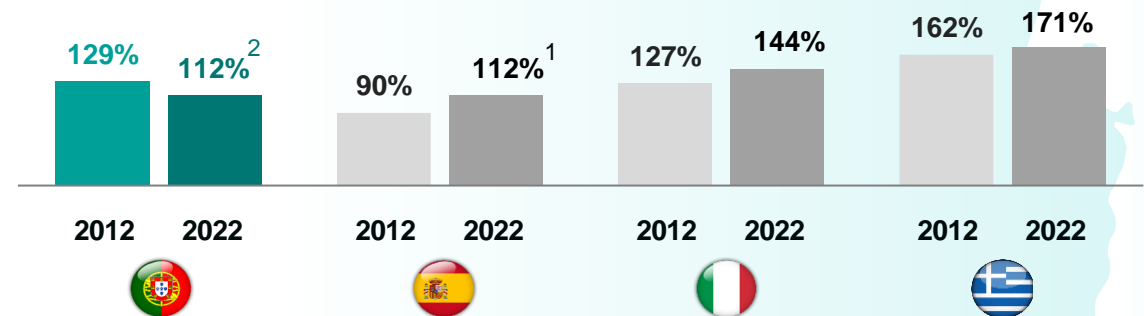


## Consistent sovereign debt rating improvement



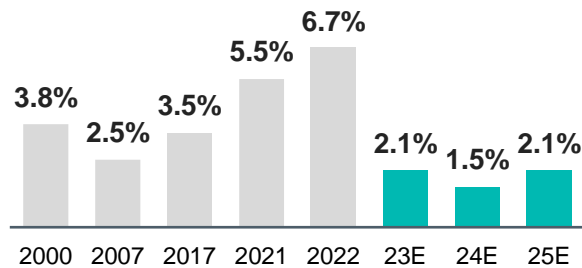
## Political stability driving strong fiscal discipline

(% Public Debt to GDP)

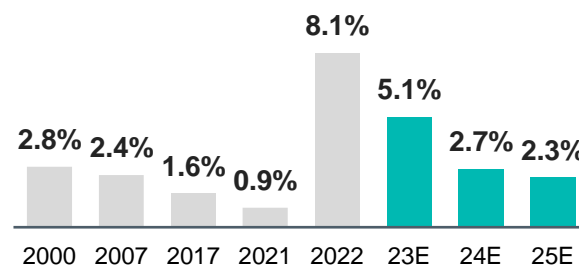


# Significant economic improvement expected to last

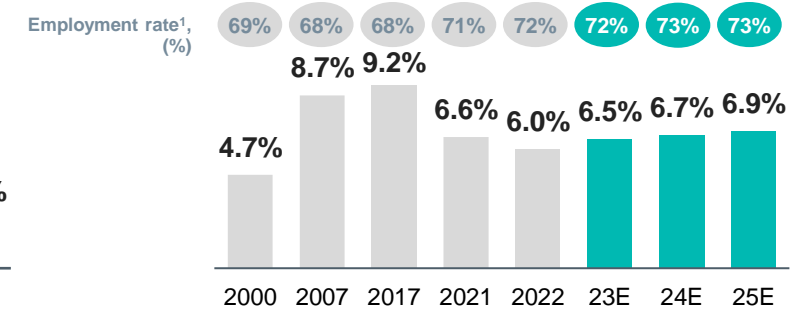
## Portugal poised to grow... (PT GDP Growth)



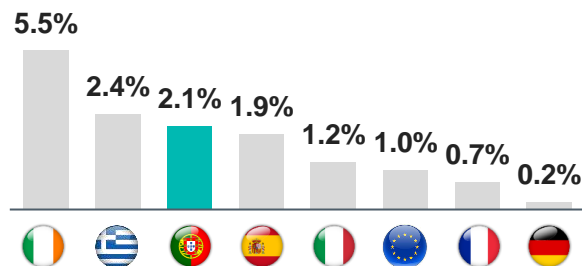
## Inflation under control... (PT Inflation, %)



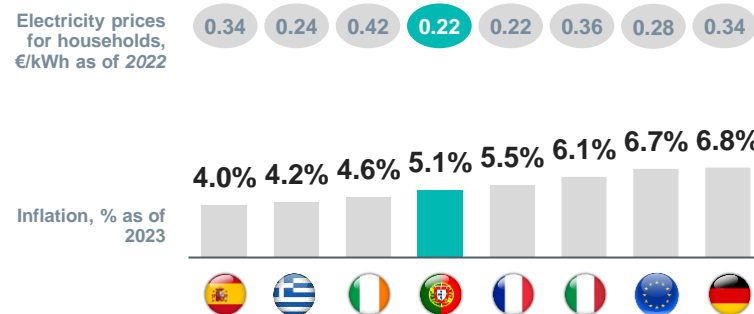
## Unemployment near historic lows... (PT Unemployment rate, %)



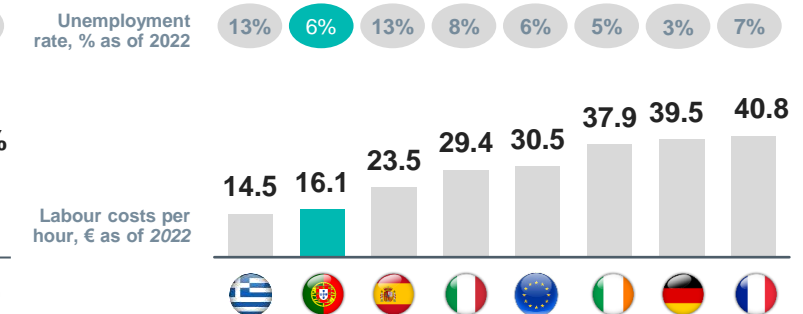
## ...above European peers (GDP Growth, 2023E)



## ...and below European peers (Inflation, 2023E)



## ...with competitive labour costs (Unemployment rate & Labour costs per hour €)

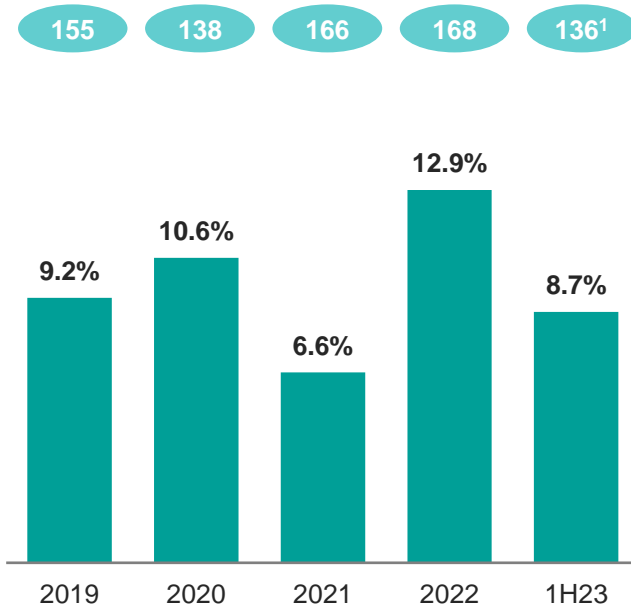


# Housing sector transformation driven by strong internal demand and expats

## Rising activity and prices...

(YoY Price Change, %)

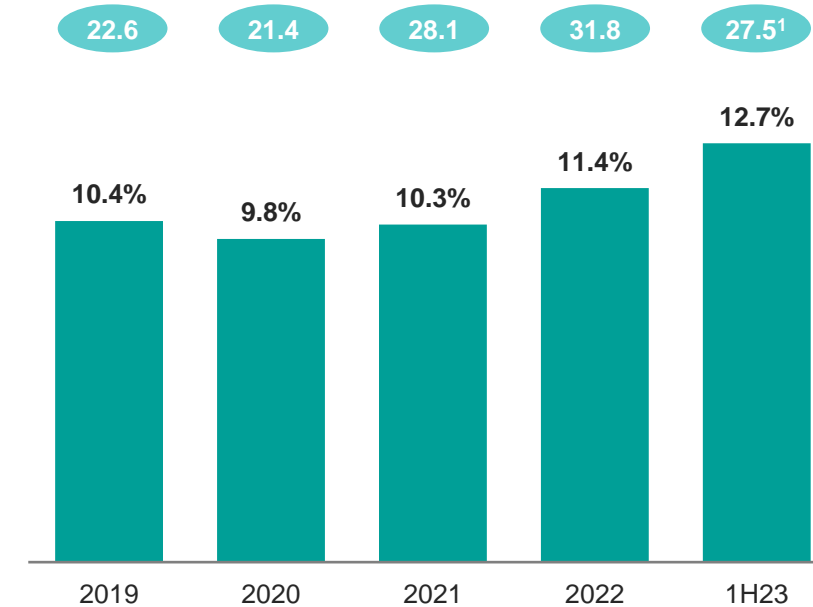
Thousands house transactions (#)



## ...fuelled by increasing international demand...

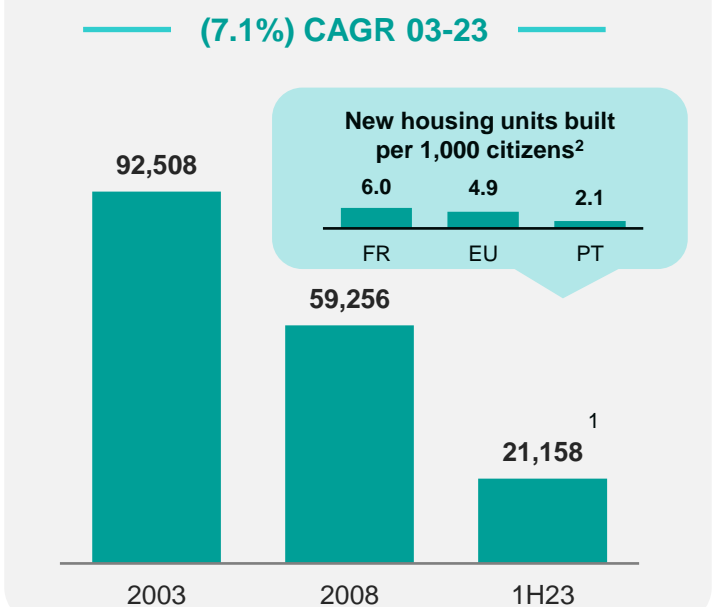
(€ invested in houses by international buyers, % total)

Total Investments in houses (€bn)



## ...and scarcity of new housing supply

(New housing units built, #)



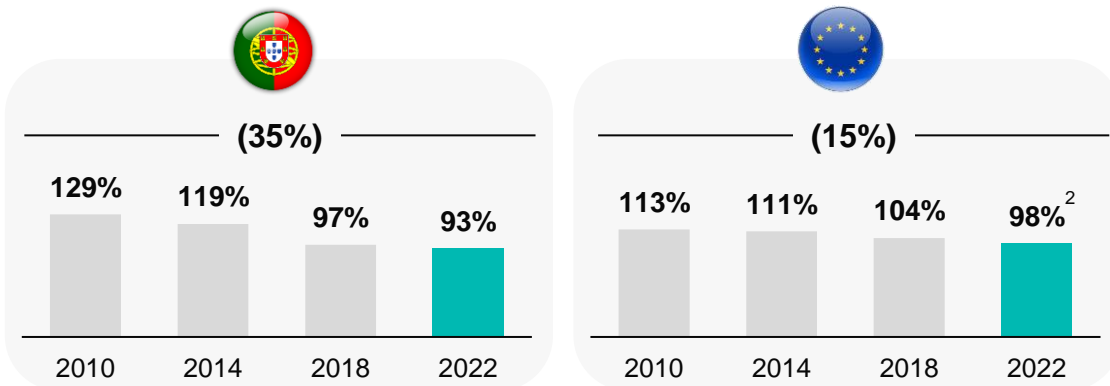
Novobanco benefits from a resilient Portuguese housing sector with increasing prices driven by strong demand and low new housing supply compared to European average

# 1. LEADING INDEPENDENT DOMESTIC PORTUGUESE BANK WITH EXPOSURE TO STRONG MACRO FUNDAMENTALS

## Healthy levels of savings and efforts to deleverage in a recovering economy

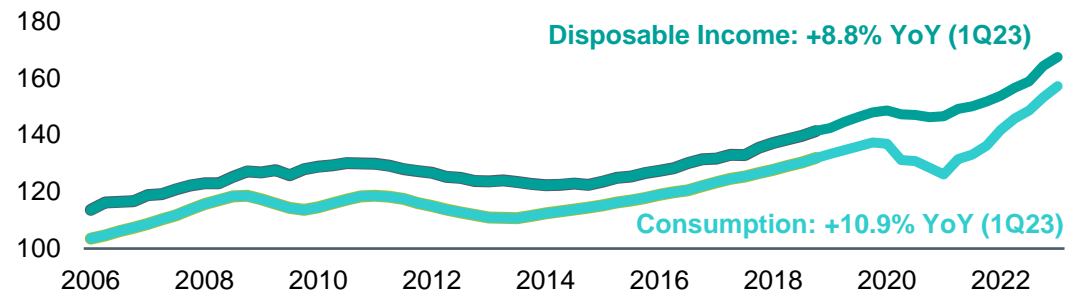
### Portuguese households have demonstrated financial discipline

(Household debt as % of disposable income<sup>2</sup>)



### Portuguese households' disposable income

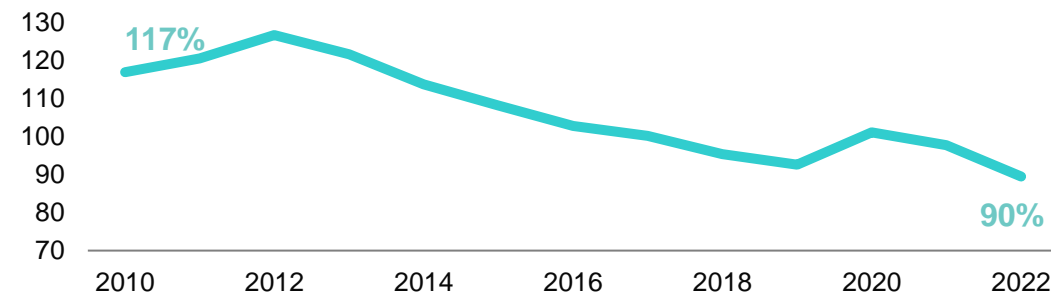
(Household disposable income vs. consumption, % nominal YoY)



Positive effect from “pandemic savings” and a rise in disposable income (mainly through higher wage growth)

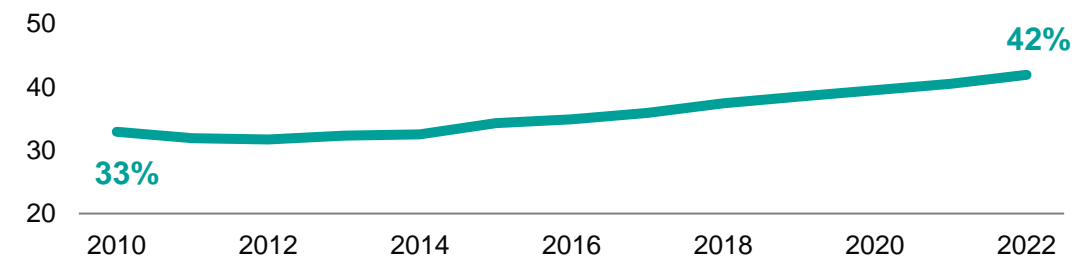
### Portuguese corporates have significantly deleveraged

(Non-financial corporations indebtedness ratio, % GDP)



### Remarkable Portuguese corporates' financial autonomy improvement

(Non-financial corporations financial autonomy ratio<sup>1</sup> %)

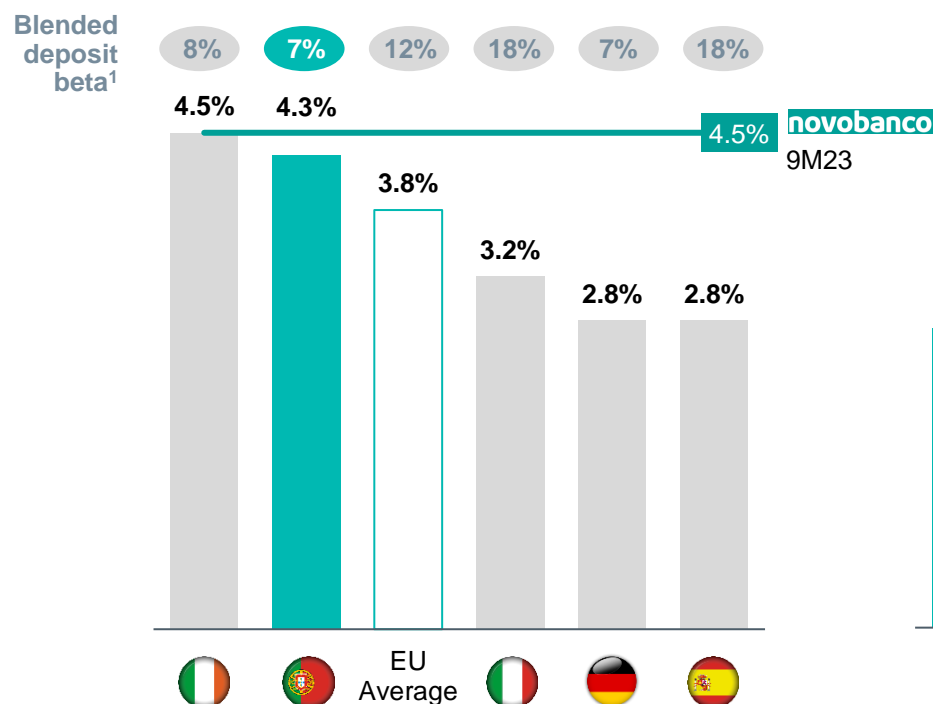


Financial strength improvement reflecting efforts to deleverage even despite intermittent challenges such as the pandemic

