



Business Update & FY 2020 Results

March 26th, 2021
Includes unaudited financial information

Disclaimer

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As in 2019, NOVO BANCO discloses its 2020 results presenting separately the financial results of NOVO BANCO Recurrent, which include all the core banking activity, and those of NOVO BANCO Legacy. NOVO BANCO considers that differentiating between NOVO BANCO Recurrent and NOVO BANCO Legacy allows customers and other stakeholders to better understand the restructuring process done.

Note: *In Sep-20, NOVO BANCO classified the Spanish Branch as discontinued operations, in line with the strategy to discontinue the Spanish business. Thus, for comparison purposes, 2019 is presented pro-forma.
This document includes unaudited financial information.*

Business Update & FY 2020 Results

Takeaways

Completion of restructuring process...

Substantial reduction (sales and reappraisals) of **Legacy assets** (CCA & non-core) from €14.7bn to €3.1bn

Focus on domestic banking activity (358 branches) with closure/divestment of 24 international branches

Ongoing **branch network, corporate structure optimization and cost reduction** reaching 53% C/I¹ (-32 pp vs 2017)

...having complied with all DGComp commitments to date²

Transition to sustainable profitability...

Recurrent Total Assets of €41.3bn (+1% YoY), being a reference Bank (#4) in Portugal and a **leading player in Corporate Segment**

Reinforced income-generation combined with increased efficiency, leading to **+12% CAGR** (vs 2017) **Commercial Banking Income/employee**

Recurrent NPL ratio of 3.2% and adj. CoR³ at 48bps, with specific impairments NPL coverage ratio of 46% (+6pp vs 2018)

...with consistent improvement in operating income and asset quality

2020 Financial Results...

Consolidated Income before tax of -€1.3bn driven by the result of the **Legacy activity (-€1.2bn)** and **Covid provisions (-€251mn)**

Recurrent Core Operating Income +4.5 YoY despite subdued economic activity; underlying pre-tax Recurrent Profitability at €187mn

Continuous **reduction of consolidated NPL stock (8.9% ratio)** with leading coverage levels and provisioning for expected Covid losses

...with positive results of the Recurrent activity and strong liquidity position

Agenda

1. **Completion of restructuring process**
2. Transition to sustainable profitability
3. FY 2020 Results
4. Appendix

Completion of restructuring process

Executed legacy deleveraging in parallel with operating model and footprint optimization...

1 Reduction of Legacy exposures

2020 vs 2017

Substantial reduction (sales and reappraisals) of Legacy assets (CCA & non-core):

-79% to €3.1bn from €14.7bn

Significant reduction of NPL ratio **to 8.9%** from 28.1%

Reduced exposure to Real Estate assets (% total assets) **2.0%** from 4.8%

2 Focus on domestic activities

2020 vs 2017

Emphasis on commercial banking activity in Portugal with closure/divestment of

-24 international branches¹

Wind-down/divestment of non-core businesses **-15 subsidiaries**

Optimization of domestic branch network² **358 branches** from 448

3 Corporate Structure Optimization

2020 vs 2017

Ongoing branch network, corporate structure optimization and cost reduction

Cost to Income³ 53% (-32pp)

Ongoing recalibration of operating model and FTEs **-906 employees** to 4 582

Streamlined management team reflecting a simpler focused business **EBoD⁴ from 8 to 6 members**

...delivering on restructuring plan as per DG COMP commitments

Completion of restructuring process

Delivering on DG COMP commitments¹, with interim targets achieved in 2020

Structural commitments

commitments to divest in several geographies and businesses and to reduce non-core assets (Legacy assets)

Behavioural commitments

commitments on remunerations, pricing tools, restrictions on acquisitions, ban on dividends, appointment of a Monitoring Trustee

Viability commitments

commitments on FTE and branch reduction targets, cost-to-income targets and loan loss provisions on non-CCA assets

Executed until Dec.20 - Pending Monitoring Trustee's certification (2Q21):

Non-core international units closed/sold

- 2018/19: Venezuela; BICV; BES Venetie; Madeira offshore; London; Cayman
- **2020: NB Finance (tender performed²: 97% retired)**

Remuneration Full compliance

- NB has strictly complied with all the remuneration restrictions imposed by DGCOMP

46% Cost to Income³

- reaching 358 domestic branches (-90 vs 2017) along with 22% reduction in workforce (vs 2017), leading to lower cost structure

Divestment of legacy & non-core assets

- Incl: NPL, Real Estate and other non-core assets: GNB Vida, Nata I/II, Viriato, Albatros, Sertorius, Carter, GNB Seguros, NAFE

Zero Infractions on bans in place

- No acquisitions & no dividend distribution; Monitoring Trustee in place

2017-20 loan loss provisions⁴ on non-CCA assets

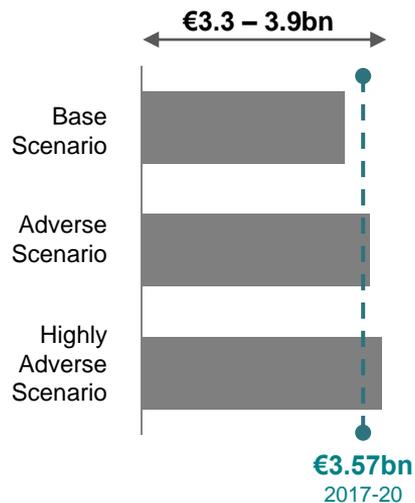
- Cumulative LLP on non-CCA assets of ~€ 1.35bn – in accordance with IFRS as required by DG COMP

Despite the pandemic context, NB complied with DG COMP objectives, that together with investments in IT and digital, will allow the Bank to grow in core corporate and retail segments.

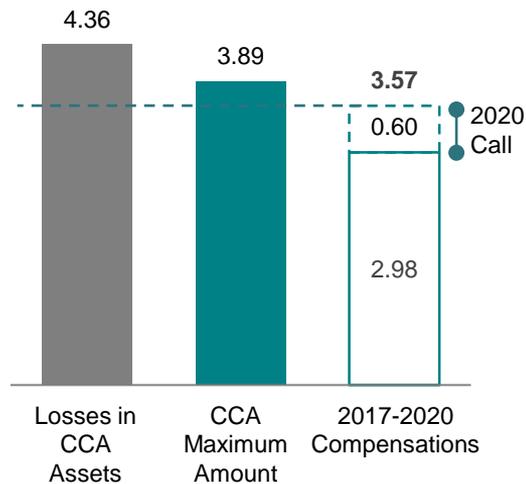
Completion of restructuring process

Balance sheet clean-up leading to CCA call of €598mn (YE20)

DG COMP Estimates (€bn)



CCA - Contingent Capital Agreement Compensation amounts (Dec-20; €bn)



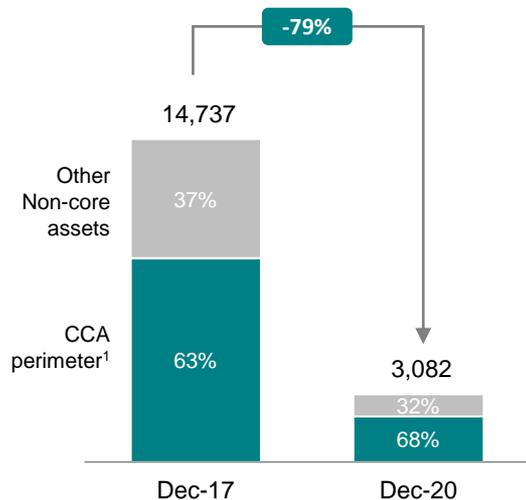
Compensation under the CCA of €598mn for 2020 financial year, reflecting the losses incurred on assets protected under the CCA and agreed capital levels

Completion of restructuring process

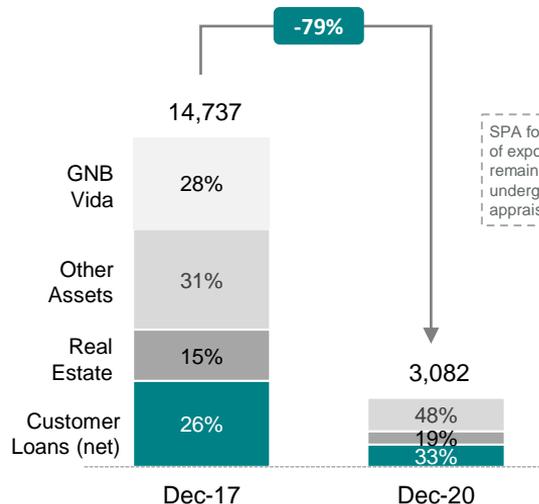
Legacy assets decreased 79% since 2017 representing today 7% of NB total assets

1

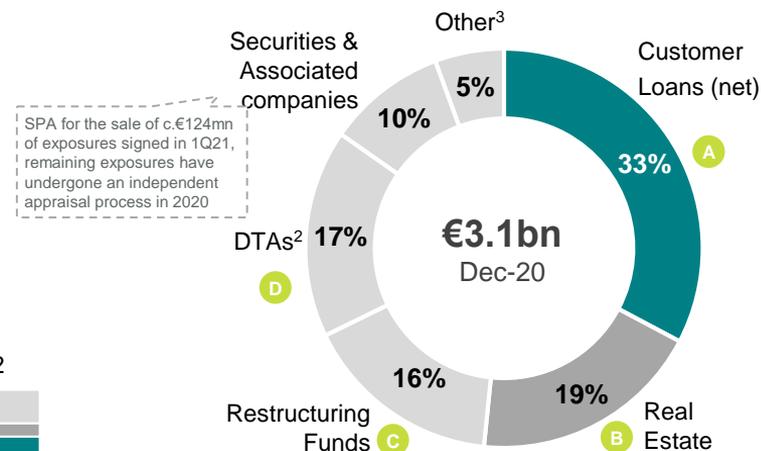
Legacy Assets: CCA & Non-core
(NBV; €mn)



Legacy Assets Evolution
(NBV; €mn)



Legacy Assets Breakdown
(NBV; €bn)



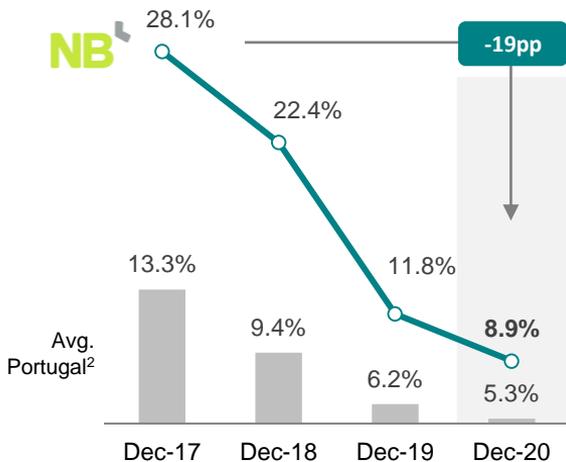
Completion of restructuring process

75% reduction of NPL stock, one of the largest NPL reductions in Europe

1

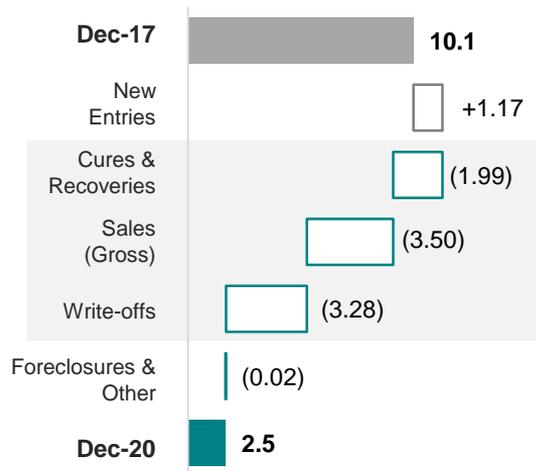
NPL ratio: Evolution¹

(%; Consolidated reported figures)