# Portugal has an attractive banking system...

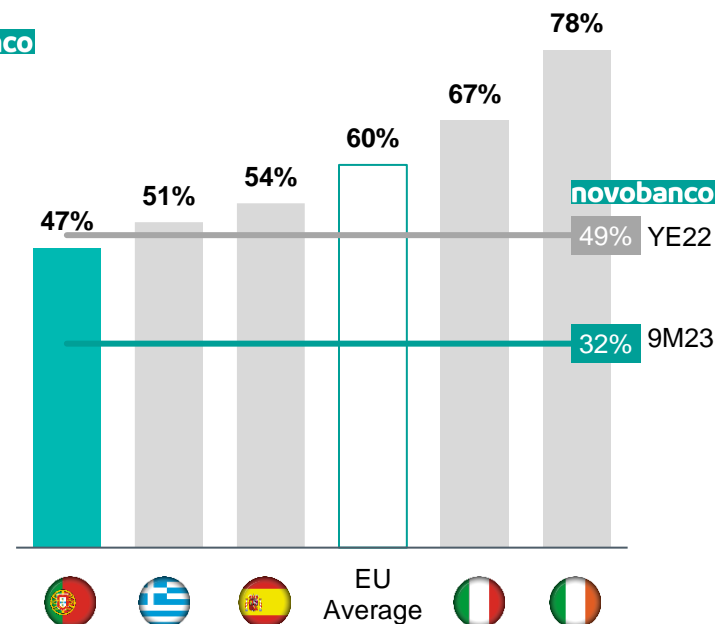
## Normalised margins

(Net Interest income<sup>4</sup> / average customer loans, %)



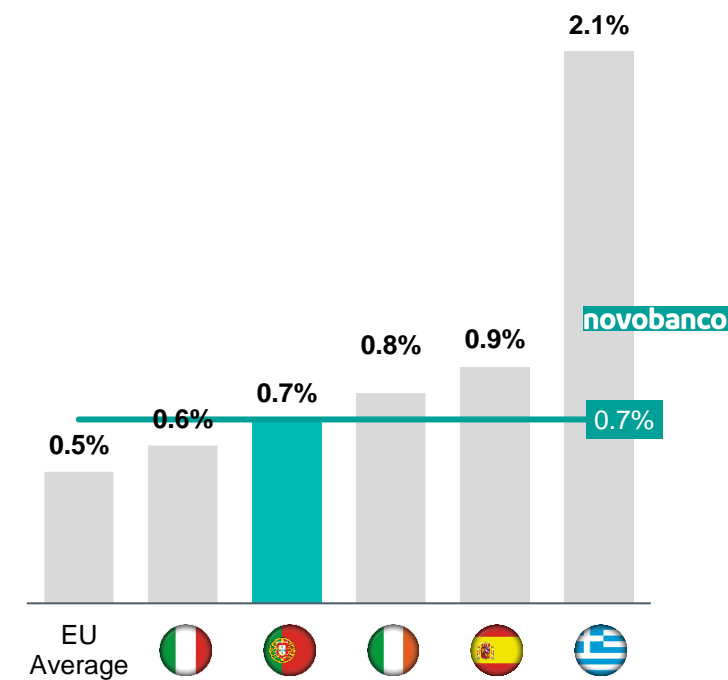
## Compelling cost profile

(Cost-to-income<sup>2</sup>, %)



## Clean balance sheet

(Net NPL ratios<sup>3</sup>, %)

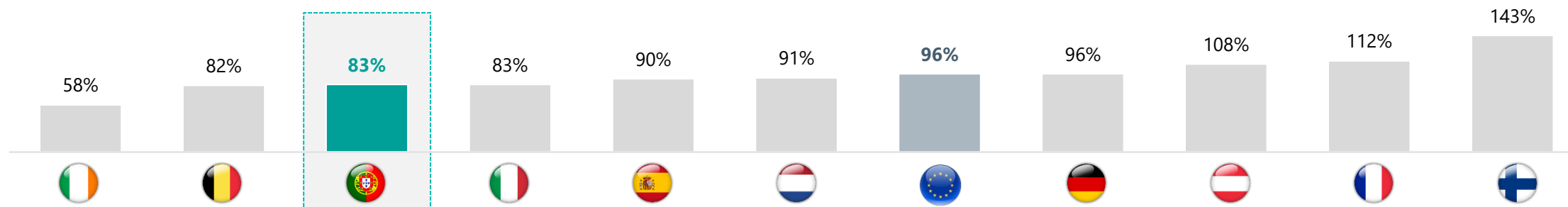


1. LEADING INDEPENDENT DOMESTIC PORTUGUESE BANK WITH EXPOSURE TO STRONG MACRO FUNDAMENTALS

## ...with lower loan-to-deposit ratios and deposit betas than European peers

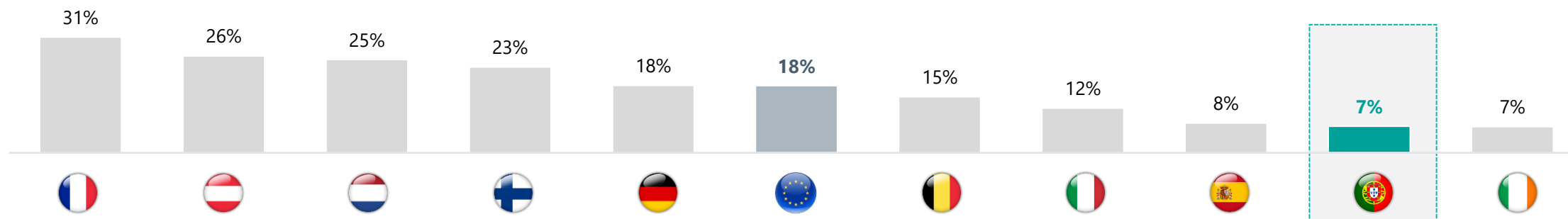
### Portuguese banking system benefits from significant liquidity...

(Loan to deposit ratio: PT vs. EU peers as of 2022, %)



### ...limiting funding cost increases

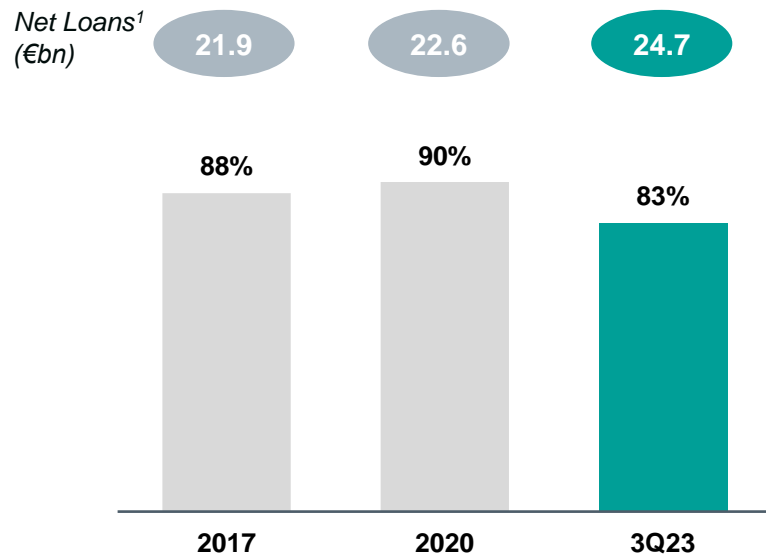
(Blended deposit beta as of May-23<sup>2</sup>, %)



## 2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

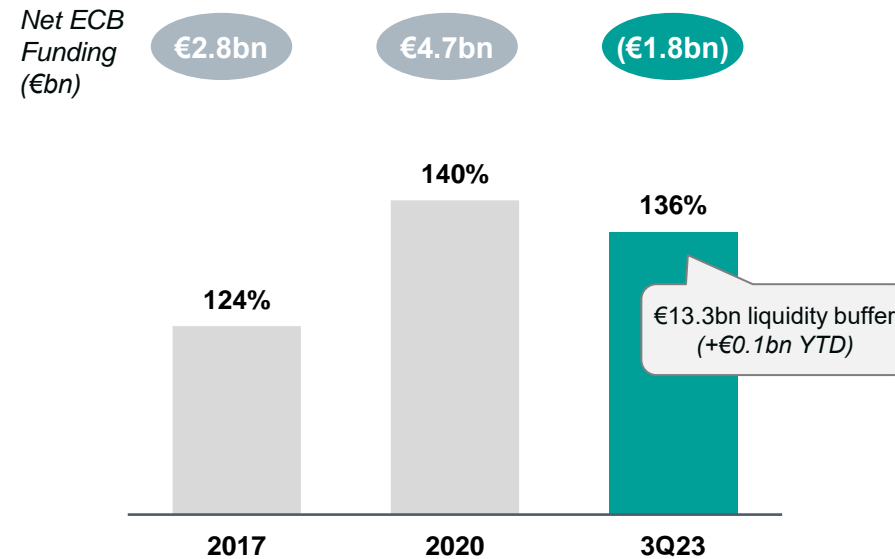
# Simple balance sheet with a low risk profile...

### Increased focus on core business (LtD, %)



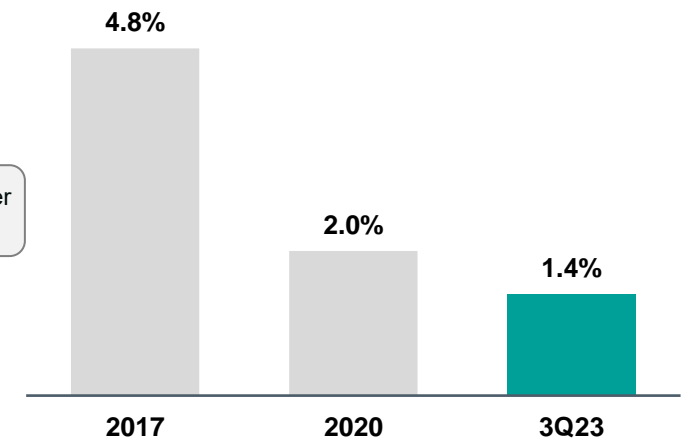
**Straightforward balance sheet**  
funded through customer deposits

### Strong liquidity improvement (LCR, %)



**LCR reduction reflecting planned  
TLTRO III reimbursement**

### Reduced real estate exposure (Real Estate as % total assets, %)



**Well-provisioned exposure**  
leading to recurrent gains on sales

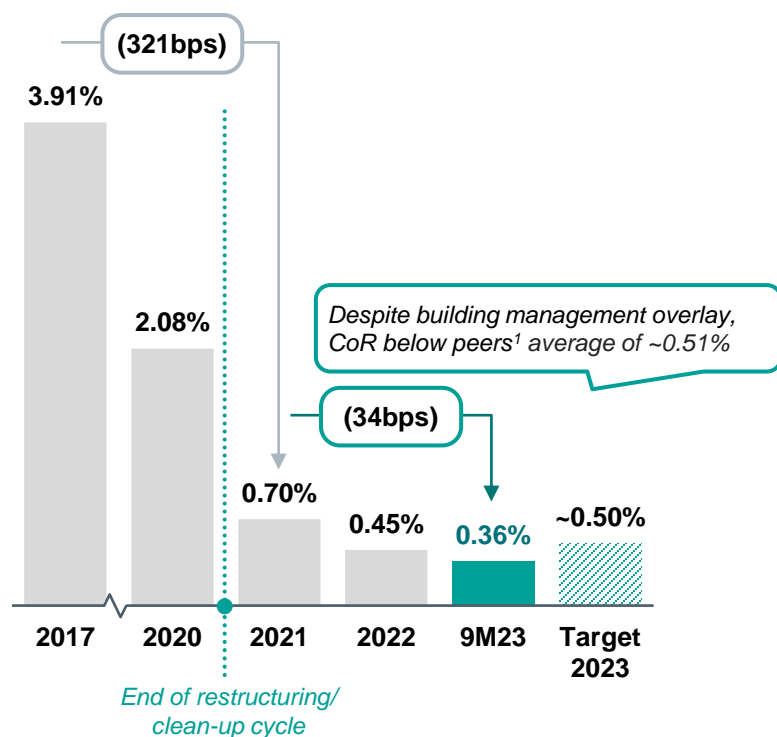


## 2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

...driven by significant asset quality strengthening...

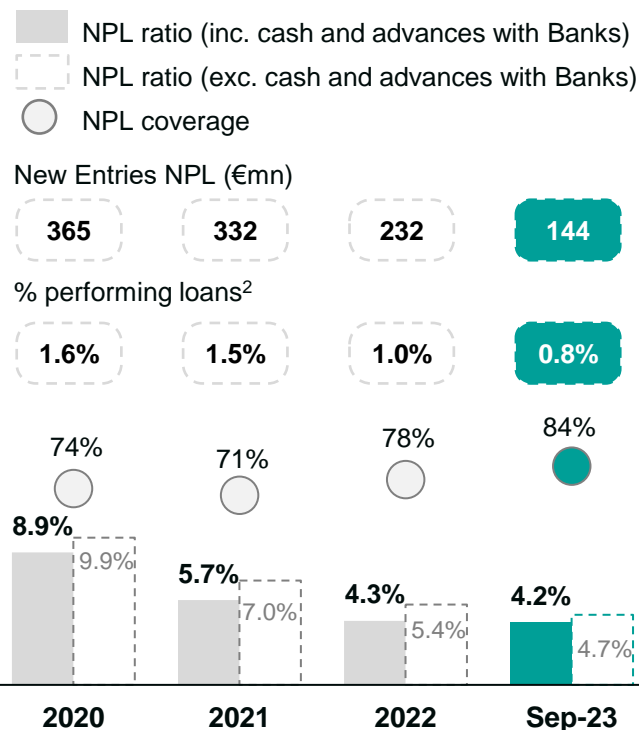
### CoR below peer levels...

(Cost of risk evolution, %)



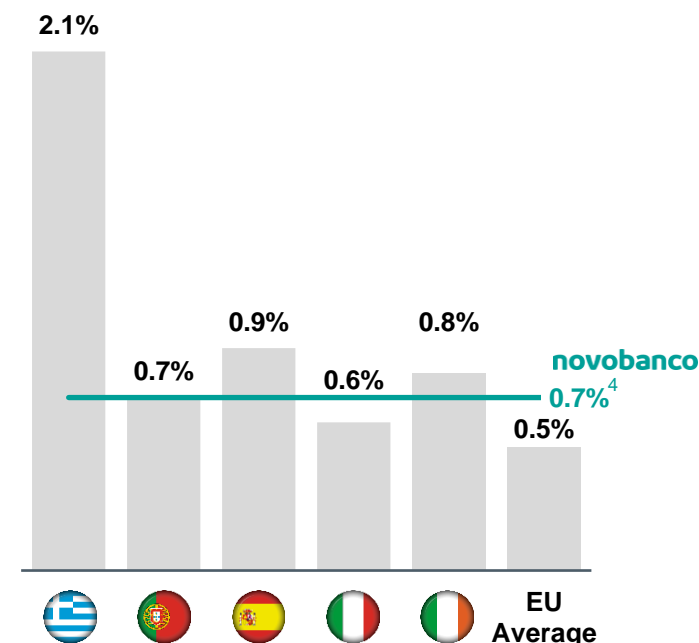
### ...with high asset quality...

(NPL ratio & coverage<sup>2</sup>, %)



### ...in line with European Peers<sup>3</sup>

(Net NPL ratio, %)

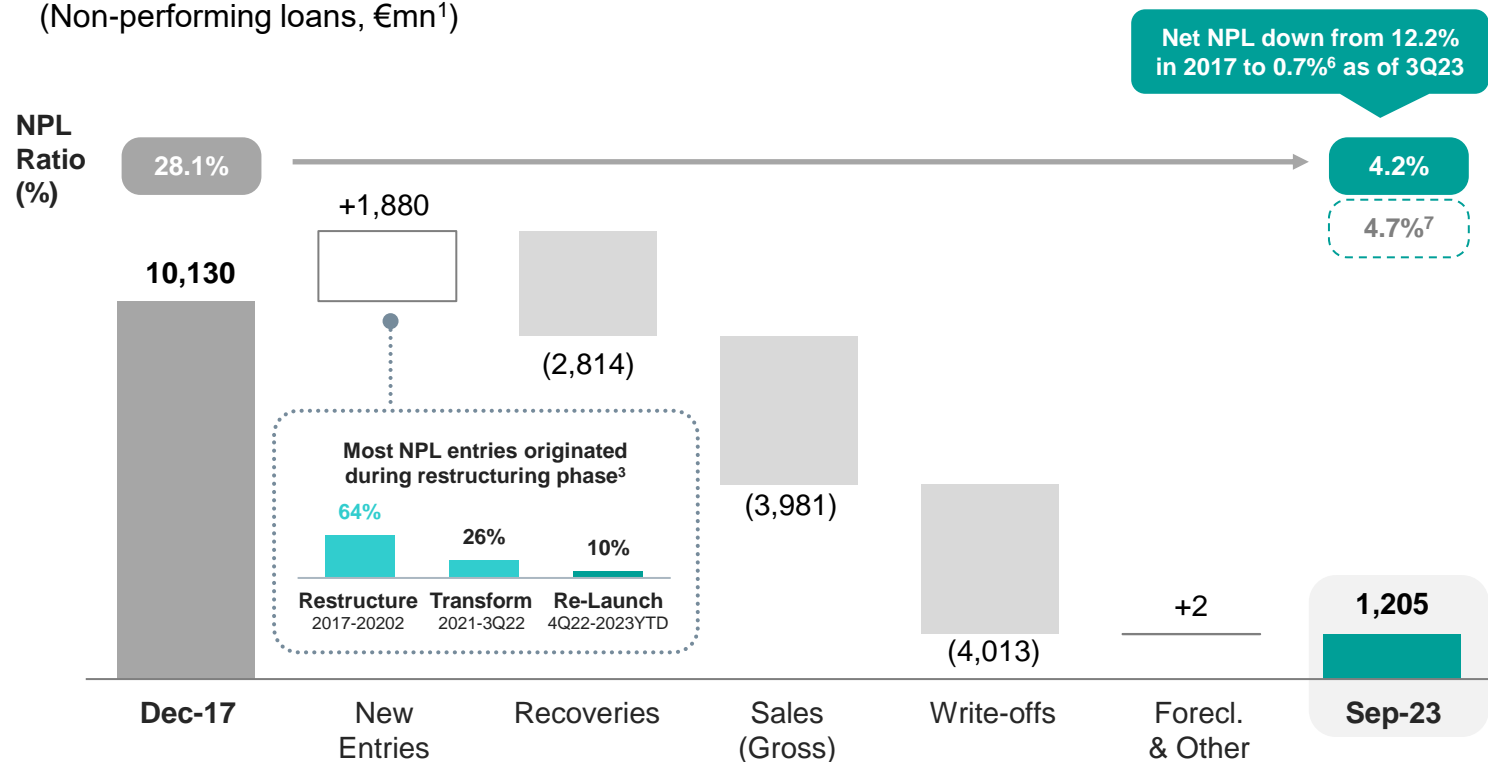


## 2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

# ...as well as a conservative provisioning and de-risking approach

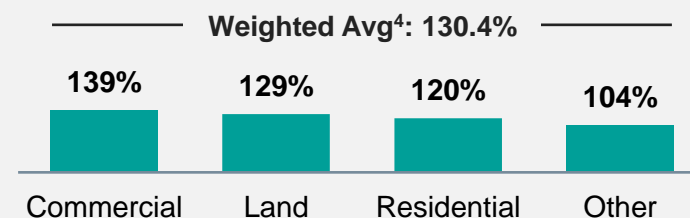
### Strong balance-sheet de-risking

(Non-performing loans, €mn<sup>1</sup>)



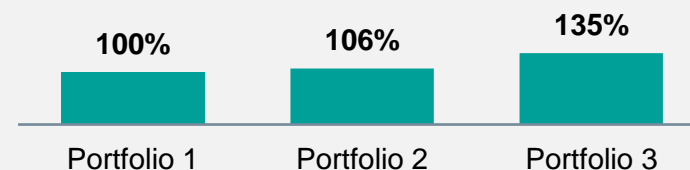
### Conservative provisioning approach reflected in above par RE asset disposals historically...