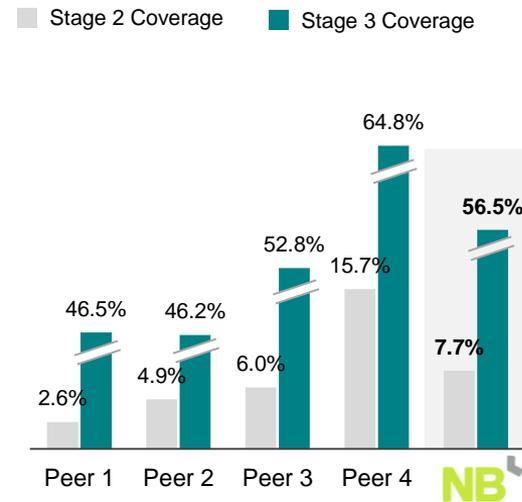
NPL Reduction by driver

(€bn; Consolidated reported figures)



Loan Provisioning³

(Consolidated accounts; %)



P&L and capital neutrality of recently-signed portfolio sales (Carter & Wilkinson) demonstrates adequacy of NB's NPL coverage.

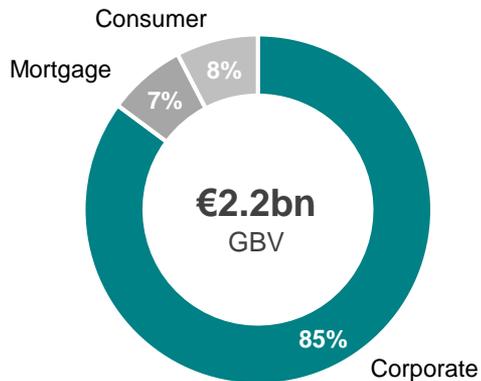
Completion of restructuring process

Remaining non-performing exposures covered adequately...

1A

Legacy Loan Portfolio¹ by Segment

(Gross; €bn; %)

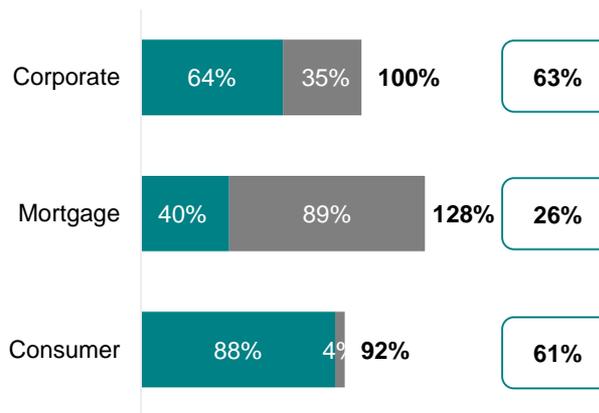


Legacy Loan Portfolio¹: Stage 3 Coverage

(%)

■ Impairment ■ Collateral

x% Avg. Peers coverage²

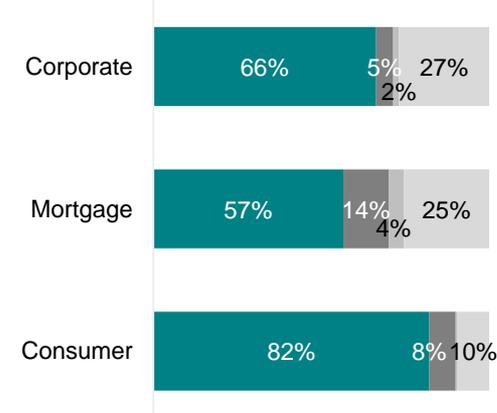


Overdue Vintage Breakdown¹

(%)

■ Not Overdue ■ < 360 days

■ 360-720 days ■ > 720 days



...when compared to peers and pricing from recent transactions

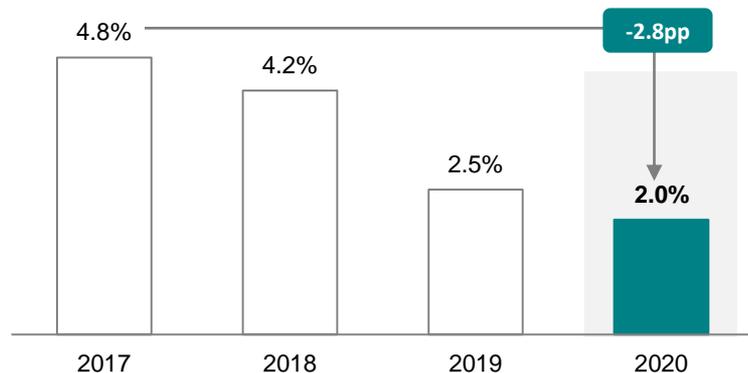
Completion of restructuring process

Deleveraging executed through RE sales and reinforced policies for appraisal of remaining assets

1B

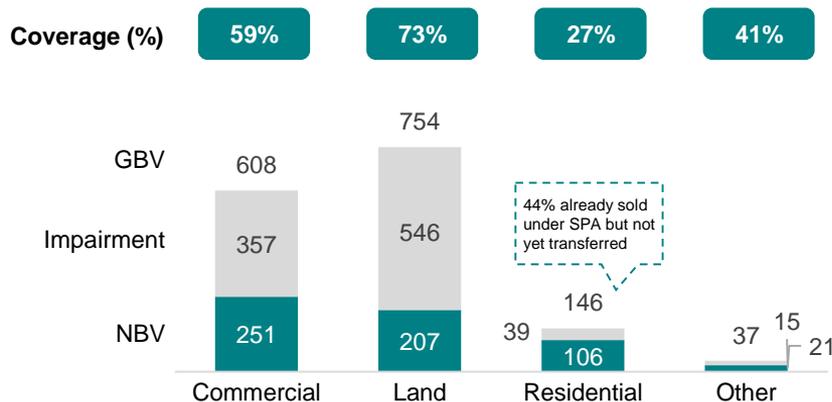
Evolution of NB Real Estate Exposure

(Consolidated; NBV as % total assets)



Real Estate – Legacy Portfolio: Coverage by Asset Type

(Legacy; €mn;%)



Clean-up of real estate exposure through sales and implementation of a best-in-class appraisal policy which resulted in release of capital to be re-deployed in the recurrent activity and a simplification of the business

Completion of restructuring process

Remaining Real Estate portfolio in attractive locations and market segments

1B

Legacy: Real Estate Portfolio

(€mn; %)



Completion of restructuring process

Top 15 REOs in attractive locations, NB is working on urban planning to maximise valuation

1B

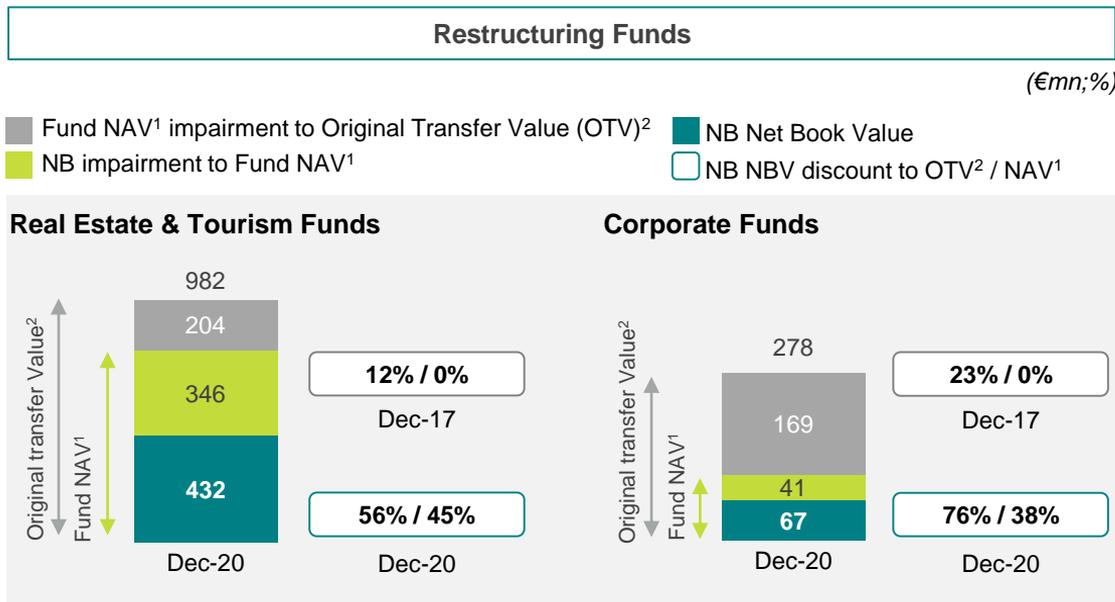
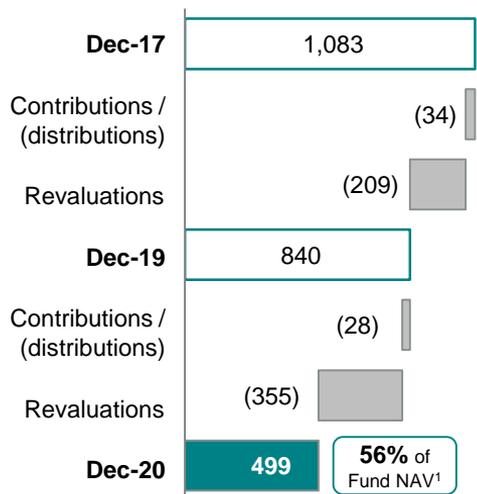


Completion of restructuring process

Restructuring Funds book value at €499m following revaluation by external valuator...