(Real Estate disposal price since 2020, % NBV<sup>2</sup>)



### ...as well as in more recent NPL disposals despite current rate environment

(Recent granular portfolio<sup>5</sup> sales price, % NBV)

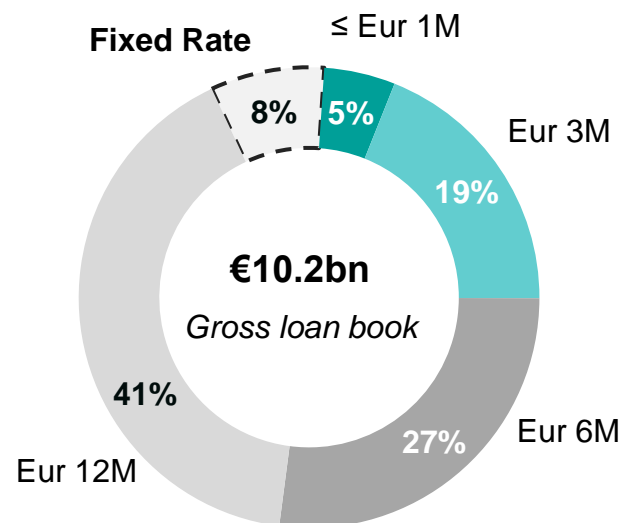


**Strong balance sheet de-risking benefited from CCA dynamics limiting capital ratio impacts**

## 2. LOW RISK BALANCE SHEET WELL POSITIONED TO BENEFIT FROM THE INCREASED INTEREST RATES ENVIRONMENT

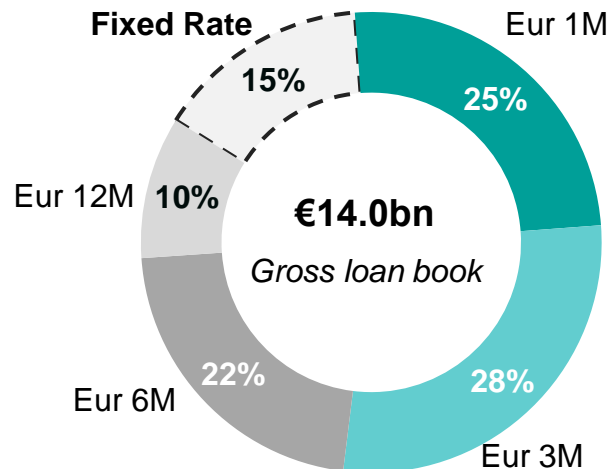
# Further upside expected from current rates repricing

**Mortgage loan book by rate type**  
(Sep-23, %)



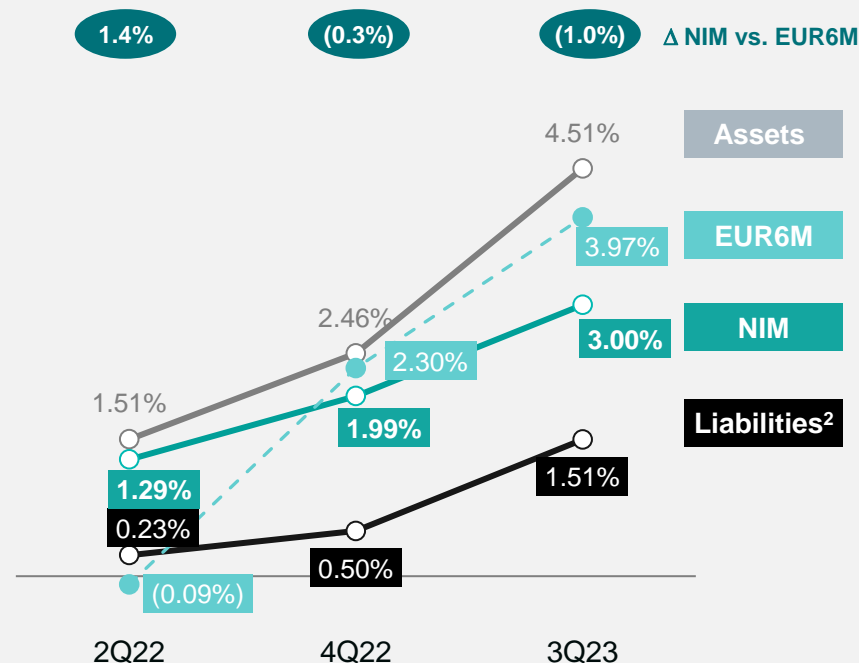
Stock avg ticket outstanding of ~€50k  
YTD origination ticket of ~€120k  
70% book hedged at 2.9%

**Corporate loan book by rate type**  
(Sep-23, %)



~90% of book is floating (incl. hedges)  
Majority with Euribor 0% floor

**NIM Evolution quarterly trend**  
(%)



**Benefiting from repricing at current rate environment, with NIM stabilizing at higher levels while downside rates risk being actively managed through hedging**  
(~-5% NII impact for -100bps decrease)<sup>1</sup>

# Cutting-edge business model ready to benefit from future dynamics



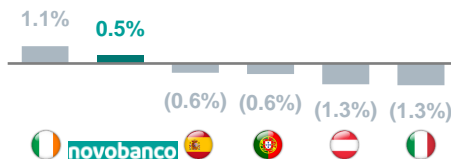
## CLIENT FOCUS

- Relentless focus on products
- Transparent client relationship
- Focus on lifetime value creation



**+0.5%**

Organic net customer loans growth<sup>1</sup> (YTD, %)



## OMNICHANNEL

- Proximity and technology
- Maximise client interactions
- Convenient and cost-effective



**75%**

Digital touchpoints<sup>2</sup>



**292**

Branches



## CROSS-SELLING

- Maximize entrenchment value
- Holistic product offering
- Partnership ecosystem



**+84%**

# credit cards (vs 2021)



**+101%**

# insurance products (vs 2021)



## ESG EMBEDDED

- Dedicated firm-wide ESG training
- Lending screening criteria
- Removing gender pay-gap



**61.1%**

Of suppliers with sustainability scoring



**€560mn**

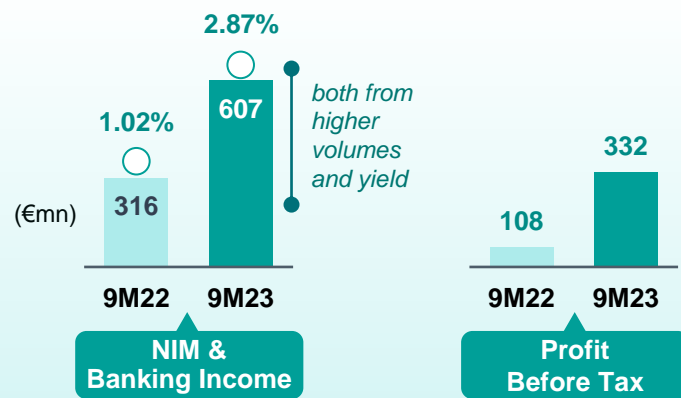
Green investment<sup>3</sup>

# Highly diversified lending portfolio backed by differentiated strategies

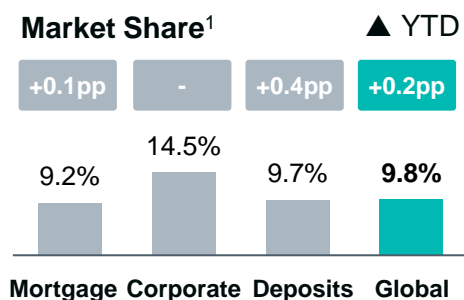
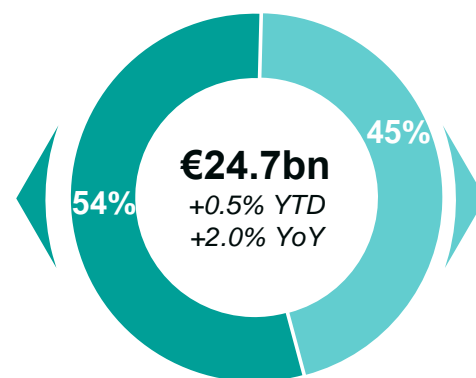
## Retail

### Making our customers' lives easier:

- Implementation of **New Distribution Model**: reshaping geographic presence and deeply changing the service experience, **balancing between** the convenience of the **digital channels** and the importance of **face-to-face** service to clients
- **Client acquisition**: +35% YoY (monthly average)
- **Successful partnerships**



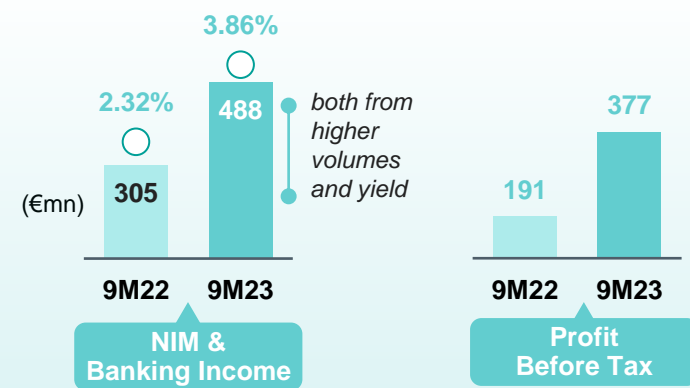
## Segments: Customer Loans (net)



## Corporate

### Strengthening our commitment to companies:

- **Sectoral expertise** to fulfill Clients' needs
- Solutions for **working capital needs with significant growth in short-term loans** (ie: Factoring & Confirming: +13% YoY; 20.0% market-share in Trade Finance)
- Solutions for **investment projects** (>€830mn of new MLT credit)



### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Retail omni-channel strategy delivering significant share gains

#### Partnership ecosystem leading to broad product offering



Asset Management



Life Insurance



Non-Life Insurance



Cards

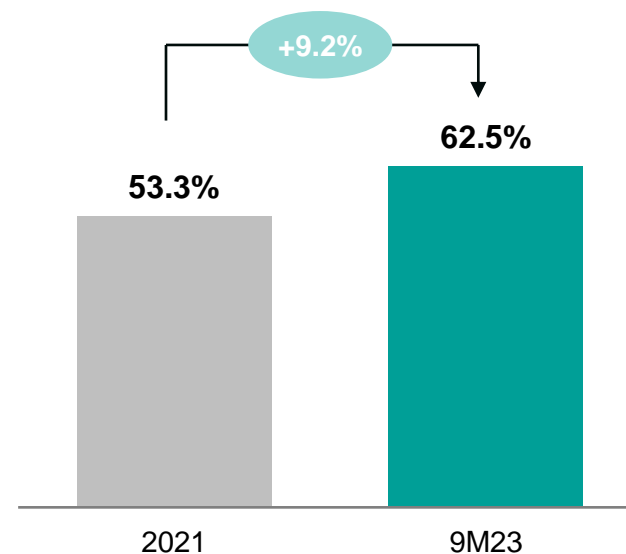


Personal Loans

- Strong partnerships
- Tailored pricing
- Cross-selling opportunities

#### Cost effective client interaction with increasing digital adoption...

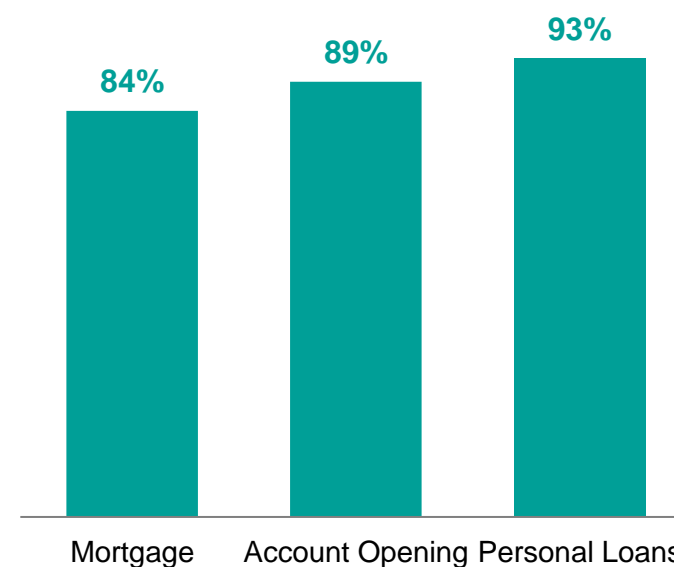
(Active digital clients, %)



- End-to-end digital sale processes
- Interactive and low touch model
- Dedicated support team

#### ...leading to remarkable customer experience and loyalty

(Customer Satisfaction (CSAT), %)



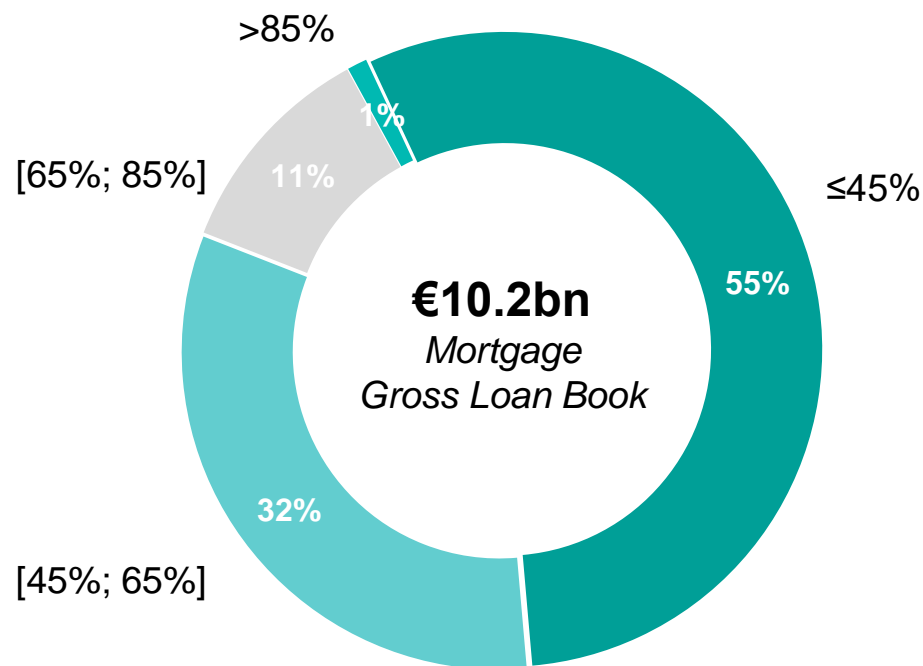
- Loyal customers (>65% active clients since 2014)
- Streamlined process infrastructure
- Technology & proximity mix

### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Highly conservative mortgage book with strong origination capabilities

#### Loan book split

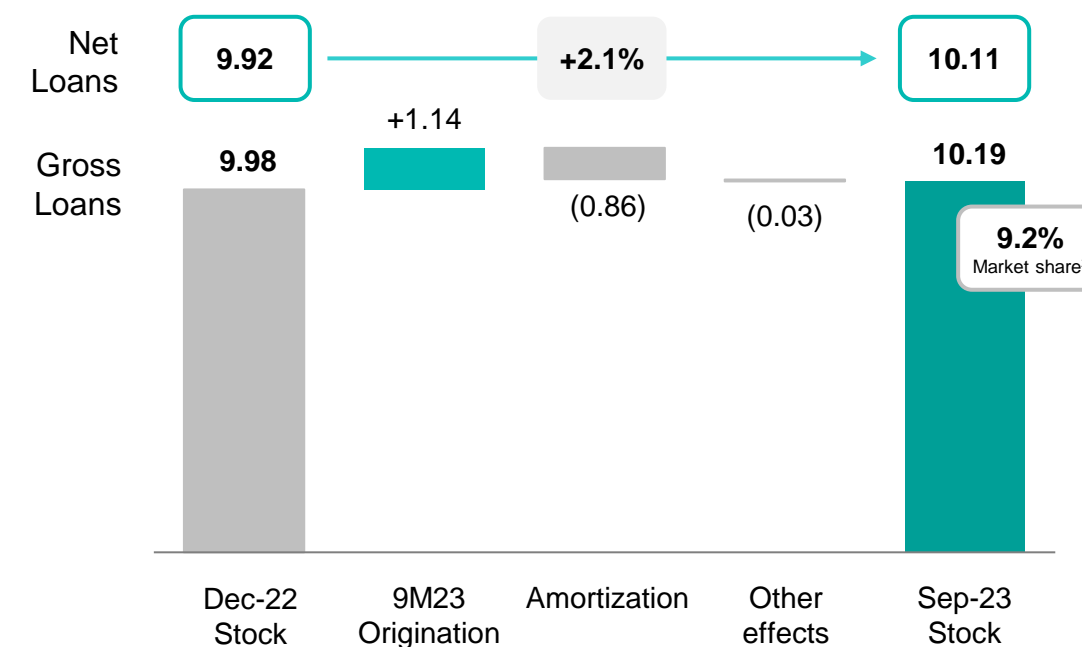
(Sep-23; Loan book by LTV bucket %)



Low risk mortgage portfolio with average LTV (stock) < 50%  
Strict origination risk selection with LTV <60% & ~45% DSTI<sup>1</sup>

#### Strong mortgage originating capabilities

(€bn)



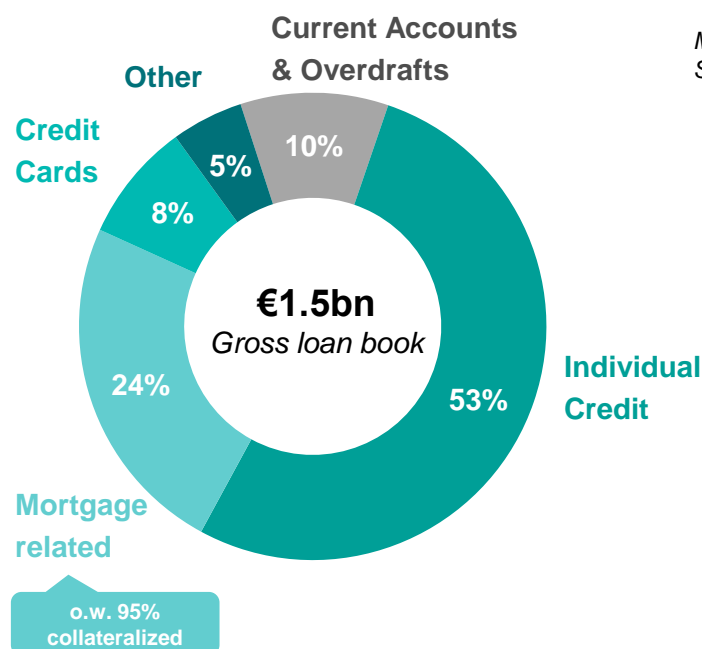
Despite overall market slow-down driven by rate increases,  
novobanco has demonstrated strong client appetite

### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Well-positioned in attractive personal loans segment

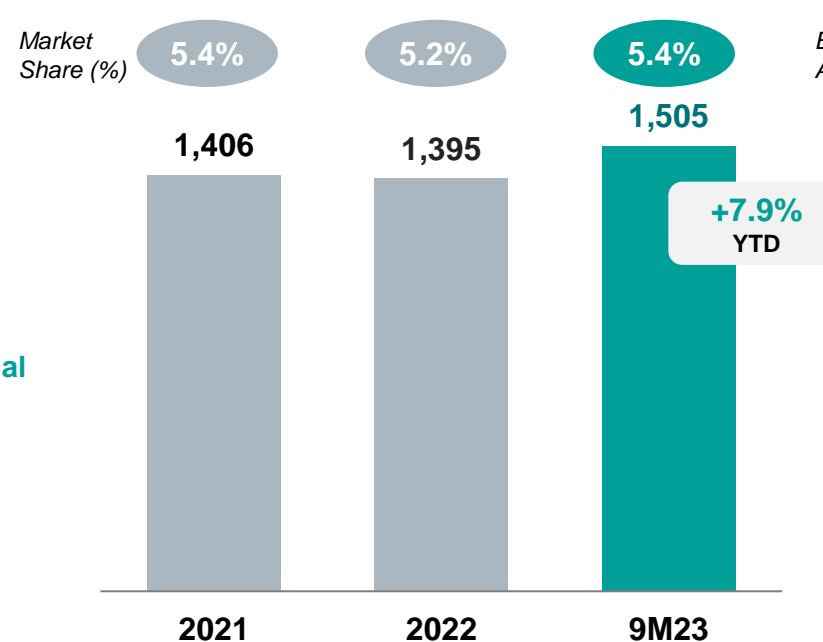
#### Diversified...

(Personal loans and others split, %)



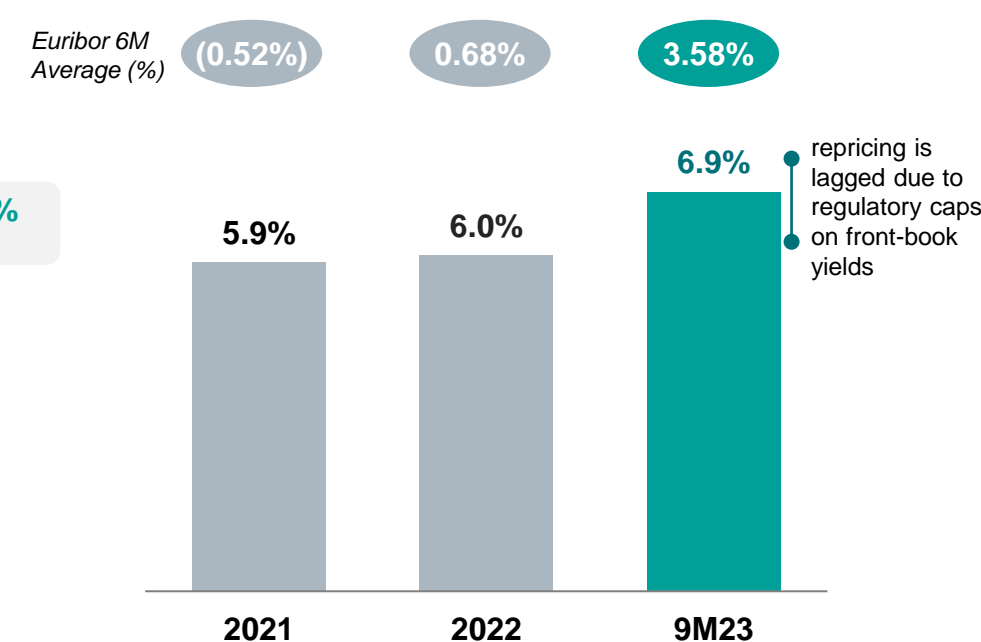
#### ...and resilient consumer loan book...

(Personal loans and other, €mn)



#### ...with strong profitability

(Average interest rate, %)



Highly provisioned consumer loan book with 91% Stage 3 coverage<sup>1</sup> limiting downside risks



### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Payments strategy driving sustainable and profitable growth

#### Wholly integrated payments business ecosystem...



Merchant acquiring



Cards



ATMs



PoS



Direct Debits

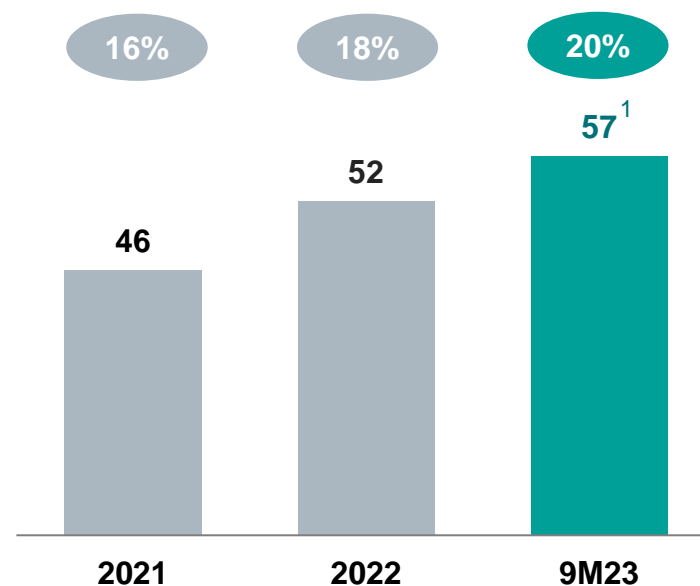


Transfers

#### ...with significant contribution to net commissions...

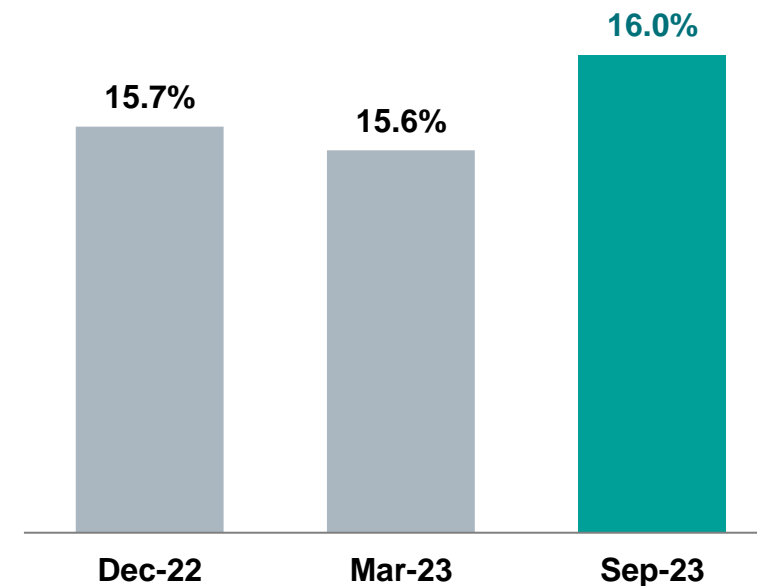
(Net fees and commissions, €mn)

% total net commissions<sup>2</sup>



#### ...driving strong market share gains since growth strategy implementation

(Point of Sale (PoS), monthly billing %)



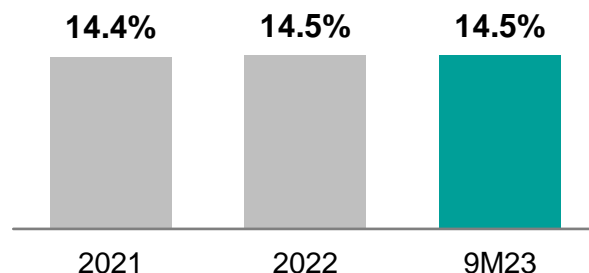
Payments growth strategy currently being implemented to strengthen client experience providing significant cross-selling and growth opportunities

### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Tailored sectorial corporate lending strategy with differentiated risk appetite

#### Sectorial expertise

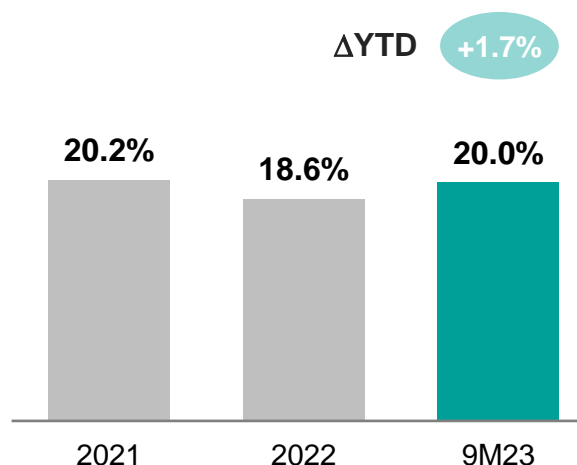
(Corporate lending market share<sup>1</sup>, %)



- Sector-specific tailored solutions
- Dedicated relationship managers
- Continued risk analysis

#### Supporting SMEs internationalisation

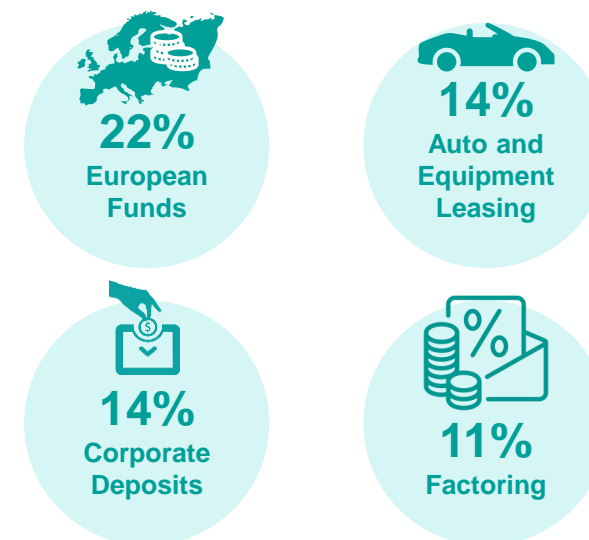
(Trade finance market share<sup>1</sup>, %)



- Dedicated relationship managers
- Best-in-class trade finance & FX solutions
- Integrated support across businesses lines

#### Strong SME focus

(Latest market share<sup>2</sup>, %)



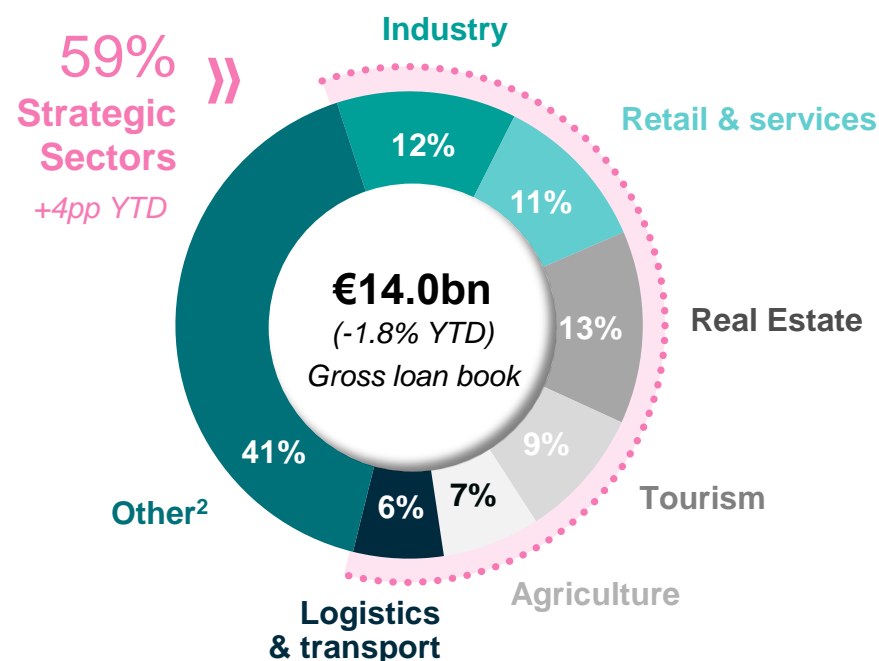
- Holistic solution offering (payments, payroll, etc.)
- Working capital needs solutions
- Digital and face-to-face touchpoints

### 3. DIVERSIFIED BUSINESS MODEL WITH A STRONG CORPORATE AND LOW-RISK RETAIL MORTGAGE FRANCHISES

## Corporate lending focused on strategic sectors

### Corporate loan book<sup>1</sup> by Sector

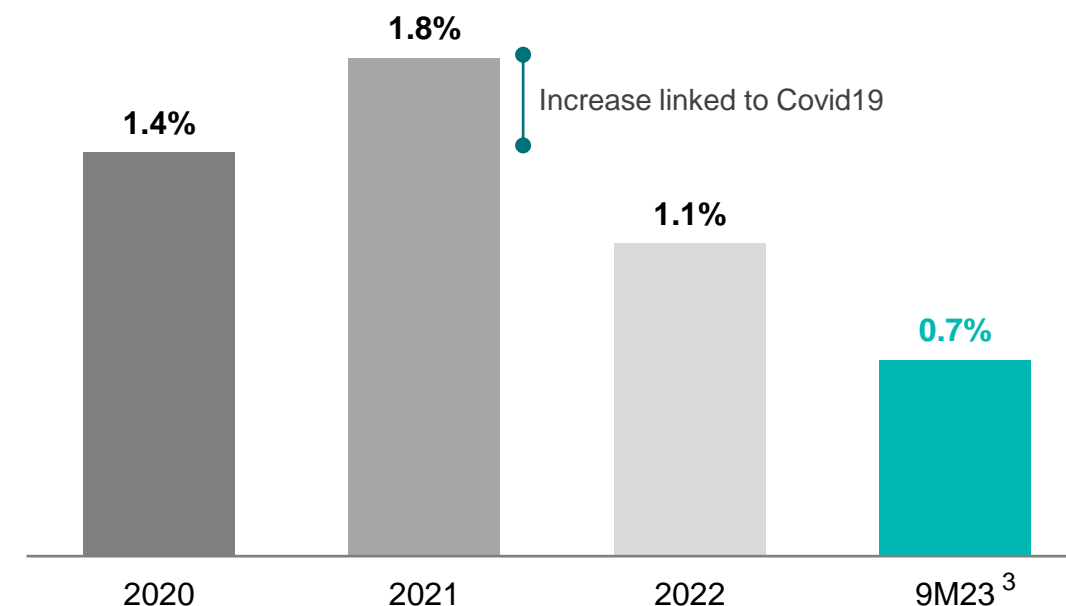
(Sep-23; %)



Sectorial expertise leading to 14.5% market share YTD

### Stage 1 and 2 migration to stage 3

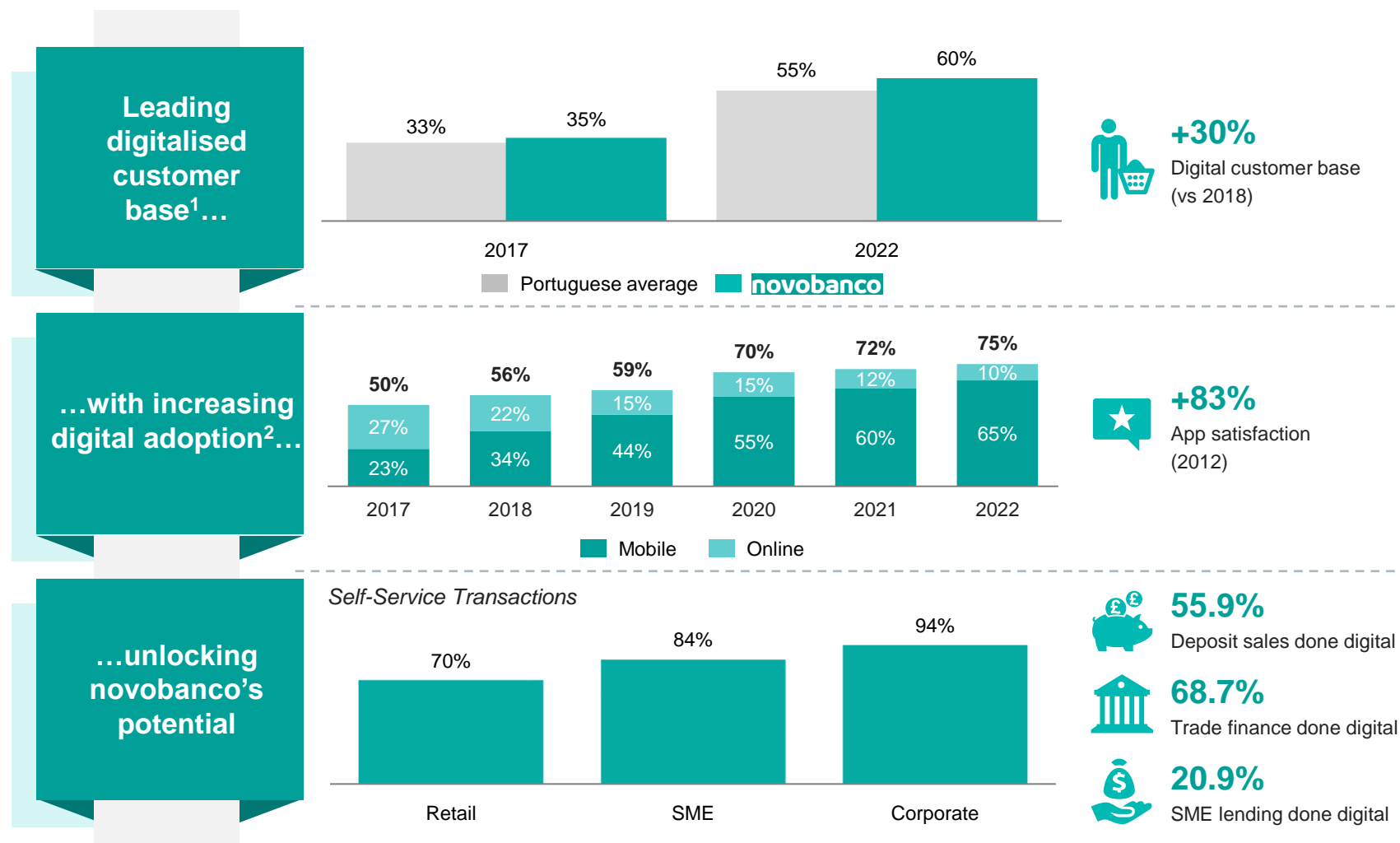
(%)