1C

Restructuring funds: NB book value (€mn)



... and verified in a second independent valuation, leading to a 60% NBV impairment vs original transfer value or 44% discount to funds' NAV

Completion of restructuring process

Reduced exposure to DTAs relying on future profitability, with prudent recognition of tax losses

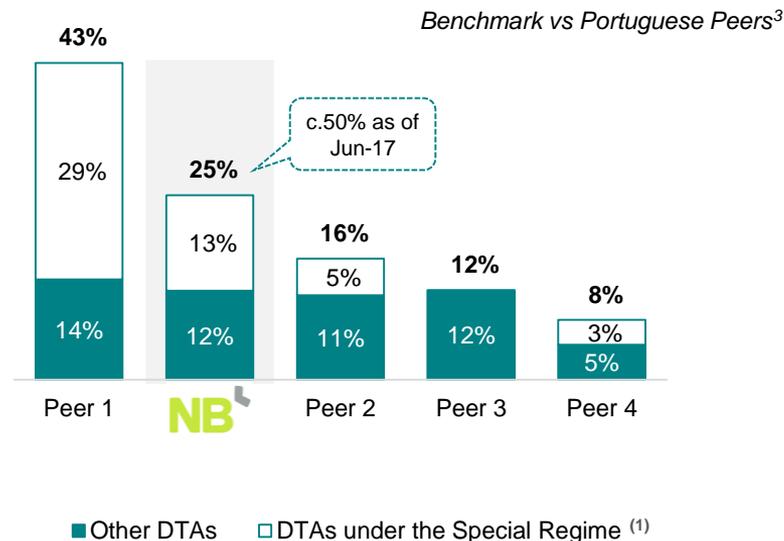
1D

Overview of Deferred Tax Assets

(€ Millions)	Dec-20	Of which: Legacy ⁽²⁾
Timing-Difference DTAs – under Special Regime ⁽¹⁾	402	277
Timing-Difference DTAs – other	373	243
Tax Losses Carried Forward	-	-
Total DTAs on Balance Sheet	775	520

- Tax losses carried forward are recognised to the extent they are expected to be recovered with future taxable income;
- NB conservatively assesses the recoverability of tax losses carried forward considering its projected taxable income over a 5 year period

Deferred Tax Assets as % of Equity

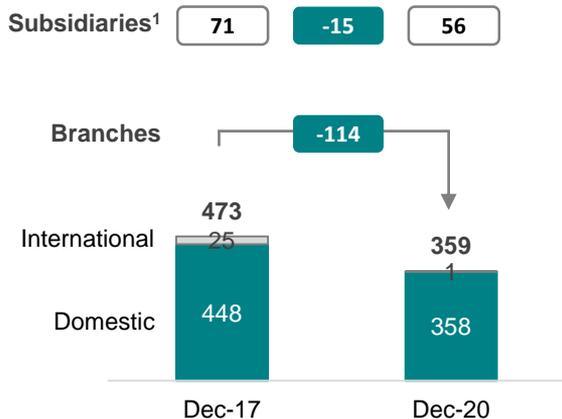


Completion of restructuring process

Novo Banco has further optimised its footprint, leading to a more efficient operation

2

Subsidiaries & Branches Evolution (#)



Divestment/liquidation of subsidiaries and international activity to focus on domestic activity along with network optimization

Branches network optimization process based on:

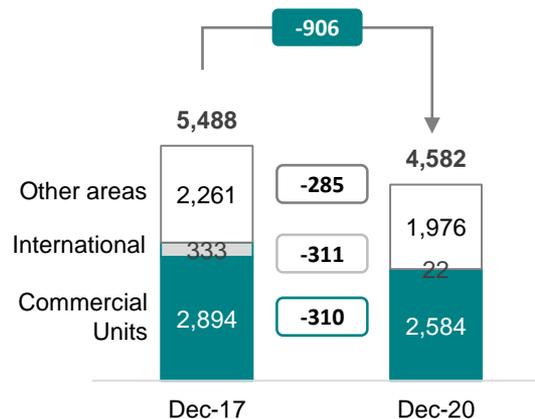
National coverage
Ensure a high national coverage, maintaining outstanding service to households & companies

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

3 Branches model
Full service, Master and Self-service, with services adjusted to clients' needs

3

Evolution of Employees per area (#)



Ongoing recalibration of operating model and structure with further rationalization and optimization under analysis

Agenda

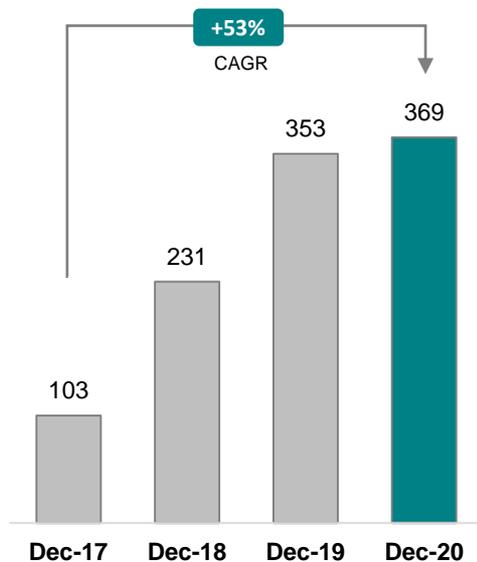
1. Completion of restructuring process
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Transition to sustainable profitability

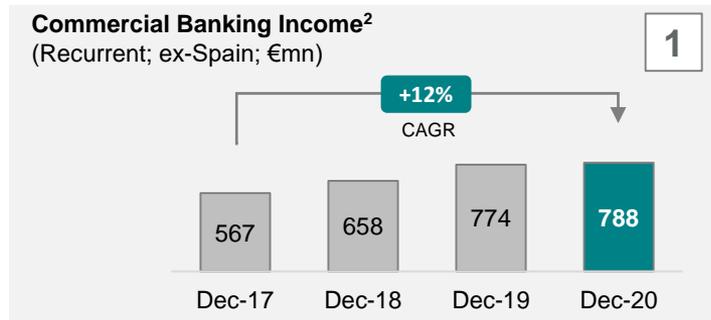
Consistent improvement in operating income even in current environment,...

...while improving asset quality and investing into core business

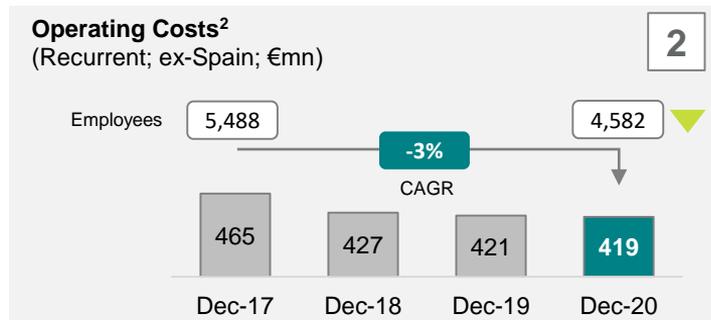
Net Commercial Banking Income^{1,2}
(Recurrent; ex-Spain; €mn)



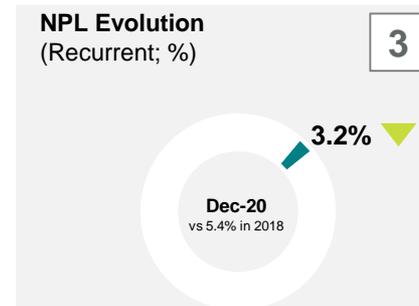
Commercial Banking Income²
(Recurrent; ex-Spain; €mn)



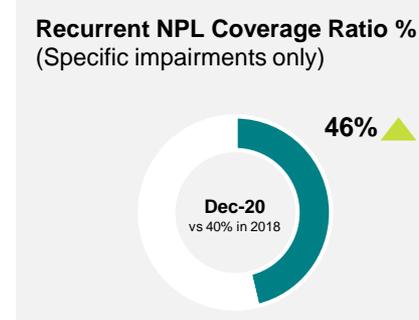
Operating Costs²
(Recurrent; ex-Spain; €mn)



NPL Evolution
(Recurrent; %)



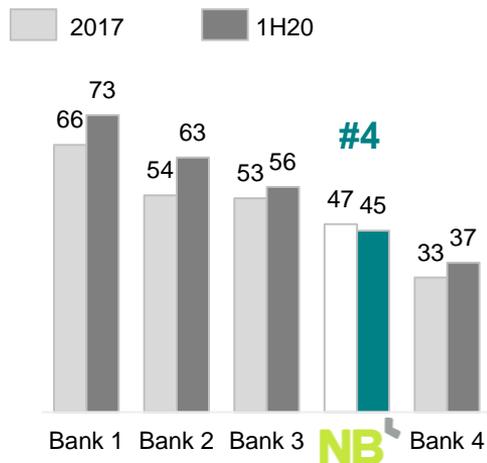
Recurrent NPL Coverage Ratio %
(Specific impairments only)



Transition to sustainable profitability

NB continues to be a reference Bank in Portugal...

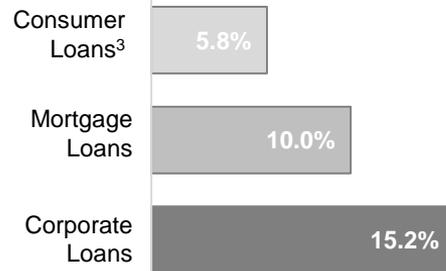
Total Assets – Domestic activity¹
(Portuguese Banks, €bn)



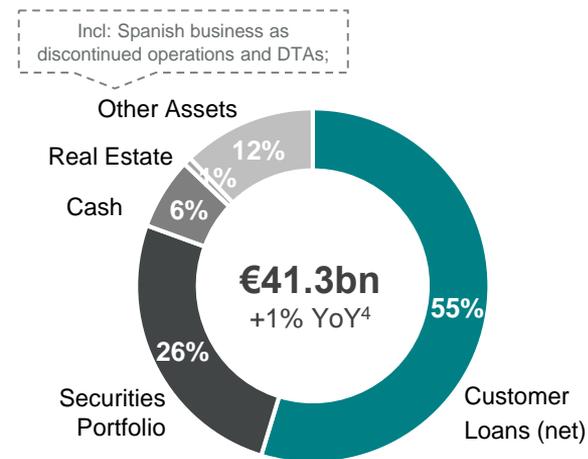
Market Share²
(Dec-20; %)

Global Market Share

11%



Recurrent Total Assets by Type
(Dec-20; €bn; %)



..., a leading player in the Corporate Segment, while fostering economic growth.

Transition to sustainable profitability

Leveraging on top-notch innovation and digital transformation...



Innovation highlights



Home Buying

- A **new buying experience**, from simulation to deed
- **Complete omnichannel experience**
- **Simpler, quicker & more transparent**
- **Ecologically sustainable**



Business Financial Advisor: NBnetwork+

- **Mgmt solution for corporates**: analytic & predictive
- Main functionalities: **aggregated view** of all bank accounts, **initiation of payments** and features to **improve operational efficiency**



Retail App/PFA: NB Smarter

- **Adaptable, customizable, inclusive & predictive** (based on data science)
- **Wide range of services & solutions**, incl: account aggregation, automatic transactions categorization

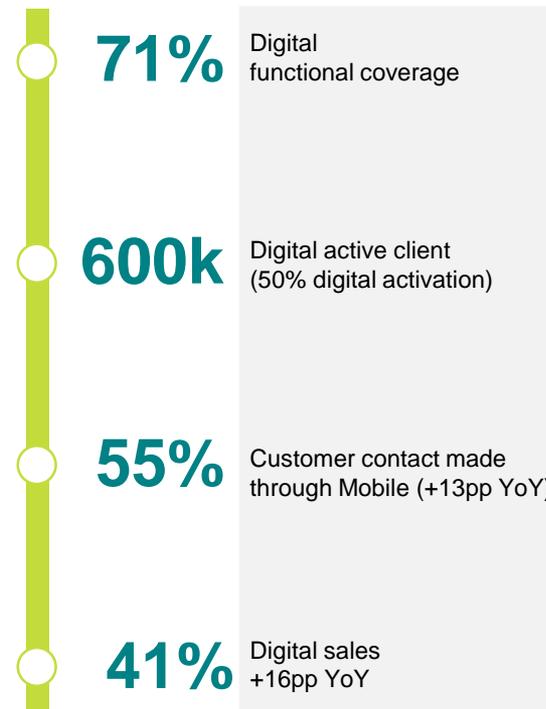


Small Business Finance

- **Fully Digital E2E credit for small businesses**
- Time to cash **under 48 hours**
- **Efficiency gains**: time taken to process reduced by 80 to 100%
- **Safe, intuitive** and paperless



Key 2020 Digital Metrics



Transition to sustainable profitability

...to provide a unique and integrated customer experience...