Proven risk taking approach consistently driving lower stage 3 migrations

#### 4. STRONG DIGITAL ADOPTION SUPPORTED BY STRATEGIC INVESTMENTS

## Best-in-class platform displays continuous growth of digital customer base



**Banking Tech Awards 2022**

Best Mobile Initiative

Also received 2021 Best UX/UI Finance Initiative with the app

**Digital CX Awards 2022**

Best digital underwriting solution for Life insurance

**Finovate Awards 2022**

Best customer experience solution for novobanco's app

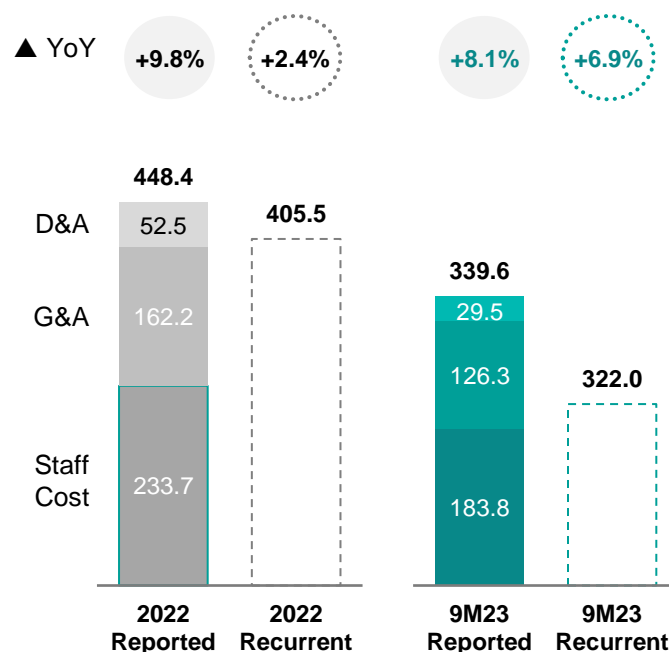
**D-Rating**

Best digital performance within Portuguese banks

# Cost efficiency and investments towards streamlined operations...

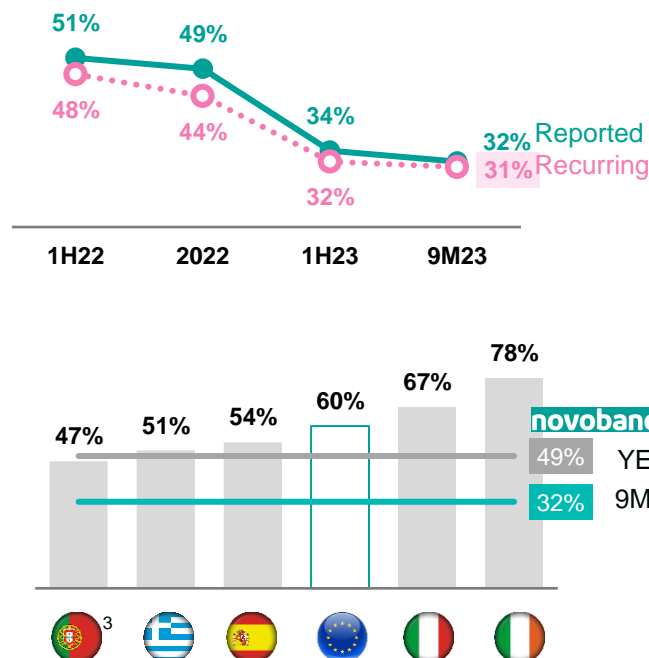
## Operating costs<sup>1</sup>

(%; €mn)



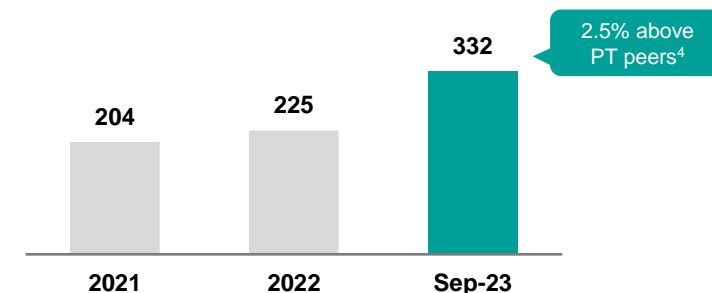
## Cost to Income<sup>2</sup>

(%)

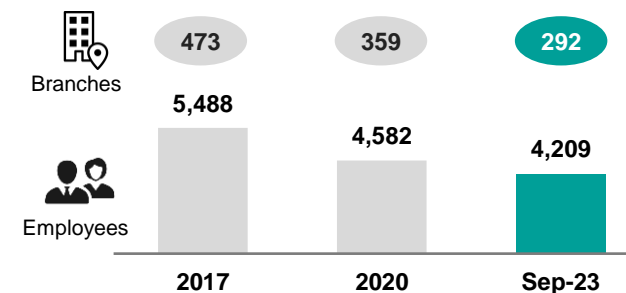


## Commercial banking income / FTE

(€k)



## Branch & employee evolution



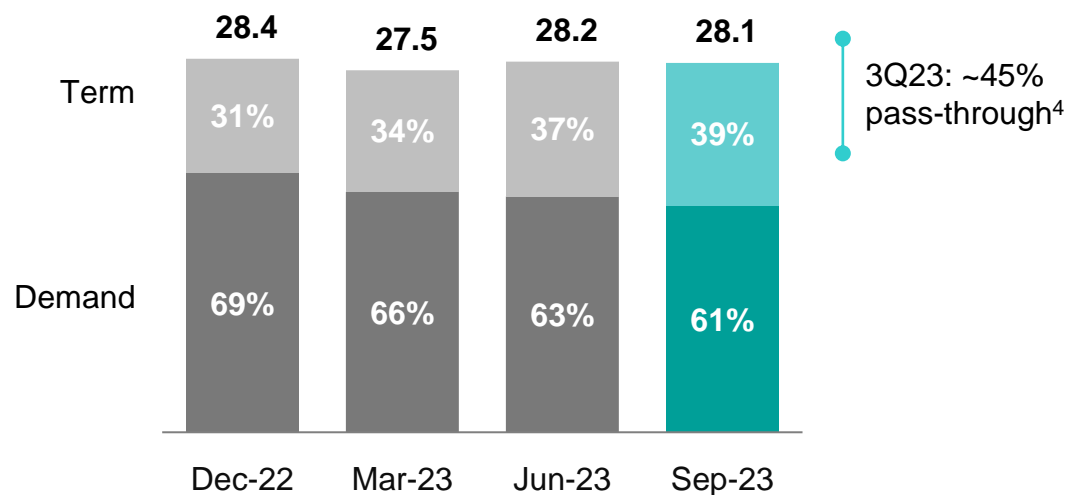
...are key pillars to increase profitability, offset cost inflation and invest in people and culture while reaching a best-in-class C/I ratio

## Attractive funding costs from loyal customer base and high liquidity

### Deposits Breakdown by Type

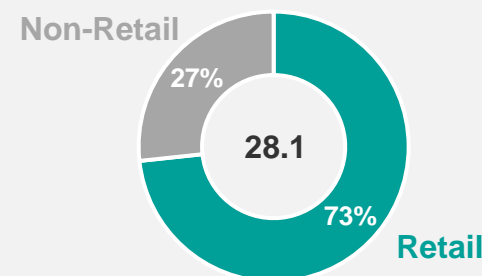
(€bn; %)

Market Share <sup>1</sup>	9.3%	9.3%	9.6%	9.7%
Deposit (% funding) <sup>2</sup>	81.7%	80.4%	79.1%	81.3%
Cost of Deposits <sup>3</sup>	0.17%	0.39%	0.67%	0.92%



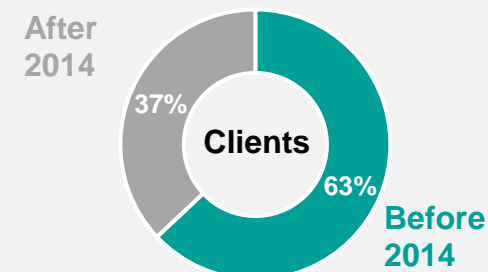
### Deposits by Customer

(€bn; %)



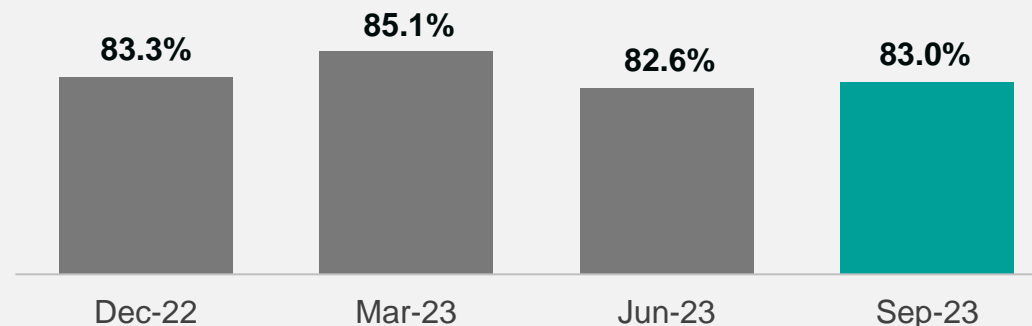
### Loyal customer base

(# of active clients)



### Loan to Deposit Ratio<sup>5</sup>

(%)



## Disciplined strategic focus driving best-in-class profitability...

### Return on Equity (9M23 annualised; %)



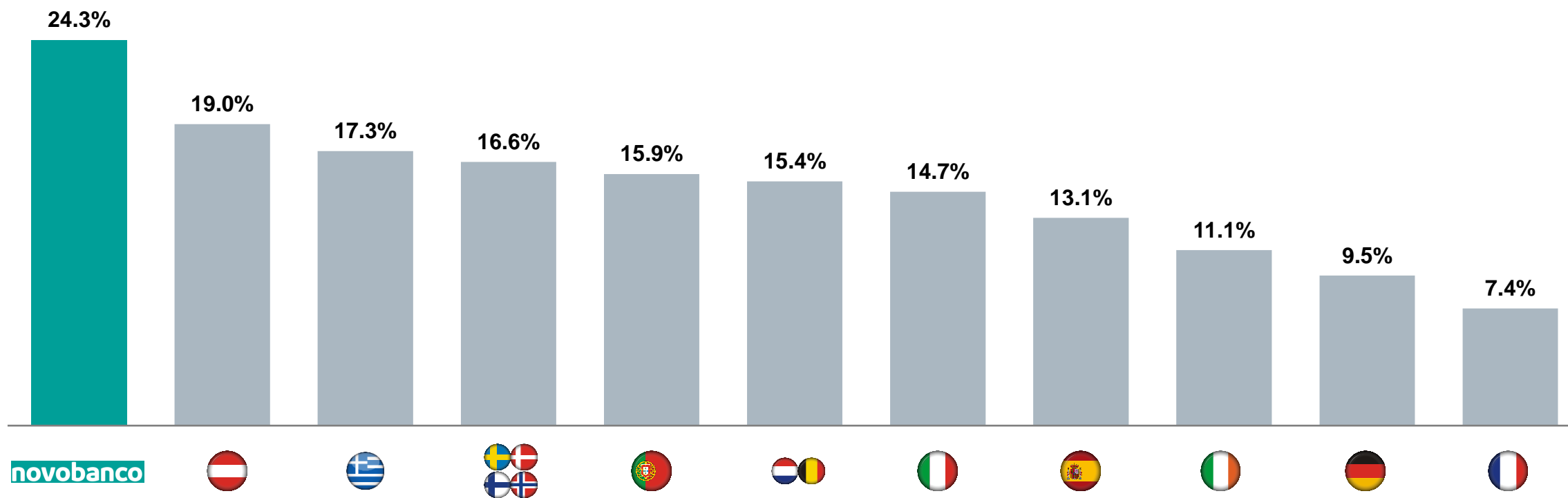
- A** **Strong operating income** delivering record results in 9M23 (€638.5mn);
- B** Equity adjusted by intangibles and €209mn due to CCA not yet received (booked as a receivable) and excluded from capital ratios;
- C** Pro-rata consideration of bank levies for FY2023 (€57mn) already paid in full in 1H23 leading to incremental RoTE increase;
- D** **Strong adjusted RoTE despite significant excess capital** (CET1 FL: 16.5%) that currently cannot be distributed due to CCA/dividend ban in place until 2025.

Novobanco's **profitability** ranks **among the top performers in Europe**

...resulting in superior returns vs. EU banking sector...

## Stated 9M23 RoTE

(9M23 annualised; %)

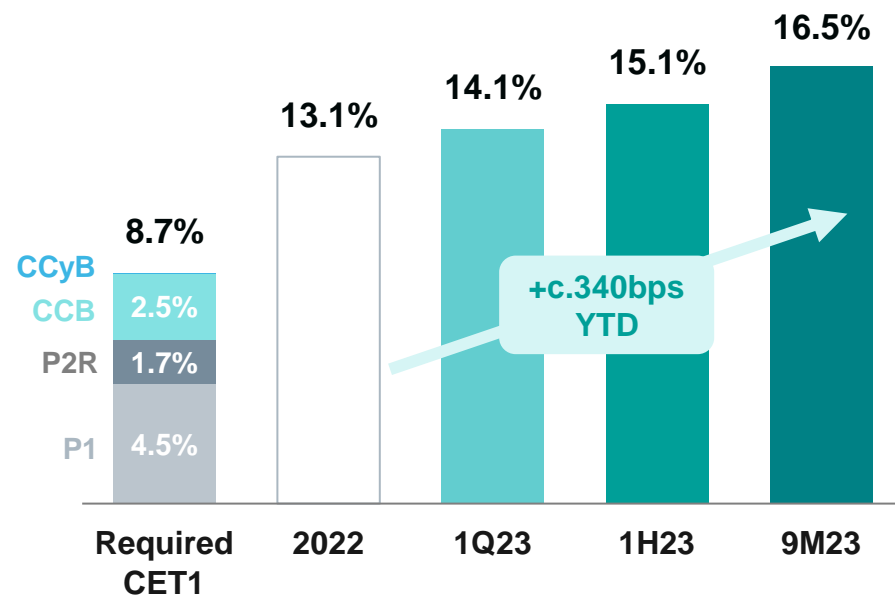




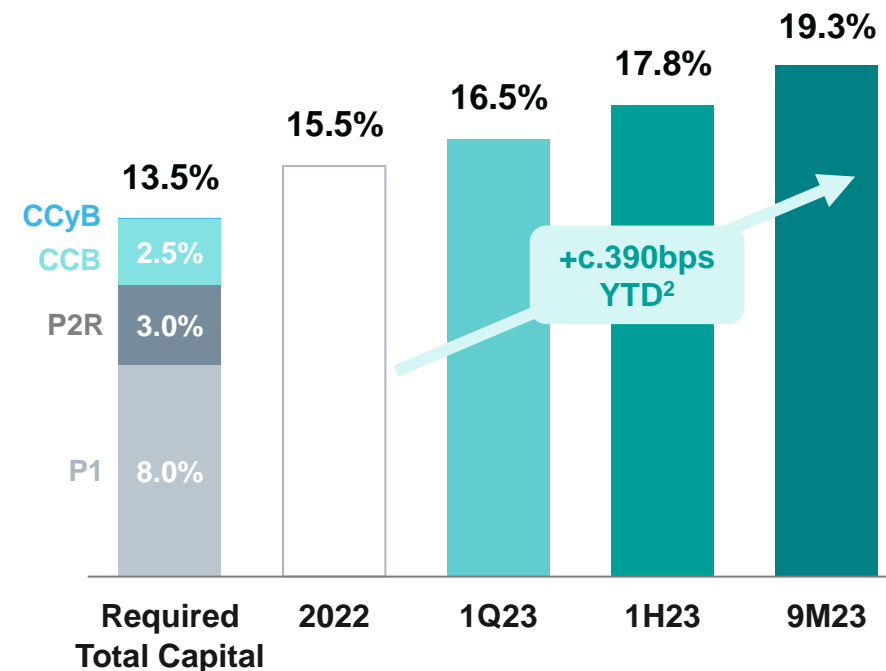
5. IMPROVED OPERATING EFFICIENCIES AND ATTRACTIVE FUNDING MIX LEADING TO BEST-IN-CLASS PROFITABILITY AND CAPITAL GENERATION

...as well as +300bps organic capital generation in 9M23

**CET 1**  
(fully loaded<sup>1</sup>; %)



**Total Capital**  
(fully loaded<sup>1</sup>; %)



Solid top-line performance and disciplined capital allocation leading to superior capital generation

# Execution leading to targets outperformance and guidance revision

	2023 Upgraded Guidance <sup>1</sup>	9M23 Achievements	
Net Interest Margin	> 2.5% <sup>2</sup>	2.66%	✓
Cost to Income	~ 35%	32.4%	✓
Cost of Risk	~ 50 bps	36 bps	✓
NPL Ratio <sup>3</sup>	< 4.5%	4.2% (w/ 84% coverage)	✓
Profit Before Tax <sup>4</sup>	> €700mn	€646mn	✓
Capital Generation	> 350 bps	+340 bps (CET1: 16.5%)	✓

**Protecting NIM from a lower interest rate environment**  
by increasing hedges<sup>5</sup> to lock in current rates and reduce sensitivity, with a **decrease of ~5% NII for -100bps in rates**

**De-risking strategy**  
with strong and reinforced coverage levels

**Deposit Guarantee Fund**  
Currently collateralized by bonds and maybe replaced by cash (€56mn) in 4Q. Replacement with impact in P&L but no impact in CET1

**Upward revision of 2023E Capital Generation**  
**> 400bps**

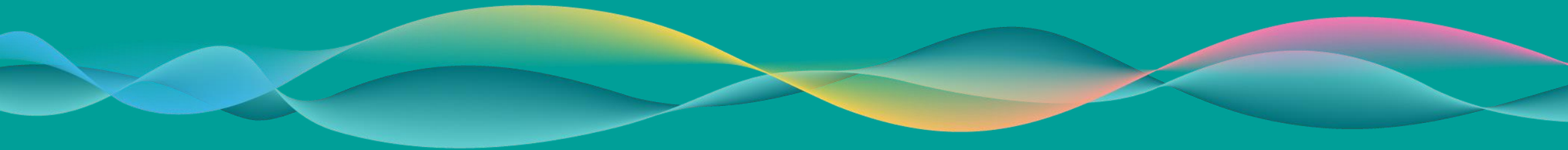
Consistent execution of the strategic plan, reiterating the focus to achieve investment grade rating in the medium-term

# AGENDA

Novobanco's Journey

Novobanco at a Glance

**Recap of 9M 2023 Results – Financial Performance**



## Results Remarks

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

**Net Income +18% QoQ growth** driven by assets re-pricing, moderate cost of risk and strict cost control.

**Strong organic capital generation business model** (3Q23: c.+140bps; 9M23: c.+340bps) aligned **with stable funding and liquidity position** based on a stable deposit base focused on granular retail clients.

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

Strong strategy execution **delivering 2023 guidance already in 9M23.**

# Strong profitability driven by sustainable business growth

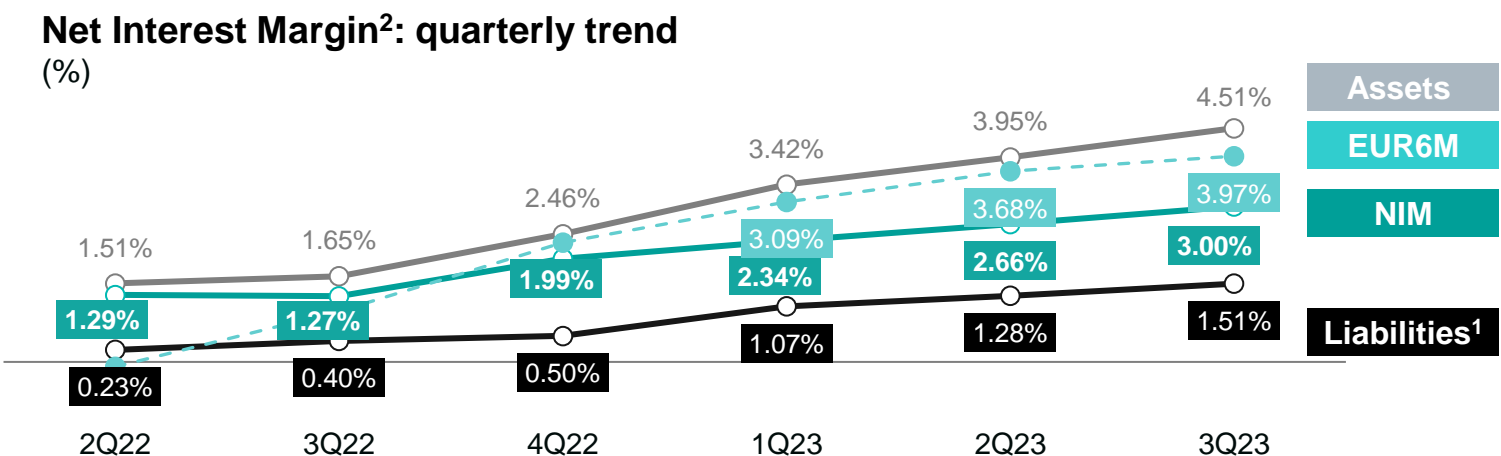
Income backed by a positive NIM trend, strong asset quality and disciplined cost contention

Income Statement (€mn)		9M22	FY22	9M23	▲YoY €mn	3Q23	▲QoQ €mn
1	Net Interest Income	405.9	625.5	831.2	+425.3	307.2	+29.5
2	+ Fees & Commissions	215.7	293.3	217.1	+1.4	71.8	(4.7)
	<b>= Commercial Banking Income</b>	<b>621.6</b>	<b>918.8</b>	<b>1,048.3</b>	<b>+426.7</b>	<b>378.9</b>	<b>+24.9</b>
	+ Capital Markets Results	68.2	24.0	39.3	(28.9)	11.3	(10.9)
	+ Other Operating Results	161.3	183.6	14.5	(146.8)	19.5	+26.9
	<b>= Banking Income</b>	<b>851.1</b>	<b>1,126.3</b>	<b>1,102.1</b>	<b>+251.0</b>	<b>409.7</b>	<b>+40.8</b>
3	- Operating Costs	314.2	448.4	339.6	+25.3	114.5	+1.4
	<b>= Net Operating Income</b>	<b>536.8</b>	<b>678.0</b>	<b>762.5</b>	<b>+225.7</b>	<b>295.2</b>	<b>+39.4</b>
4	- Net Impairments & Provisions	22.5	111.2	81.7	+59.3	25.8	(2.5)
	<b>= Profit Before Tax</b>	<b>514.3</b>	<b>566.8</b>	<b>680.8</b>	<b>+166.4</b>	<b>269.4</b>	<b>+42.0</b>
	- Corporate Income Tax	27.8	-53.3	2.6	(25.2)	1.0	+0.2
	- Special Tax on Banks	34.1	34.1	35.3	+1.1	1.1	+1.1
	<b>= Profit after Taxes</b>	<b>452.4</b>	<b>585.9</b>	<b>642.9</b>	<b>+190.5</b>	<b>267.3</b>	<b>+40.7</b>
	- Non-Controlling Interests	24.0	25.1	4.4	(19.7)	2.0	+0.2
	<b>= Net Profit for the period</b>	<b>428.3</b>	<b>560.8</b>	<b>638.5</b>	<b>+210.2</b>	<b>265.3</b>	<b>+40.5</b>

# Deep Dive into NII and Fees

## 1 Net Interest Income

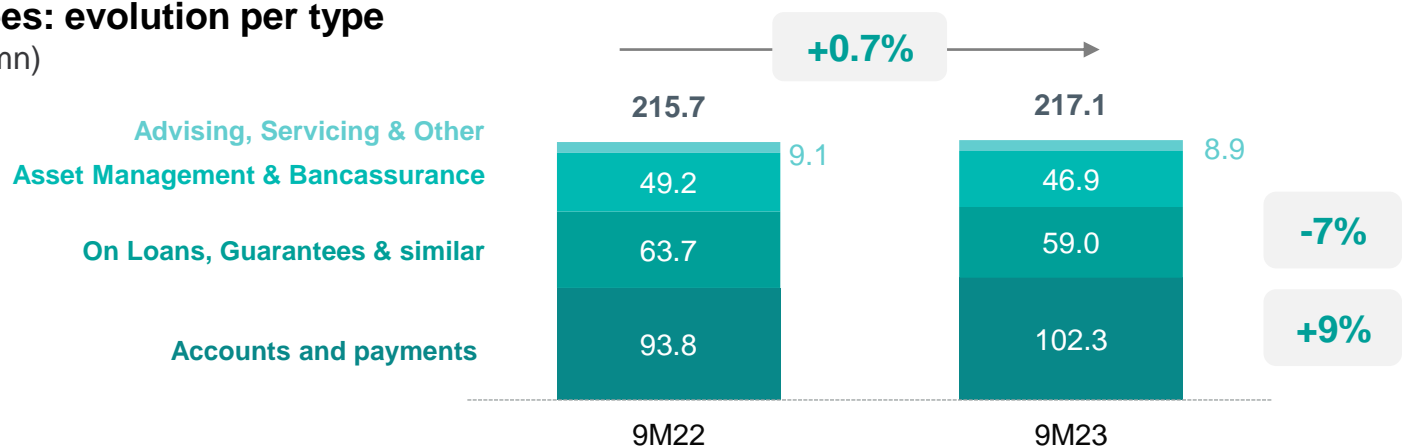
- NII performance (+10.6% QoQ) **reflecting improvement of average assets yield** in excess of the increase in the cost of funding
- NIM of 2.66% (9M23), above previous guidance of > 2.2%
- Lending book repricing after 18-24 months



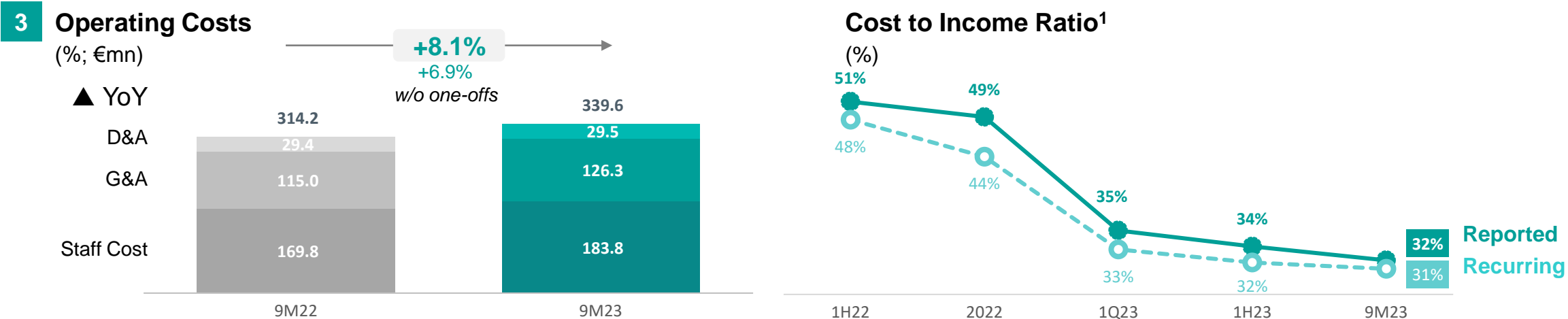
## 2 Fees

- Fee income +0.7% YoY **backed by higher volume of transactions**;
- Commercial Banking Income was €1,048mn (+7.0% QoQ), **driven by higher NII**.
- Capital Markets Results impacted by 9M22 accounting of gains** from the hedging of interest rate risk.

**Fees: evolution per type (€mn)**



# Deep Dive into C/I Ratio and Impairments

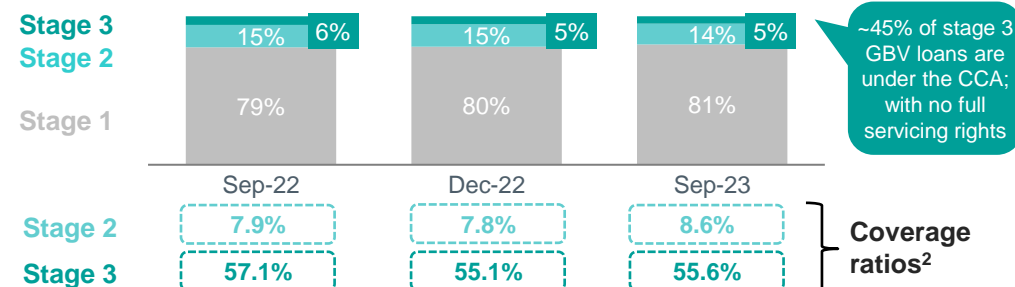


# Simple balance sheet reflecting Novobanco's sustainable business model

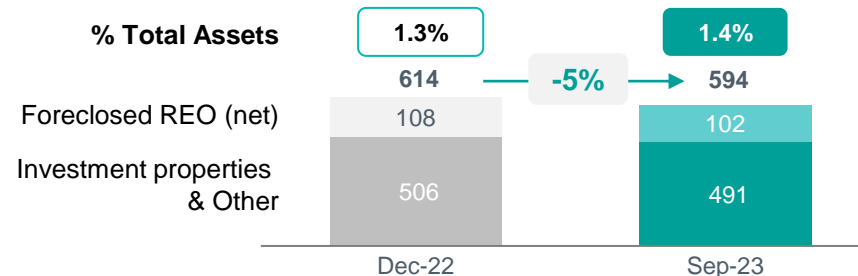
## Balance Sheet (€mn)

	Assets	Dec-22	Sep-23	▲ YTD	
				€mn	%
	Loans and advances to Banks	6,643	3,466	(3,177)	-47.8%
1	Customer loans (net)	24,551	24,672	121	0.5%
2	Real estate	614	594	(20)	-3.3%
3	Securities	10,646	10,810	164	1.5%
	Non-current assets held for sale	60	65	6	9.8%
	Current and deferred tax assets	956	997	41	4.3%
	Other assets	2,526	2,345	(181)	-7.2%
	<b>Total Assets</b>	<b>45,995</b>	<b>42,949</b>	<b>(3,046)</b>	<b>-6.6%</b>
	Liabilities & Equity	Dec-22	Sep-23	▲ YTD	
				€mn	%
	Customer deposits	28,412	28,095	(317)	-1.1%
	Due to central banks and Banks	9,705	5,970	(3,735)	-38.5%
	Debt securities	1,584	1,113	(472)	-29.8%
	Non-current liabilities held for sale	15	22	7	42.1%
	Other liabilities	2,766	3,515	750	27.1%
	<b>Total Liabilities</b>	<b>42,483</b>	<b>38,715</b>	<b>(3,768)</b>	<b>-8.9%</b>
	<b>Equity</b>	<b>3,512</b>	<b>4,234</b>	<b>722</b>	<b>20.6%</b>
	<b>Total Liabilities and Equity</b>	<b>45,995</b>	<b>42,949</b>	<b>(3,046)</b>	<b>-6.6%</b>

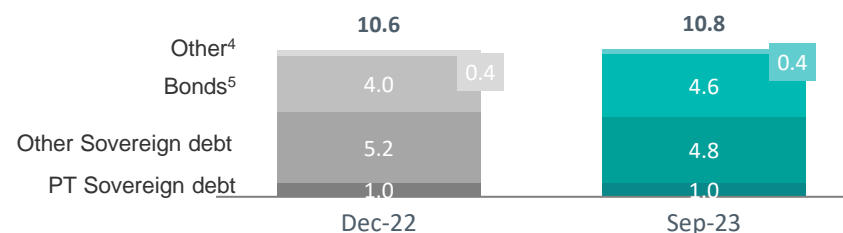
## 1 Loan Portfolio<sup>1</sup> by Stages



## 2 Evolution of Real Estate Exposure (€mn NBV)



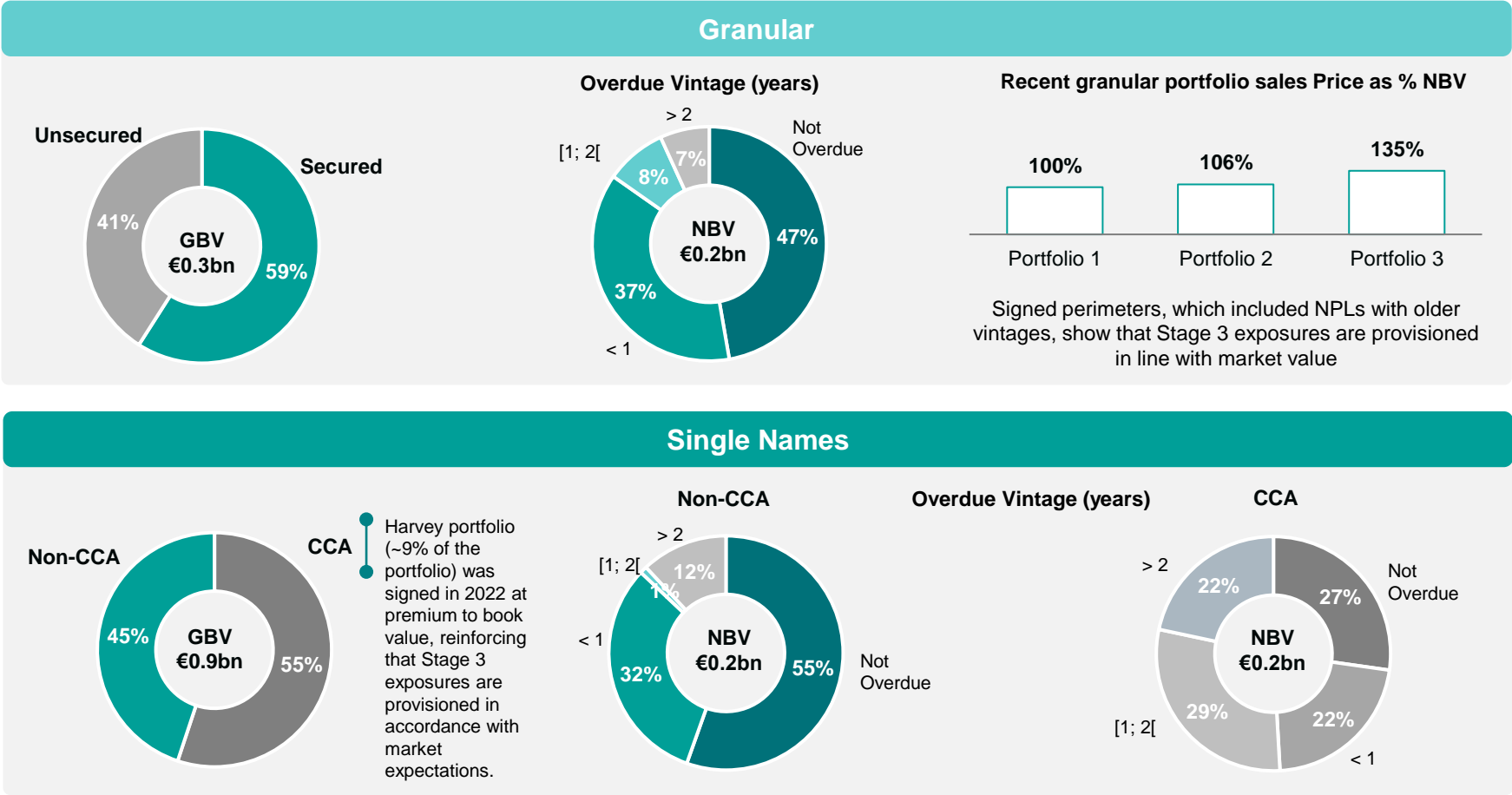
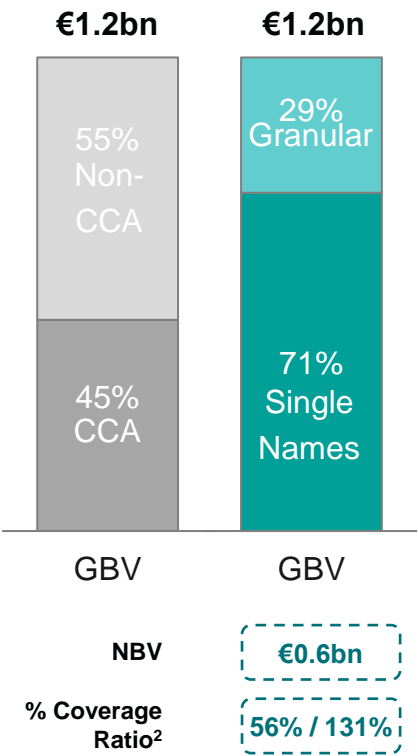
## 3 Securities Portfolio<sup>3</sup> (€bn)