An innovative functional layout focused on customer relationship, including a distinctive self-service, employee mobility and digital communication

New Distribution Model

Branches Concepts:

Master Branch

Layout to boost local community development through the creation of a relationship between private, business and partner clients

Full Service

All services adapted in terms of layout, internal mobility & technology

Urban Light

Small branches focused on commercial activity, with self-service

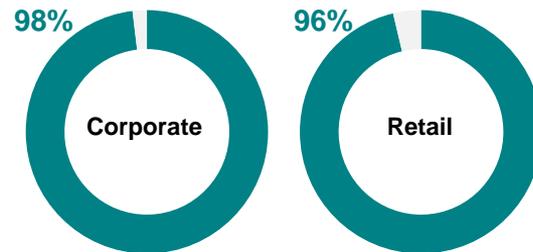
4 pilot branches already completed in prime areas (Aliados; Fonte Nova; Amoreiras; Almada/Pragal)

3 years nationwide investment programme of ~€120mn

Provide a second-to-none digital & self-service experience integrated with all NB channels

Customers satisfied/very satisfied

(% by segment; Dec-20)



New branches design to deliver an omnichannel customer experience, with client satisfaction increasing in renovated branches

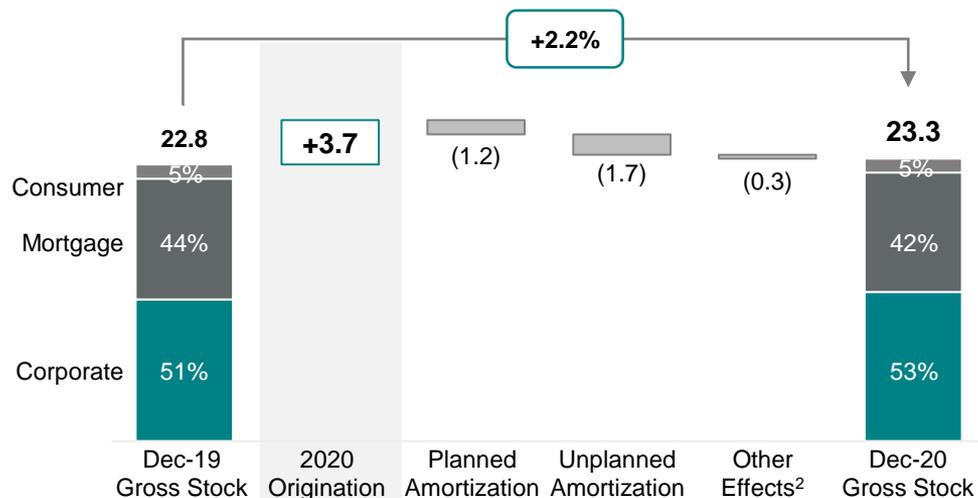
Transition to sustainable profitability

...and increasing business volume, with gross loan book +2% YoY (at €23.3bn; avg. yield of 2.2%)...

1

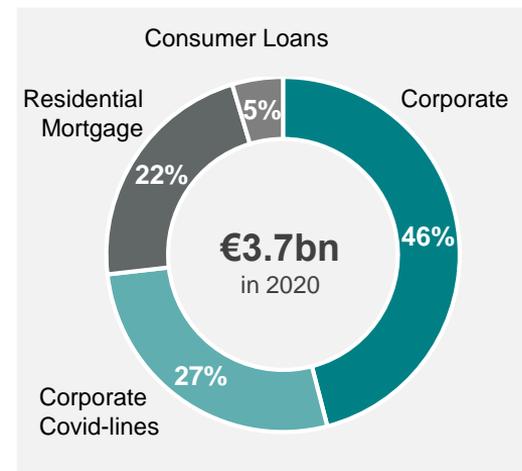
Recurrent Loans to Customers – Evolution¹

(€bn; %)



Loans to Customers: Origination

(NB origination; €bn; %)



Corporate segment at the core of its business model (73% of 2020 origination).

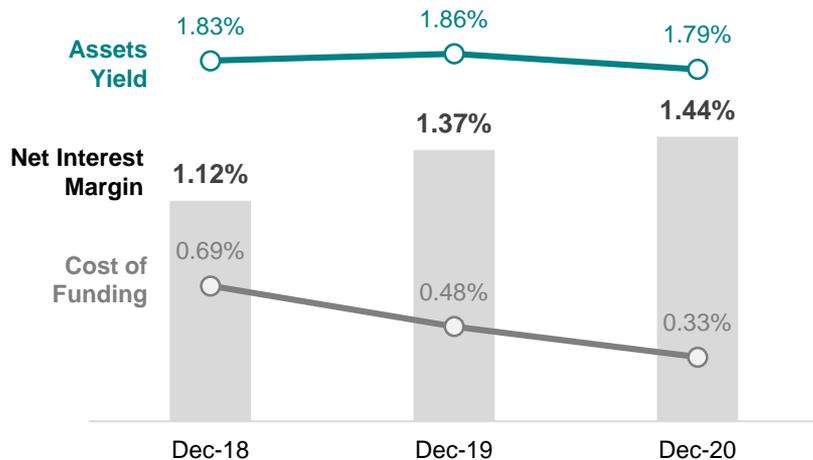
Transition to sustainable profitability

...supported by continued margin expansion.

1

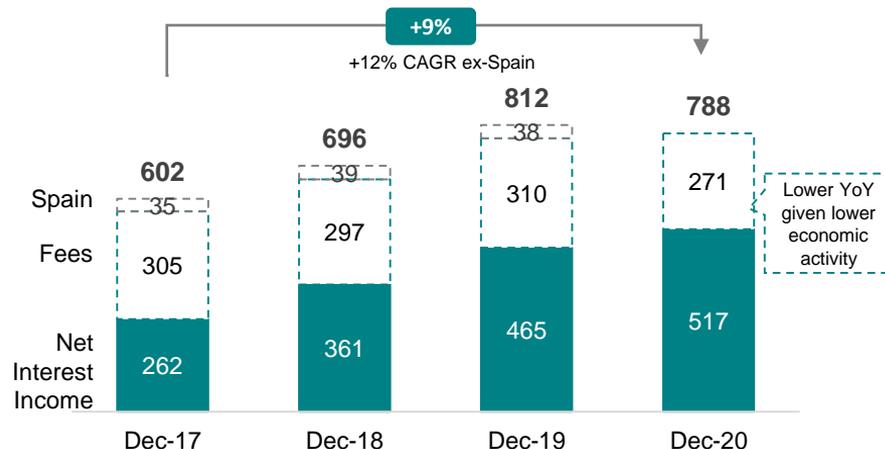
Positive evolution of Net Interest Margin backed by cost of funding optimization and disciplined pricing policy...

Recurrent Net Interest Margin¹
(%)



...together with consistent fees and commissions, leading to profitable growth of recurrent segment.

Recurrent Commercial Banking Income²
(€mn)

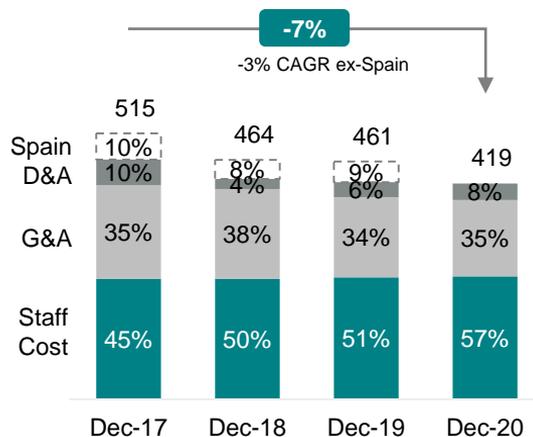


Transition to sustainable profitability

Increased income-generation has been allied with significant efficiency improvements

2

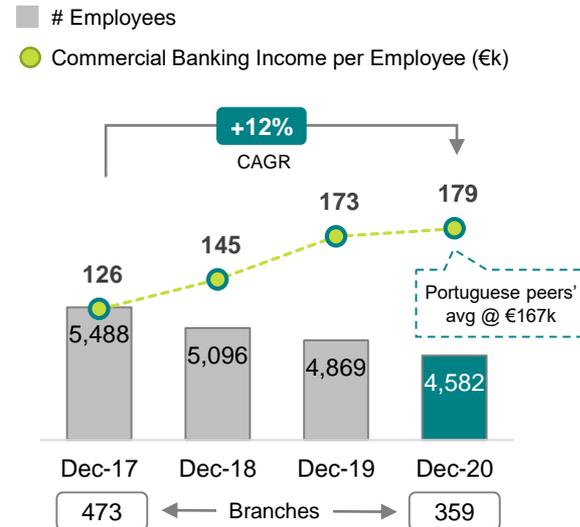
Recurrent Operating Costs¹
(€mn; %)



Cost to Income Ratio²
(Reported figures; €mn; %)



Commercial Banking Income per Employee³
(Reported figures; € thousands)



Implementation of cost optimization measures along with efficient and automatized processes increasing profitability

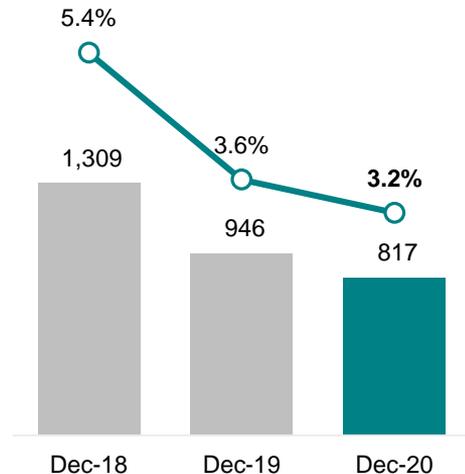
Transition to sustainable profitability

Cost of risk normalising ensuring sustainably sound asset quality of recurrent business

3

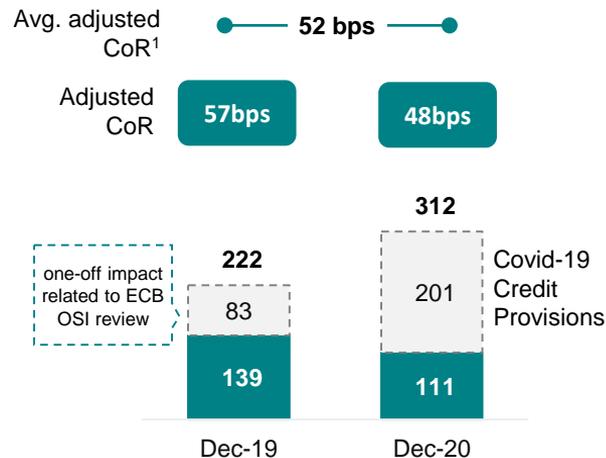
NPL and NPL Ratio evolution
(Recurrent segment; €mn; %)