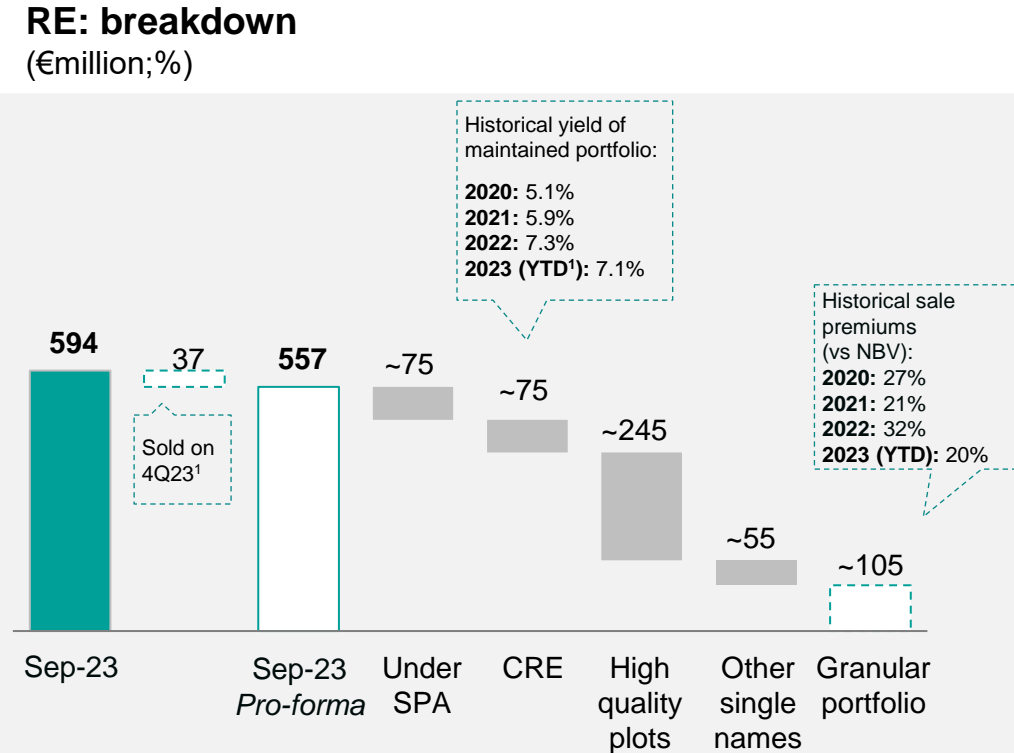
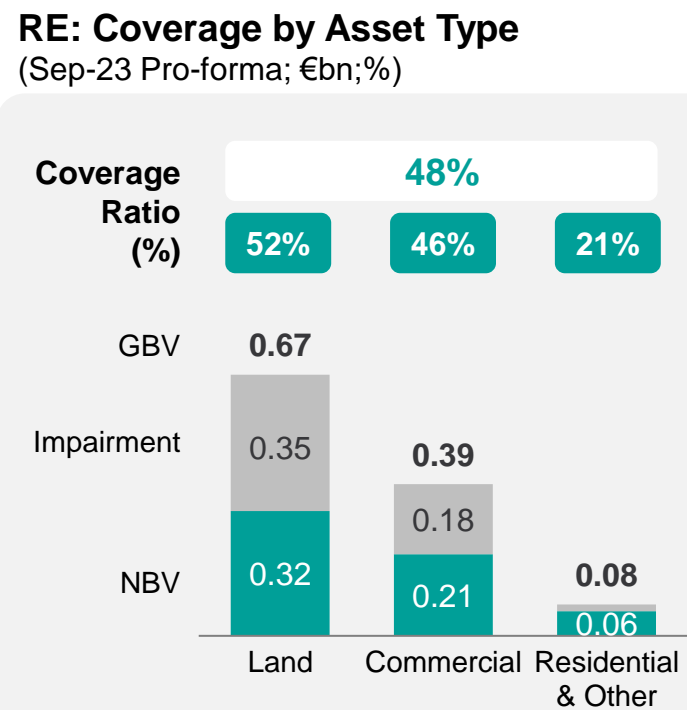
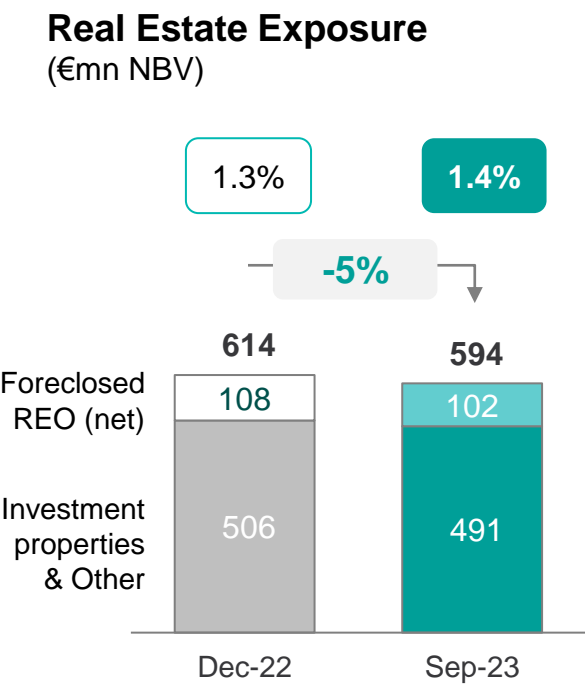


~70%<sup>1</sup> of Stage 3 with overdue less than 1 year and recent sales showing that exposures are provisioned in line with market value

**Total Stage 3 Loans**  
(Sep-23; %)

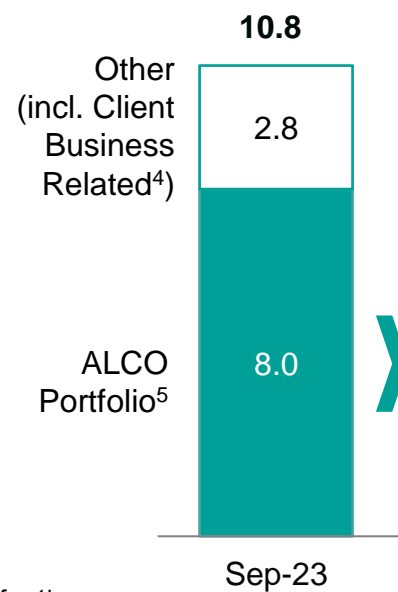
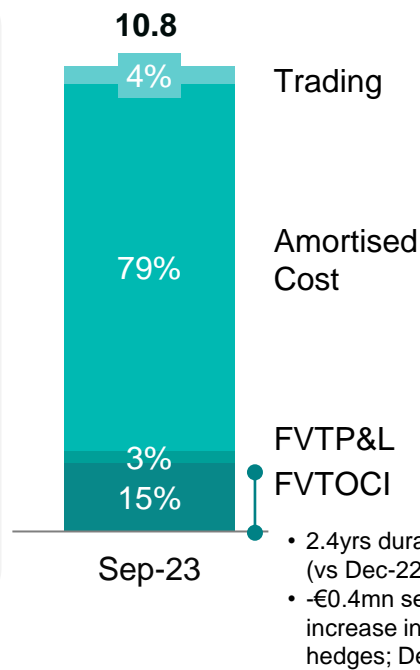
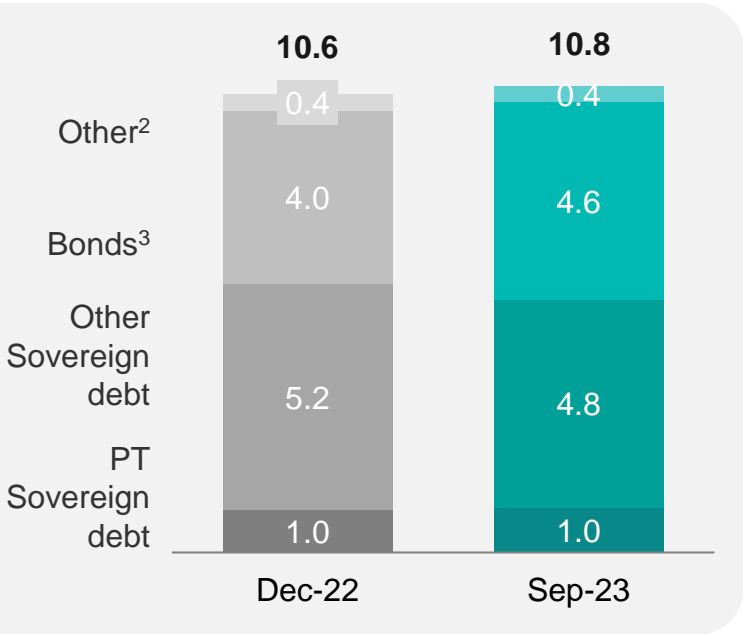


# Decreasing RE exposure to €594mn (-3% YTD), with TOP 20 assets representing 71% of the portfolio

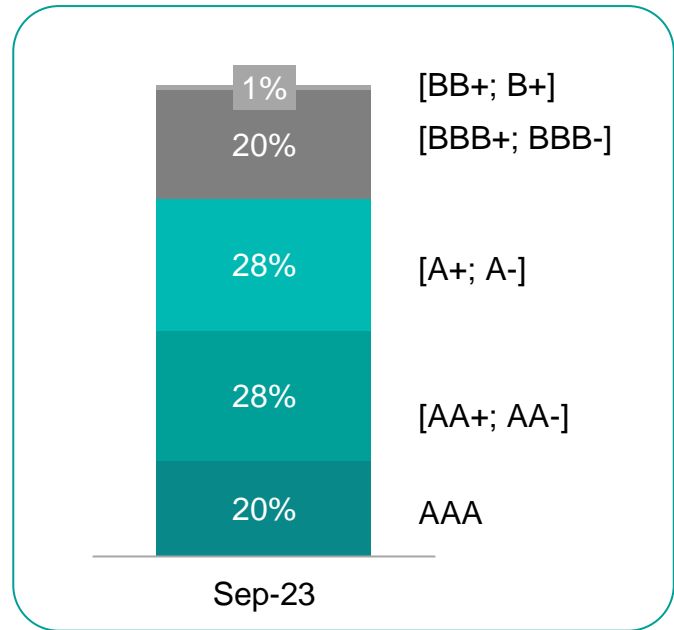


# Conservative €10.8bn securities portfolio with HQLA<sup>1</sup> representing >75%

Securities Portfolio  
(€bn)



ALCO Portfolio: Ratings  
(%)



**Amortised Cost book with €440mn<sup>6</sup> unrealised MtM losses (equivalent to c. €300mn post-tax).**  
**ALCO portfolio with an average yield of ~3.3%, of which ~39% floating and with ~2.2 years duration (after hedges).**

# Compliant with MREL binding target as of January 1<sup>st</sup> 2022, continuing to build MREL going forward

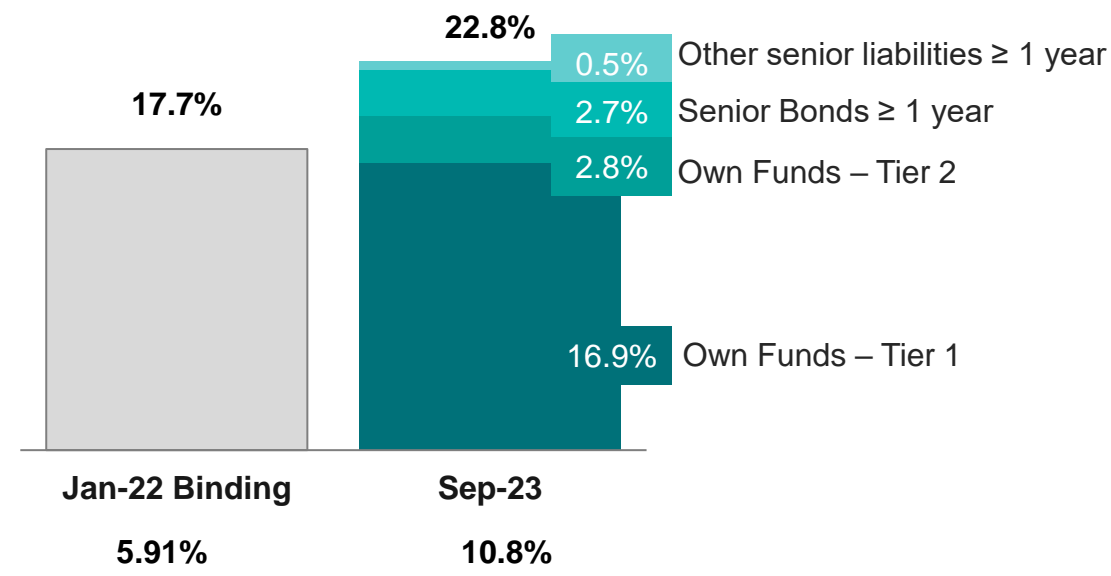
## MREL requirements:

(BdP notification of June 2023; %)

	Jan-22	Jan-26
TREA <sup>1</sup>	14.64%	23.47%
Combined Buffer	2.52%	n.a. <sup>2</sup>
O-SII (LSF Nani)	0.50%	n.a. <sup>2</sup>
<b>Total</b>	<b>17.66%</b>	<b>23.47% + Buffers</b>
LRE <sup>3</sup>	5.91%	5.91%

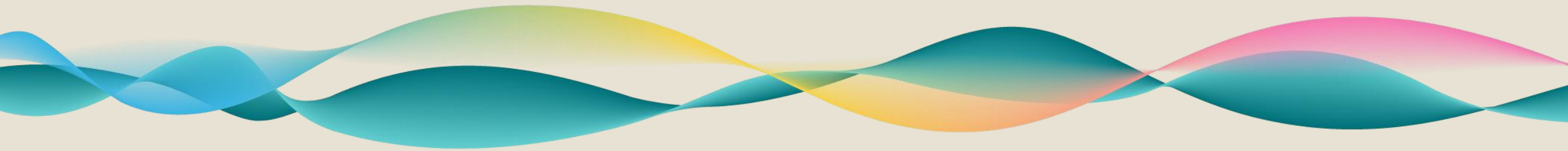
## MREL ratio

(% RWA; Preliminary)



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

ANNEX



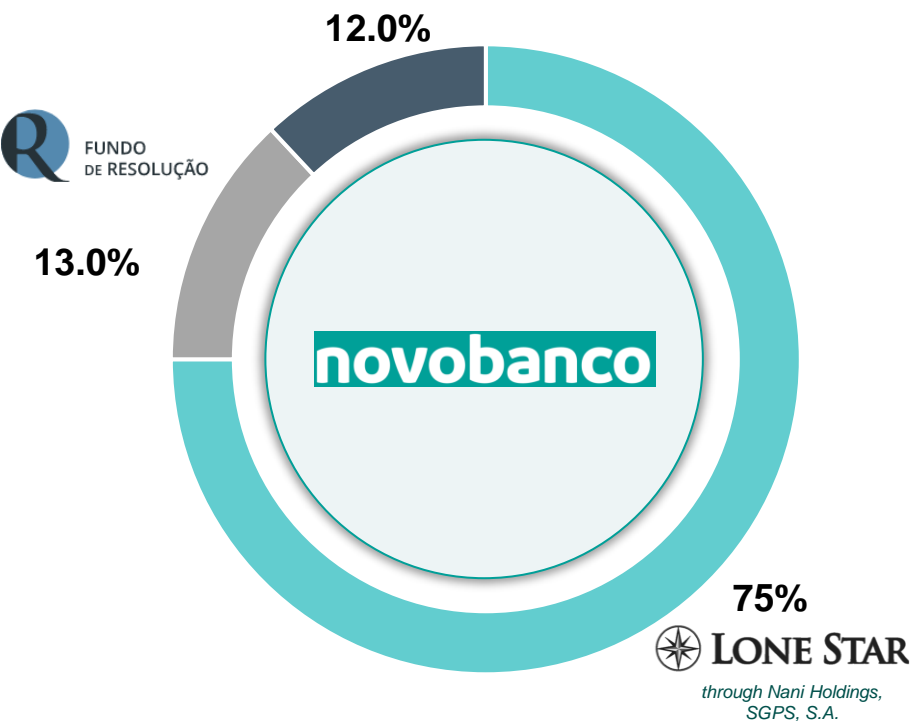
# Novobanco has a simple shareholder structure and a unique governance model within the Portuguese financial sector...

## Shareholder Structure<sup>1</sup>

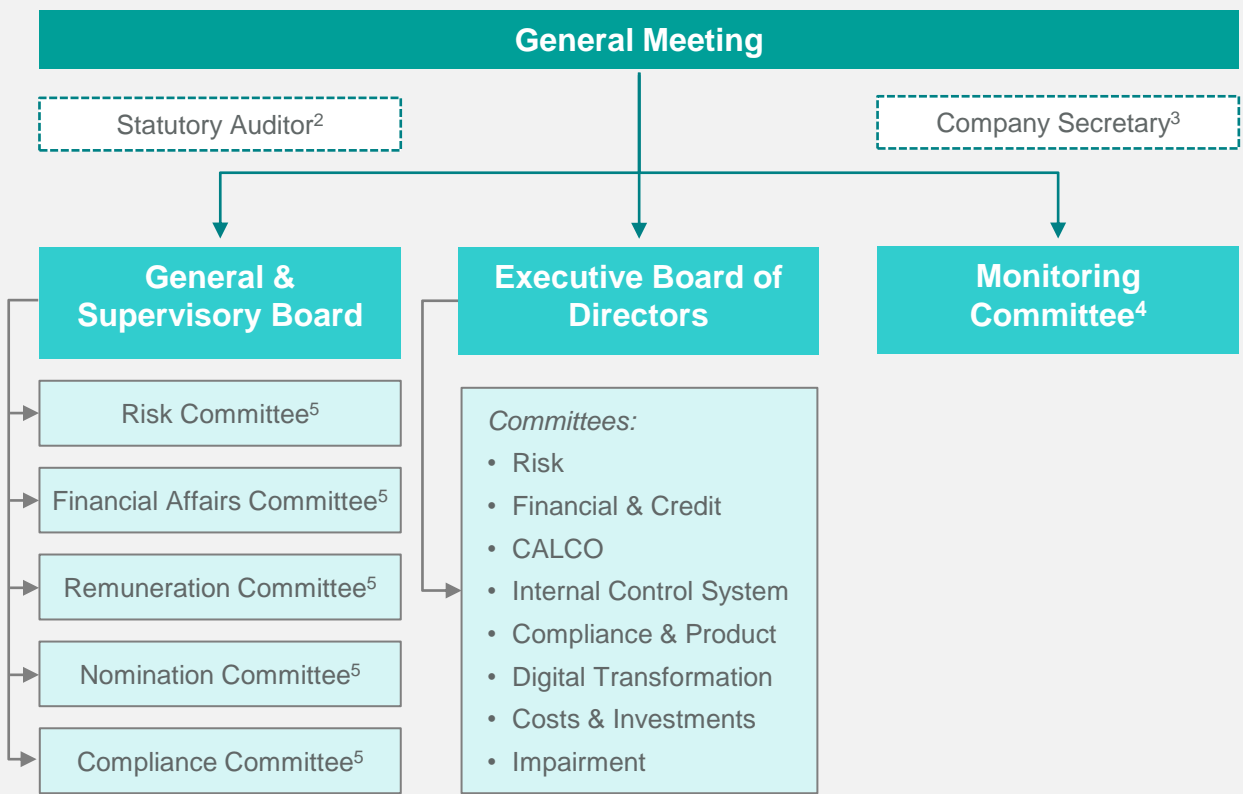
As of September 2023



Through Direcção-Geral  
do Tesouro e Finanças



## Governance Model



(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

# ...having built a best-in-class management team

## Executive board of directors

	<b>MARK BOURKE</b> <i>Chief Executive Officer</i>	<ul style="list-style-type: none"> <li>Appointed as CEO of novobanco in 2022, after holding the position of CFO for 3 years</li> <li>20+ years of experience as senior executive in financial institutions, namely as CEO in IFG Group and as CFO in AIB</li> </ul>
	<b>BENJAMIN DICKGIESSER</b> <i>Chief Financial Officer</i>	<ul style="list-style-type: none"> <li>Appointed as CFO of novobanco in 2023</li> <li>+15 years of experience in financial markets, worked in FIG IBD at Citigroup and at Lone Star (MD for Hudson Advisors Portugal) and was member of novobanco's GSB</li> </ul>
	<b>CARLOS BRANDÃO</b> <i>Chief Risk Officer</i>	<ul style="list-style-type: none"> <li>Appointed as CRO in 2022</li> <li>Solid experience in risk management, both within and outside novobanco, as he was Risk Director in Santander Totta and Barclays</li> </ul>
	<b>LUÍS RIBEIRO</b> <i>Chief Commercial Officer (Retail)</i>	<ul style="list-style-type: none"> <li>Appointed as CCOR in 2018</li> <li>25+ years of experience in the commercial area with novobanco, having previously assumed leadership for SMEs</li> </ul>
	<b>ANDRÉS BALTAR</b> <i>Chief Commercial Officer (Corporate)</i>	<ul style="list-style-type: none"> <li>Appointed as CCOC in 2020</li> <li>20+ years of experience in Corporate Banking at Barclays (was Head of Corporate Banking in Europe) and novobanco</li> </ul>
	<b>LUÍSA SOARES DA SILVA</b> <i>Chief Legal, Compliance &amp; Sustainability Officer</i>	<ul style="list-style-type: none"> <li>Appointed as CLCO in 2017</li> <li>Prior to joining novobanco, Luisa accumulated 25+ years of experience in Law<sup>1</sup></li> </ul>
	<b>RUI FONTES</b> <i>Chief Credit Officer</i>	<ul style="list-style-type: none"> <li>Appointed as CCO in 2022</li> <li>Deep institutional knowledge of novobanco<sup>2</sup> and 20+ years of experience in risk management</li> </ul>

## General and supervisory board






**Chairman**  
*Byron Haynes* 

- Appointed as Chairman of novobanco in 2017
- 25+ years of experience in financial services, namely Global CFO at ABN AMRO / Royal Bank of Scotland and former CFO and then CEO of BAWAG (2009-2017)

**Vice-chairman**  
*Karl-Gerhard Eick* 

- Appointed as Vice-Chairman of novobanco in 2017
- 35+ years of experience in financial services, namely former Deutsche Telekom CFO, Chairman of the Audit Committee at Deutsche Bank AG and current Chairman of IKB AG

### GSB Members

Donald Quintin  
Kambiz Nourbakhsh  
Mark Coker  
John Herbert   
Robert A. Sherman   
Carla Antunes da Silva   
William Henry Newton   
Monika Wildner   
Evgeniy Kazarez<sup>3</sup>

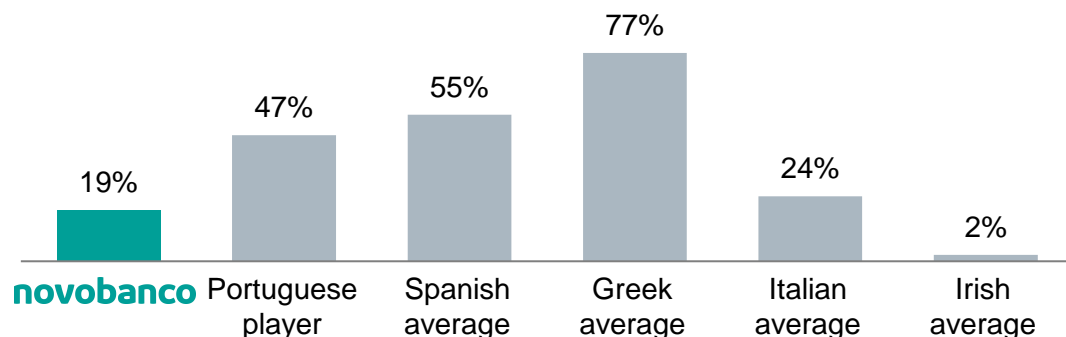
# Deferred Tax Assets

(€ millions)	Dec-22	Sep-23	Of which in CET 1
<b>Total DTAs on Balance Sheet</b>	<b>923</b>	<b>969</b>	<b>673</b>
Timing-Difference DTAs – Special Regime <sup>(1)</sup>	295	295	295
Timing-Difference DTAs – other	564	566	378
Tax Losses carried forward (TLCF)	64	107	-
<b>Off-Balance Sheet</b>	<b>1 651</b>	<b>1 617</b>	<b>-</b>
Timing-Difference DTAs	239	191	-
Tax Losses carried forward (TLCF)	1 412	1 426	-

- 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, assuming average of base case and stressed cases of the business plan;
- Considering €700mn PBT, TLCF to be fully utilized over a period of 14 to 16 years. €800mn PBT accelerates utilization by c. 2 years;
- €954mn of off-balance sheet Tax losses carried forward have no maturity date.

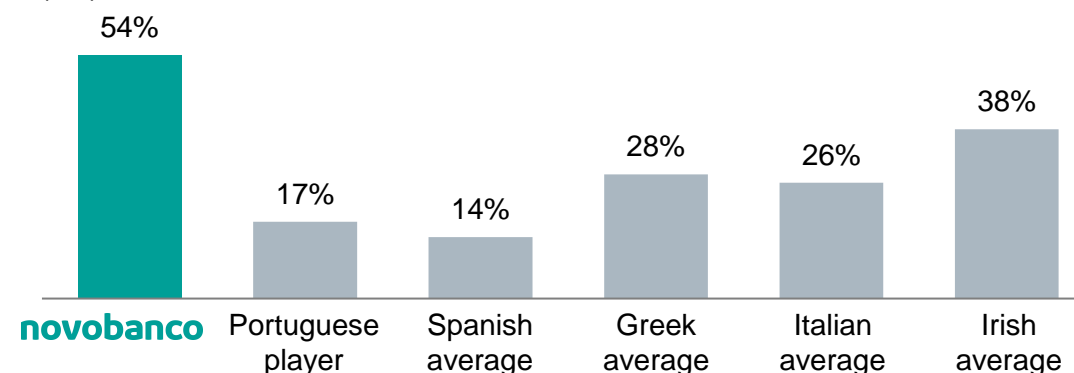
## CET 1 eligible DTAs as % of CET1

(%<sup>2</sup>)



## Non-CET 1 eligible DTAs (including off BS) as % of CET 1

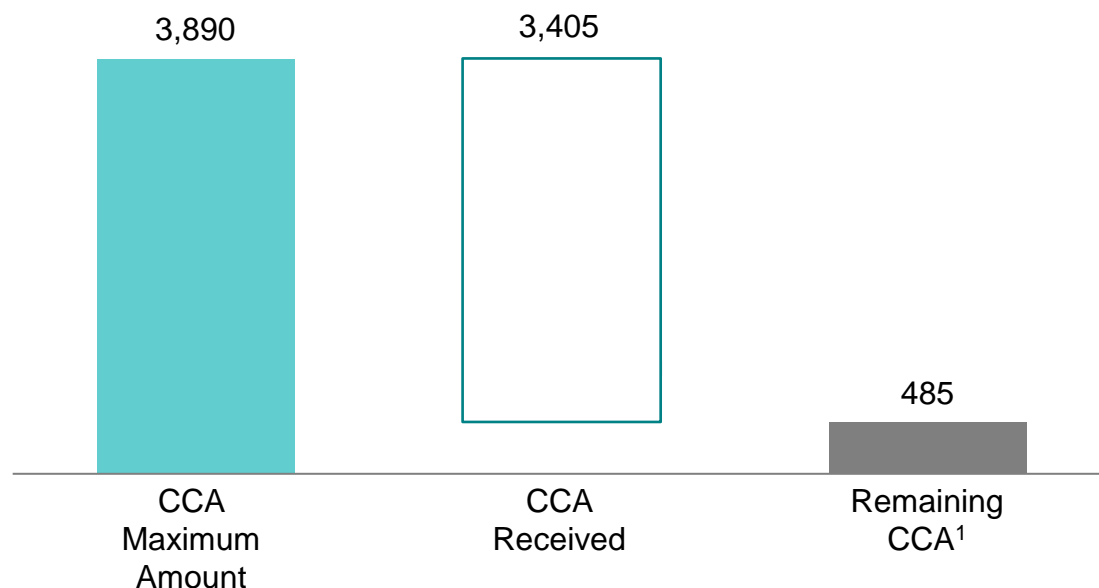
(%<sup>2</sup>)





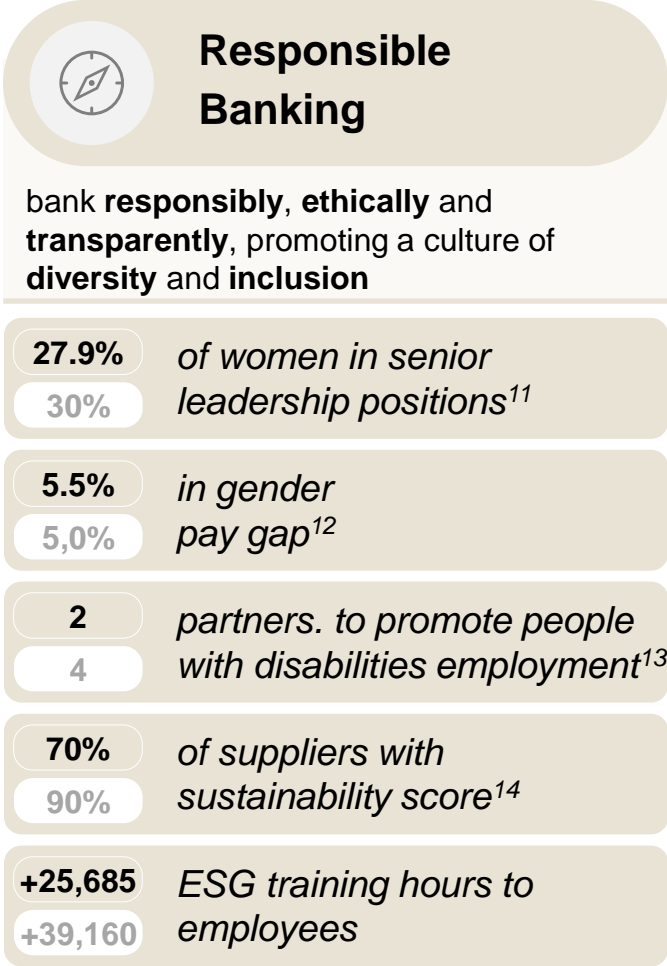
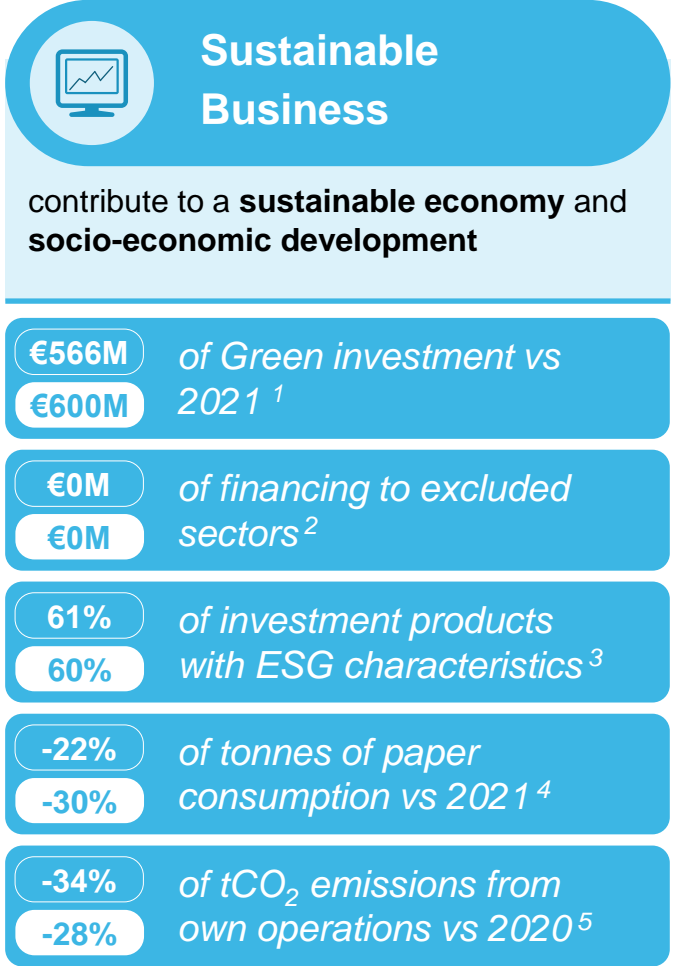
# Despite restructuring completion, Capital Contingent Agreement (CCA) remains in place with €485m available to protect from downside scenarios

## CCA - Contingent Capital Agreement Compensation amounts (€ mn)



- As agreed in Oct-2017, at sale process of novobanco, a Contingent Capital Agreement (“CCA”) was entered into between the Resolution Fund (“FdR”) and the Bank.
- Outstanding divergences between novobanco and the Resolution Fund (amounts not recognized in CET1 capital as of 30 June 2023):
  1. IFRS9 treatment
  2. 2020 unpaid CCA Call: €165mn
  3. 2021 unpaid CCA Call: €209mn
- Up to an additional €485mn remains available for losses recognised in a predefined portfolio of assets (“CCA Assets”) and other CCA covered losses (the “CCA Losses”) in case CET1 ratio decreases below 12%.
- The mechanism is in place until Dec-25 (the “CCA Maturity Date”), which date can be extended, under certain conditions, by one additional year.
- Until CCA Maturity Date (or early termination which would require mutual agreement between parties):
  - Novobanco is subject to a dividend ban
  - CCA Assets are subject to a servicing agreement with FdR

# Our ESG commitments, novobanco social dividend until 2024



Results  
Targets

**novobanco**

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

# Bonds outstanding and MREL eligibility

€mn; Sep-23

Description	ISIN	Currency	Outstanding Notional Value	Issue Date	Book Value <sup>1</sup>	Maturity	MREL
<b>Senior</b>							
NB 5.5% 30/12/24 OBRG.	PTNOBKOM0002	EUR	100	Dec-22	104	Dec-24	Y
<b>Subordinated</b>							
NB 9.875% 01/12/33 OBRG.	PTNOBLOM0001	EUR	500	Jun-23	514	Dec-33	Y
<b>Total 2043 Bonds</b>							
BES Luxembourg 3.5% 02/01/43	XS0869315241	EUR	64	Jan-13	43	Jan-43	Y
BES Luxembourg 3.5% 23/01/43	XS0877741479	EUR	131	Jan-13	99	Jan-43	Y
BES Luxembourg 3.5% 19/02/2043	XS0888530911	EUR	97	Feb-13	65	Feb-43	Y
BES Luxembourg 3.5% 18/03/2043	XS0897950878	EUR	70	Mar-13	47	Mar-43	Y
<b>Total Zero Coupons (ex EMTN 57)</b>							
BES Luxembourg ZC	XS0972653132	EUR	185	Oct-13	37	Oct-48	Y
Banco Esp San Lux ZC 12/02/49	XS1031115014	EUR	245	Feb-14	46	Feb-49	Y
Banco Esp San Lux ZC 19/02/49	XS1034421419	EUR	69	Feb-14	13	Feb-49	Y
Banco Esp San Lux ZC 27/02/51	XS1038896426	EUR	108	Feb-14	18	Feb-51	Y
BES Luxembourg ZC 06/03/2051	XS1042343308	EUR	76	Mar-14	12	Mar-51	Y
BES Luxembourg ZC 03/04/48	XS1053939978	EUR	220	Apr-14	42	Apr-48	Y
BES Luxembourg ZC 09/04/52	XS1055501974	EUR	264	Apr-14	41	Apr-52	Y
BES Luxembourg ZC 16/04/46	XS1058257905	EUR	37	Apr-14	8	Apr-46	Y
EMTN 57	XS0439764191	EUR	8	Jul-09	2	Jul-44	N
<b>Total MREL</b>			<b>2,166</b>		<b>1,089</b>		

## 2043 Bonds and Zero Coupons (excluding EMTN 57):

- Are fully eligible for compliance with the Bank's MREL requirements as they were issued before BRRD transposition in Portugal and do not cease to qualify as eligible liabilities of the Bank from 28 June 2025<sup>2</sup>
- Annual accrual of book value to notional value to increase contribution to MREL by c.€19m per annum
- Annual interest expense of 6.6% on book value or c.2.4% net of hedge to close interest rate position<sup>3</sup>

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





# Para cada agora há um novobanco.

Seja qual for o seu,  
o novobanco  
está ao seu lado.

**novobanco**

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## Next Events

Nov 7: Citi – Iberian Roadshow (Madrid)

Nov 21: BofA European Credit Conference (London)

Nov 22: Natwest Credit Conference (London)





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