■ Gross NPL stock (€mn) ○ NPL Ratio (%)

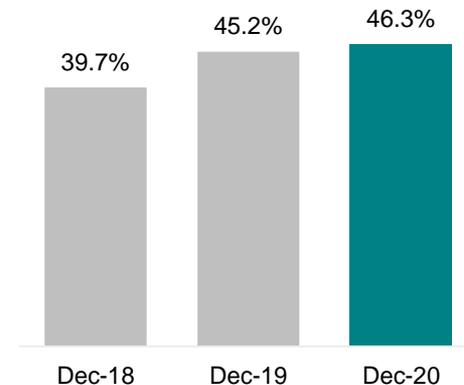


Cost of Risk
(Recurrent segment; €mn; %)

▣ Loan Provision ○ Cost of Risk



Recurrent NPL Coverage Ratio %
(Specific impairments only)



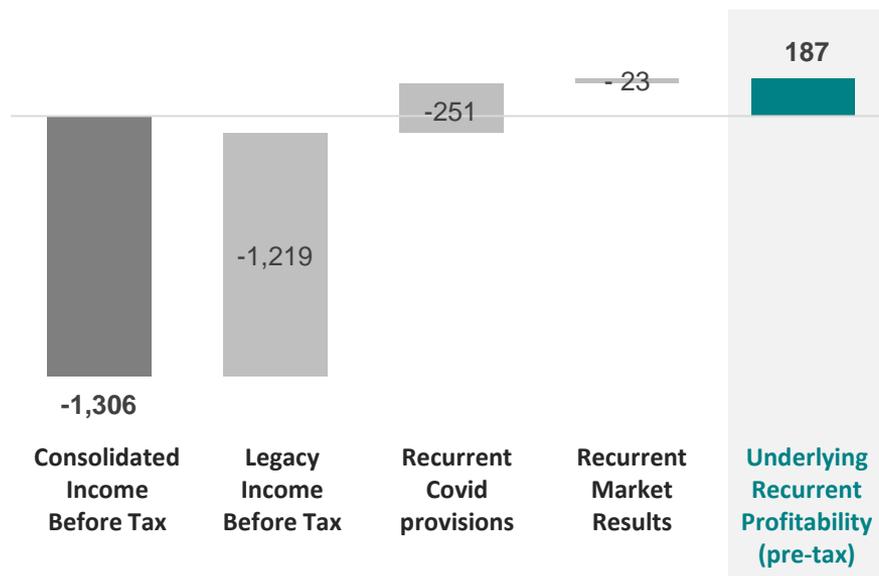
Agenda

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FY 2020 Results - Recurrent

Underlying Recurrent Profitability (before tax) at €187mn

From Consolidated Income Before Tax to Underlying Recurrent Profitability (€mn)



Highlights:

Consolidated Income Before Tax reflecting:

- Legacy restructuring (-€1,219mn)
- Recurrent Covid-19 provisions (-€251mn)
- Recurrent Market Results (-€23mn; including one-off from NB Finance tender offer)

Underlying Recurrent Profitability of €187mn, being higher YoY, with higher Net Interest Income (+11% YoY) and lower Operating Costs (-1% YoY)...

...offsetting the negative impact from lower economic activity and denoting the resilience of NB's business model.

FY 2020 Results - Recurrent

Continuous progress with positive development in commercial activity

Recurrent Income Statement ¹ (€mn)		2019	2020	▲ YoY €mn
1	Net Interest Income	464.7	517.0	52.3
2	+ Fees & Commissions	309.5	270.6	(38.9)
	= Commercial Banking Income	774.3	787.7	13.4
	+ Capital Markets Results	71.9	(23.1)	(95.0)
	+ Other Operating Results	(41.5)	(46.4)	(4.9)
	= Banking Income	804.7	718.2	(86.5)
3	- Operating Costs	421.0	418.6	(2.4)
	= Net Operating Income	383.7	299.6	(84.1)
4	- Net Impairments & Provisions	208.4	386.0	177.6
	= Income Before Tax	175.3	(86.4)	(261.7)
	+ One-off Impairments & Provisions	83.0	250.7	
	+ One-off impact from NB Finance LME	-	24.8	
	= Adjusted Income Before Tax – inc. CMR	258.3	189.0	(69.3)
	- Capital Markets Results	(71.9)	(1.7)	
5	= Underlying Recurrent Profitability (pre-tax)	186.4	187.3	1.0

Highlights

- Net Interest Income +€52mn YoY (+11%) given the increase in average volumes while maintaining pricing discipline;
- Commissions (-€39mn; -13% YoY) impacted by lower commercial activity given Covid-19 repercussion in the economy;
- Commercial Banking Income +2% YoY, with NII evolution offsetting lower fees;
- Capital Markets includes losses related to interest rate swaps used in the hedging of sovereign debt securities and -€25mn from NB Finance tender offer;
- Other Operating Results of -€46mn, including €35mn of contributions to the resolution funds;
- Operating Costs -€2mn YoY (-1%) reflecting continuous cost optimization measures and business recalibration;
- Provisions +€178mn, of which €251mn Covid-19 related
- **All in all, adjusted by Capital Markets and one-off provisions, Income Before Tax of €187mn (+€1mn YoY)**

FY 2020 Results - Recurrent

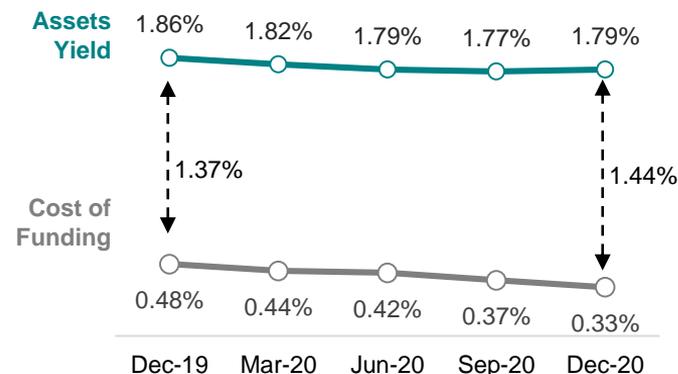
NII increasing by +11% YoY benefiting from cost of funding optimization measures

1 Recurrent: Net Interest Income (NII) and Net Interest Margin (NIM)

	2019 Reported			2020		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
€ million; %						
Customer Loans	23 902	2.24%	543	22 593	2.20%	505
Money Market Placements	1 056	0.01%	0	2 689	-0.07%	- 2
Securities and Other Assets	10 279	1.18%	123	9 970	1.35%	137
Interest Earning Assets & Other	35 237	1.86%	666	35 252	1.79%	640
Interest Bearing Liabilities & Other	35 237	0.48%	172	35 252	0.33%	117
NIM / NII¹		1.37%	491		1.44%	517

Net Interest Income evolution (+11% on a comparable basis, to €517mn) benefiting from the positive contribution of cost of funding optimization measures, the expansion of the loan volume (adj. by reclassification of Spanish business), increase of the securities and other assets margin, and continued focus on pricing policy.

Net Interest Margin evolution (Recurrent; %)

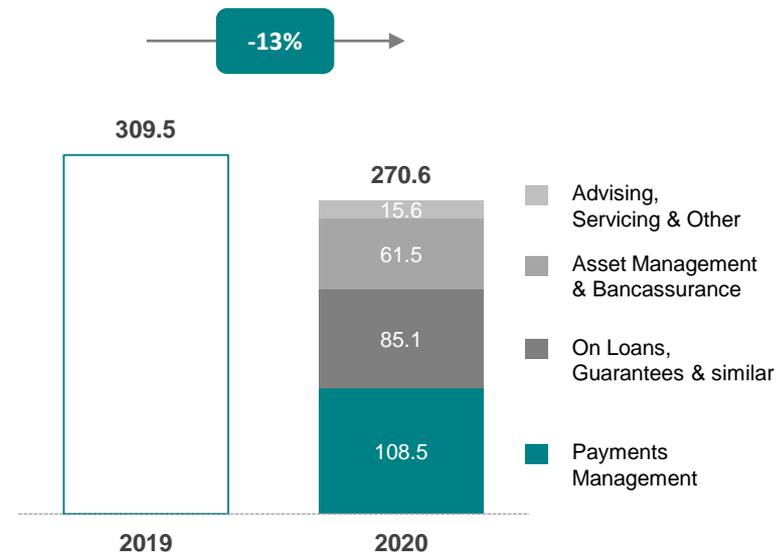


FY 2020 Results - Recurrent

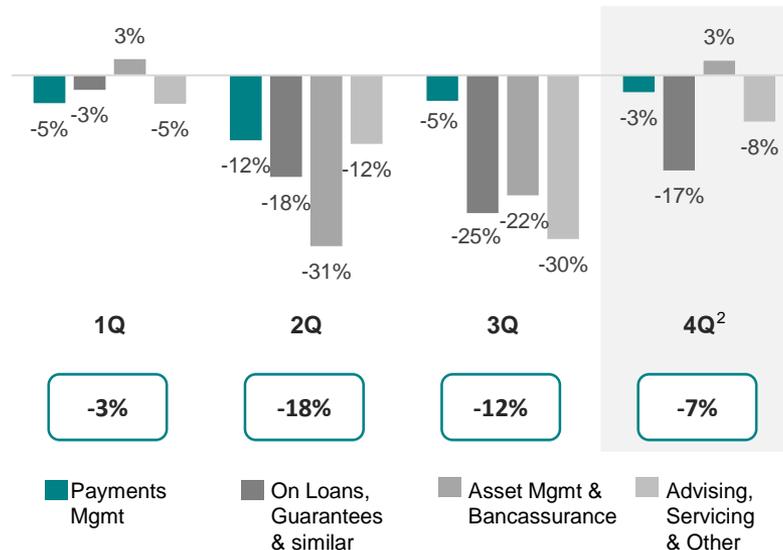
Lower YoY fees (-13%) given lower economic activity, with 4Q showing positive QoQ trend

2

Fees breakdown¹ (Recurrent; €mn)



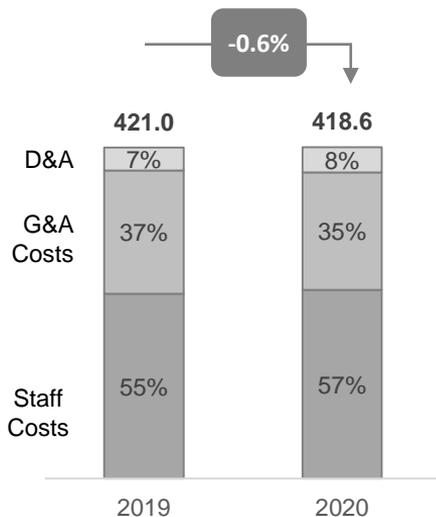
Fees breakdown vs Previous Year^{1:2} (Consolidated; €mn)



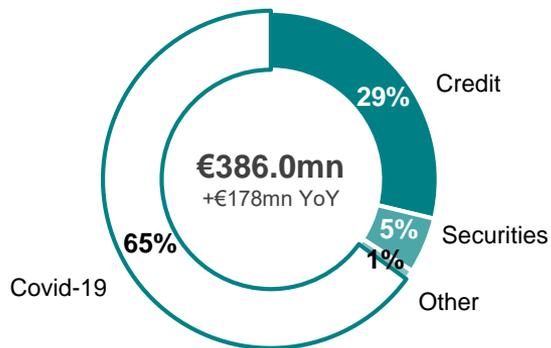
FY 2020 Results - Recurrent

Cost contraction and higher YoY provisions reflecting Covid-19 provisions

3 Recurrent: Operating Costs¹
(%²; €mn)

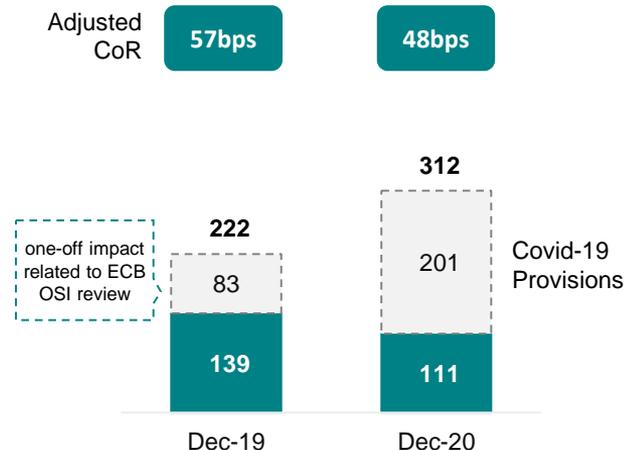


4 Recurrent: Total Provisions¹
(€mn)



4 Recurrent: Credit Provisions¹
(€mn; bps)

Loan Provision Cost of Risk



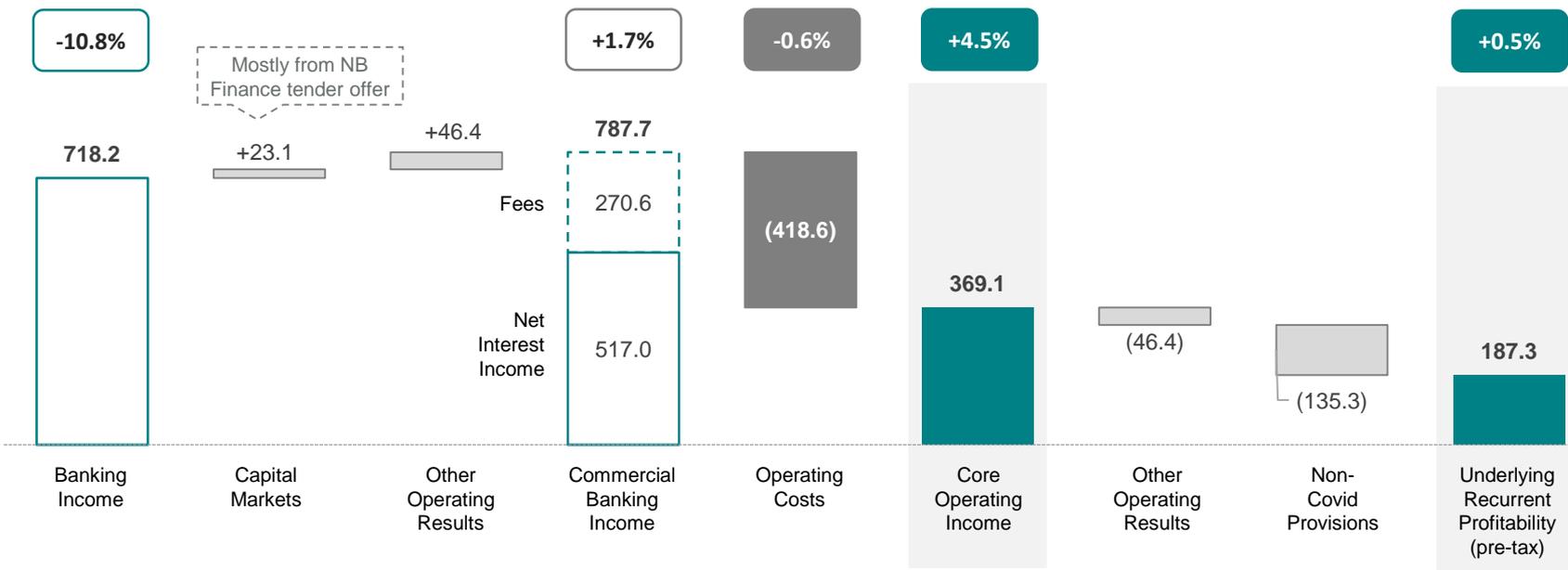
FY 2020 Results - Recurrent

Strong Underlying Recurrent Pre-Tax Profit despite lower fees from subdued economic activity

5

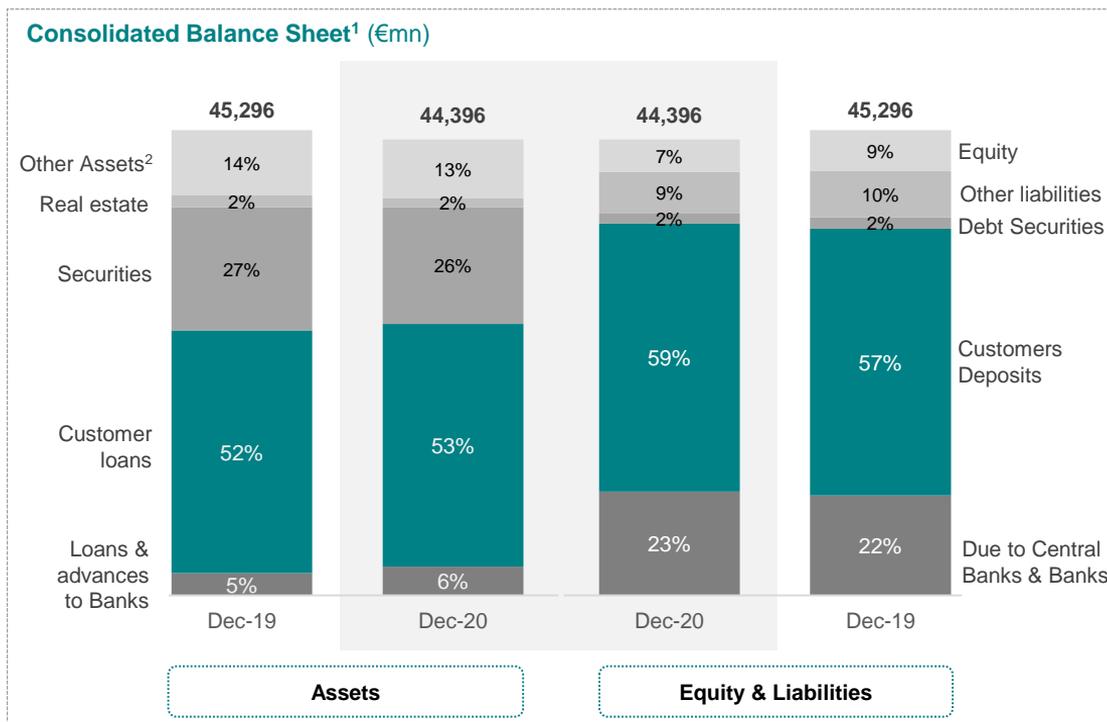
Recurrent: from Banking Income to Underlying Recurrent Profitability (pre-tax)¹

(€mn; ▲ YoY)



FY 2020 Results - Consolidated

Maintaining a solid Balance Sheet



Highlights:

Recurrent Net customer loans +2% YTD and offset by a 26% decrease of Legacy net loans that includes a consolidated reduction of €814mn of non-performing loans.

Customer Deposits growing €127mn (+0.5% YTD), to €26.1bn, with the increase in Retail (+€0.8bn) being offset by decrease in Corporate segment.

Total Funds, including balance sheet customer funds (€27.3bn) and including off-balance sheet funds (+€4.4bn), amounted to €31.7bn (-0.3% YTD).

FY 2020 Results - Consolidated

NB proactively re-assessed its risk exposure to clients affected by Covid-19

Loan moratorium¹

(%; € bn)

~ €25.2bn

27%

~€6.9bn, representing:

- 33% Corporate book
- 20% Mortgage book
- 16% Consumer book

NB loan book

Impairment process of loan moratorium

(illustrative; non-exhaustive)

**Individually
assessed for
impairment**

- c.40% of on+off balance exposure individually analysed
- Selected debtors based on Covid-19 drivers;



**Collectively
assessed for
impairment**

- Definition of macro economic scenarios due Covid-19;
- Revised PDs and re-estimated LGD to incorporate forward looking information²;
- Segmentation and staging deterioration based on selected additional early warning indicators;

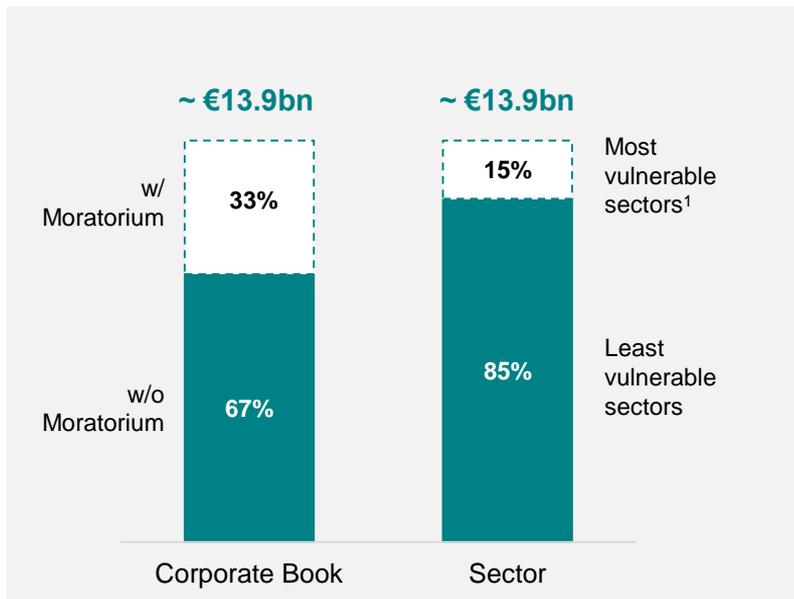
**€268.8m³
of provisions
by Dec-20**

To minimize cliff effects, NOVO BANCO segmented risks and is leveraging on the close relationship with customers to anticipate support and promote clients' affordability options and sustainable finances.

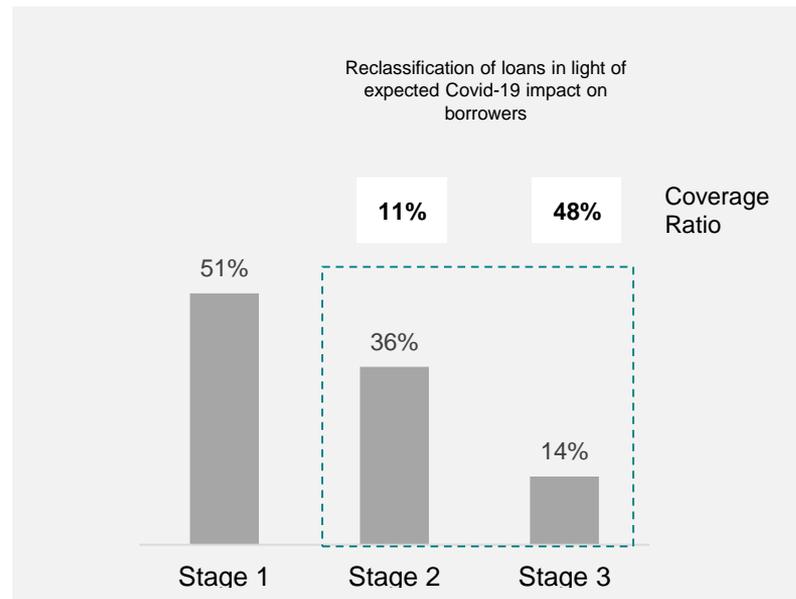
FY 2020 Results - Consolidated

Reclassification of loans in light of expected Covid-19 impact on borrowers

Corporate Loan by Segment (%; € bn)



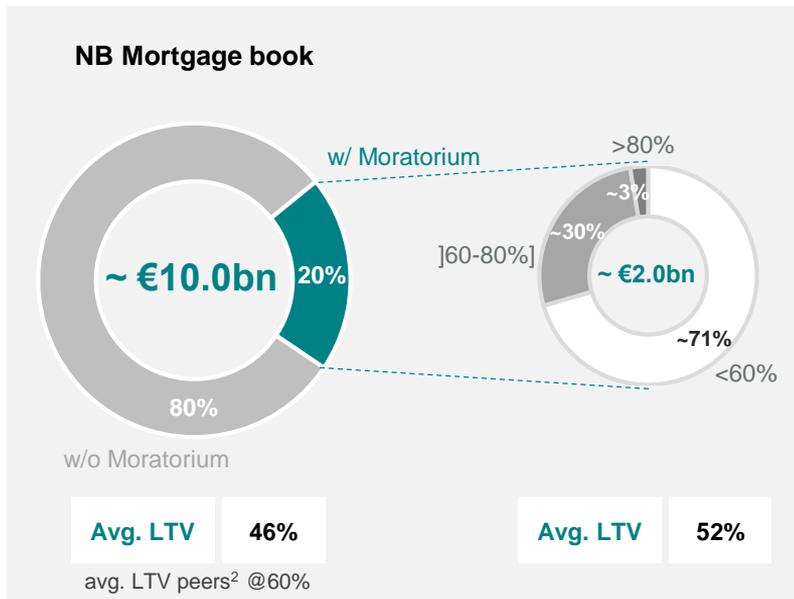
Corporate Moratorium by stage² (%)



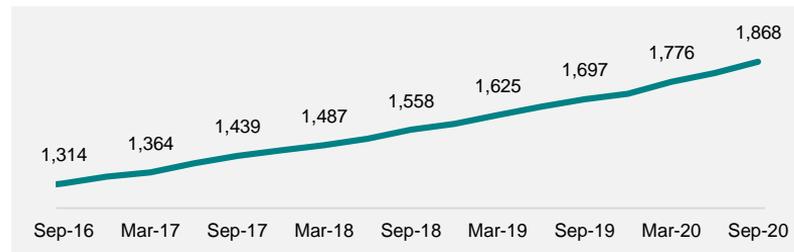
FY 2020 Results - Consolidated

Conservative mortgage portfolio in a resilient residential real estate market

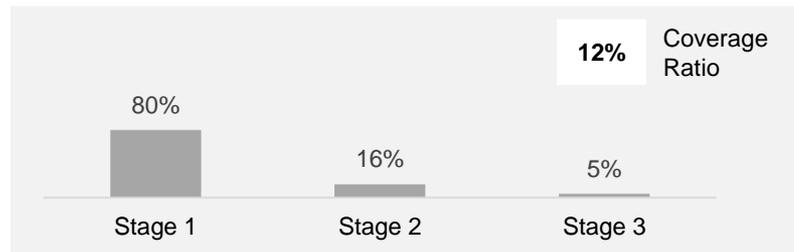
Residential Mortgage by Segment (%; € bn)



Evolution of Residential RE Prices in Portugal¹ (€/sqm)



Mortgage Moratorium by stage (%)



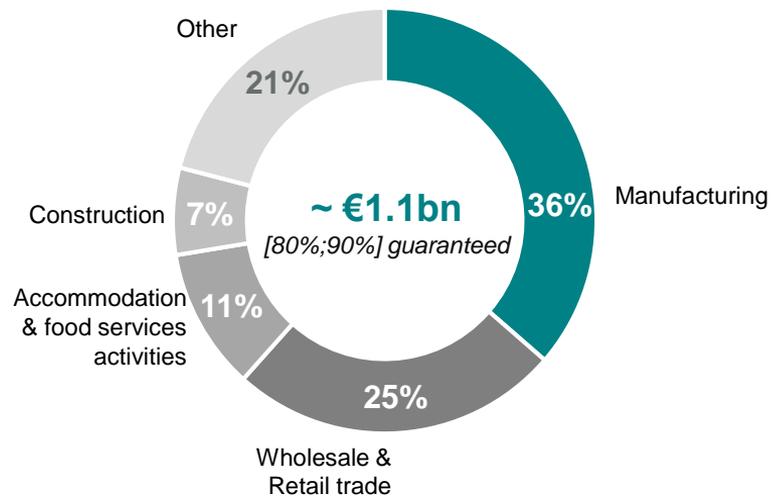
FY 2020 Results - Consolidated

NB granted ~ €1.1bn of State guaranteed lines to support companies and businesses

Credit Lines

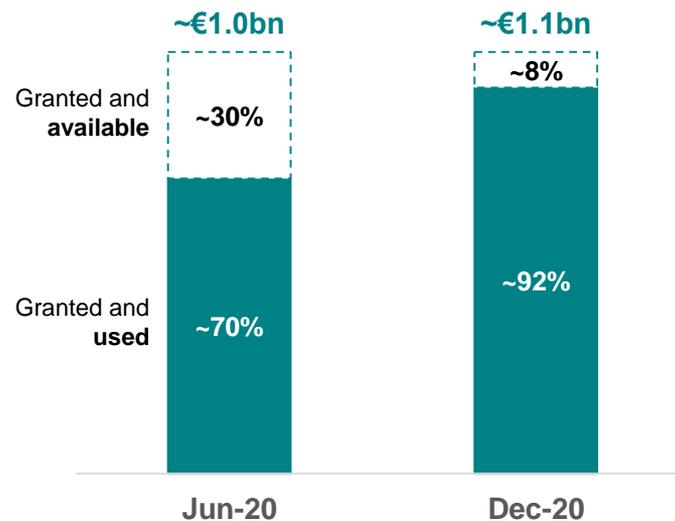
Covid-19 Credit Lines: approved by sector¹

(%; €bn)



Covid-19 Credit Lines: Used & Granted¹

(%; €bn)

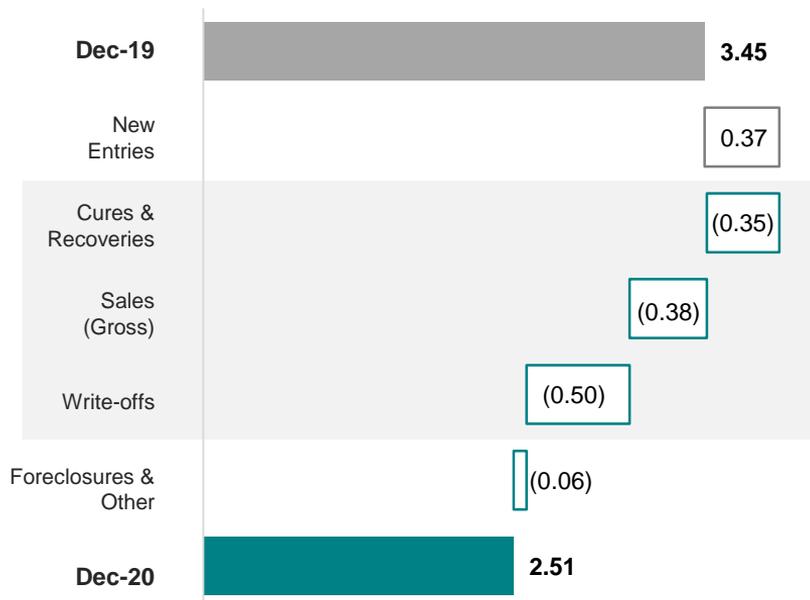


FY 2020 Results - Consolidated

Continuous reduction of NPL stock, reaching a single-digit NPL ratio...

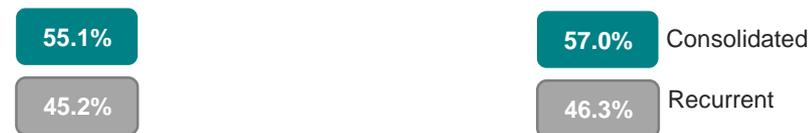
Non-performing Loans Evolution

(%; €bn; Gross NPL¹)

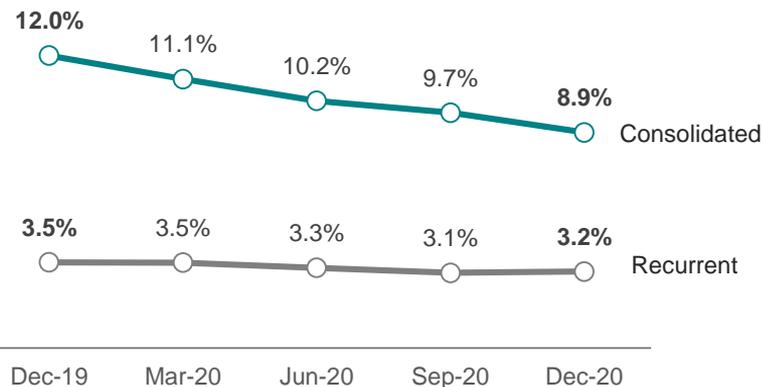


Specific impairments Coverage Ratio¹

(%)



NPL¹
(%)

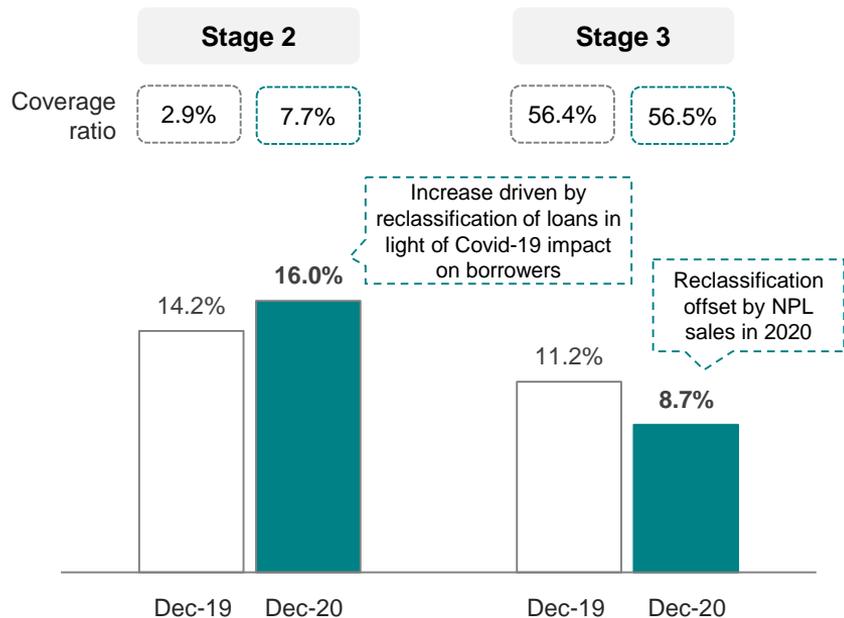


FY 2020 Results - Consolidated

...with leading coverage levels and best-in-class provisioning for expected Covid-19 losses

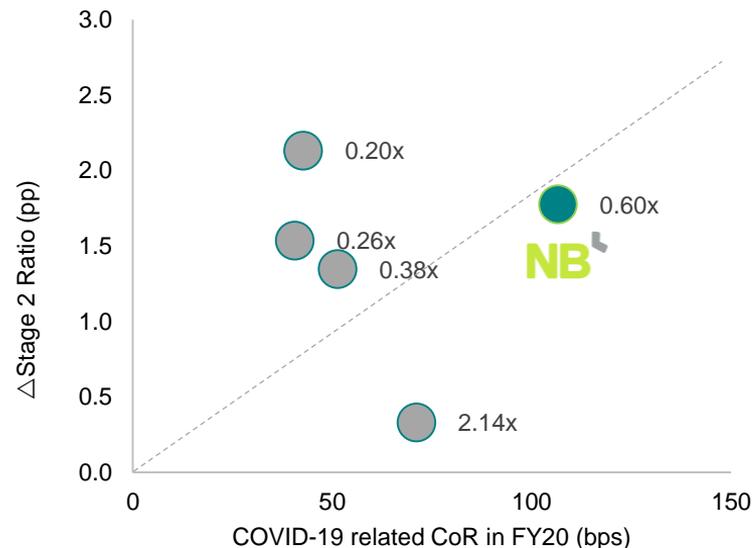
Loan Portfolio by Stages

(Consolidated¹; %)



Covid-19 related provisions vs increase in Stage 2 Benchmark vs. Iberian peers²

● Covid provisioning / Increase in Stage 2 ratio



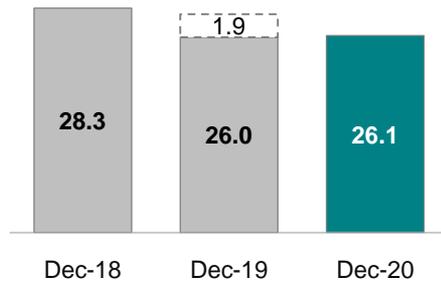
FY 2020 Results - Consolidated

Customer deposits +0.5% YoY with evolution reflecting the lower balance sheet...

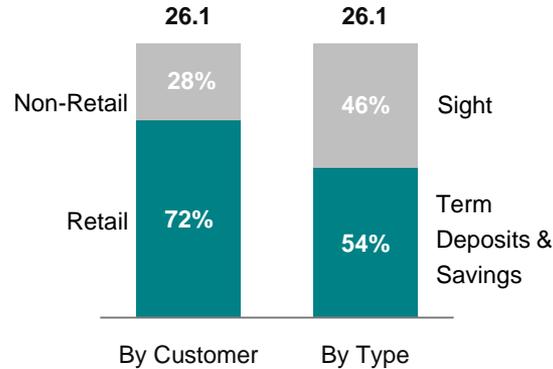
Customer Deposits & Loan to Deposits
(%; €bn)



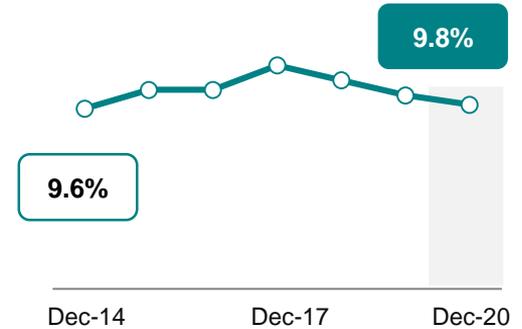
Reclassification of the Spanish business as discontinued operations



Customer Deposits Breakdown
(€bn; %)



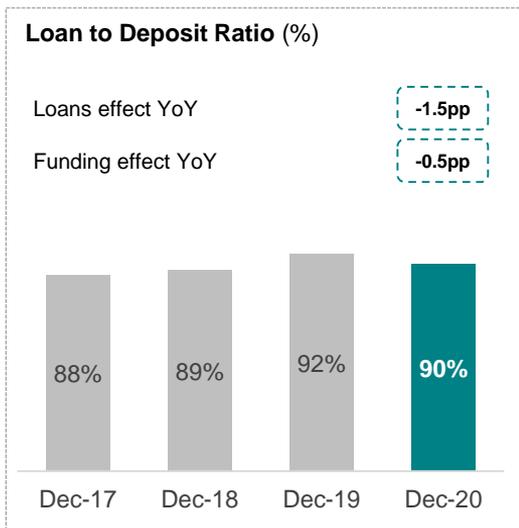
Deposits Market Share Evolution¹
(%; stock)



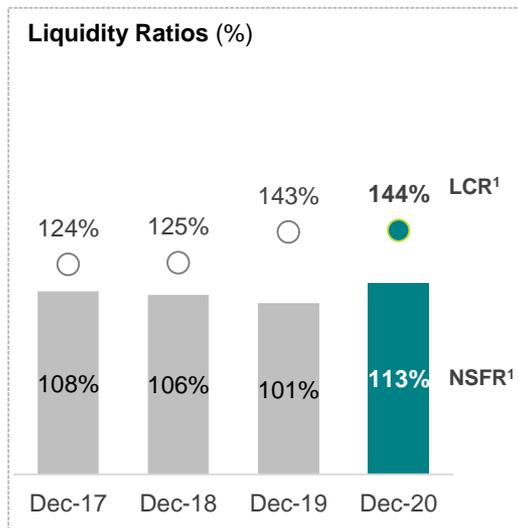
...and denoting customers' confidence (Retail representing 72% vs 69% in 2019), despite the lower interest rates environment.

FY 2020 Results - Consolidated

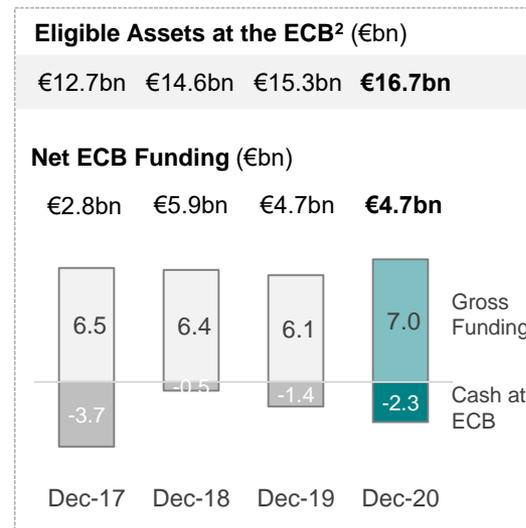
Stable deposit base is supporting strong liquidity position



YoY evolution explained by lower Net loan book given legacy deleverage, stable deposits and lower other customers funds



NOVO BANCO maintained a comfortable liquidity position, improved by a take-up of TLTRO III (€7.0bn).

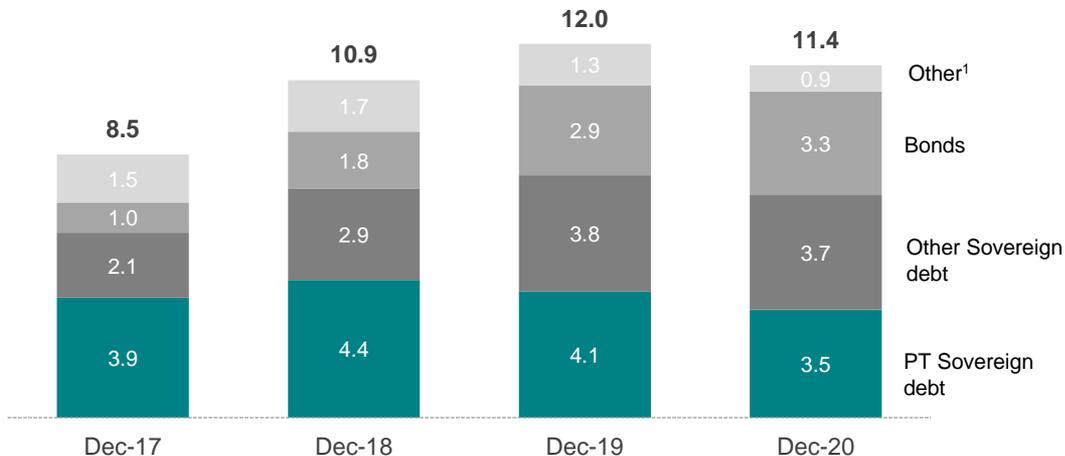


ECB eligible assets at €16.7bn, which together with other HQLA assets led to a liquidity buffer above € 11.3bn, mostly composed by highly liquid assets (82%).

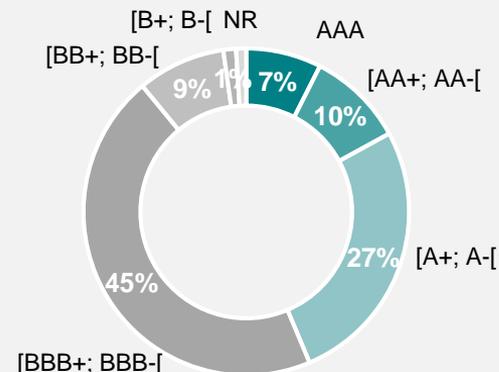
FY 2020 Results - Consolidated

Conservative securities portfolio of €11.4bn mainly composed by sovereign debt

Securities Portfolio: Breakdown
(€bn)



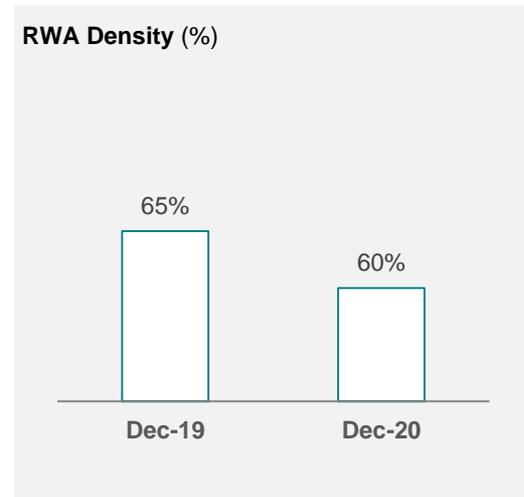
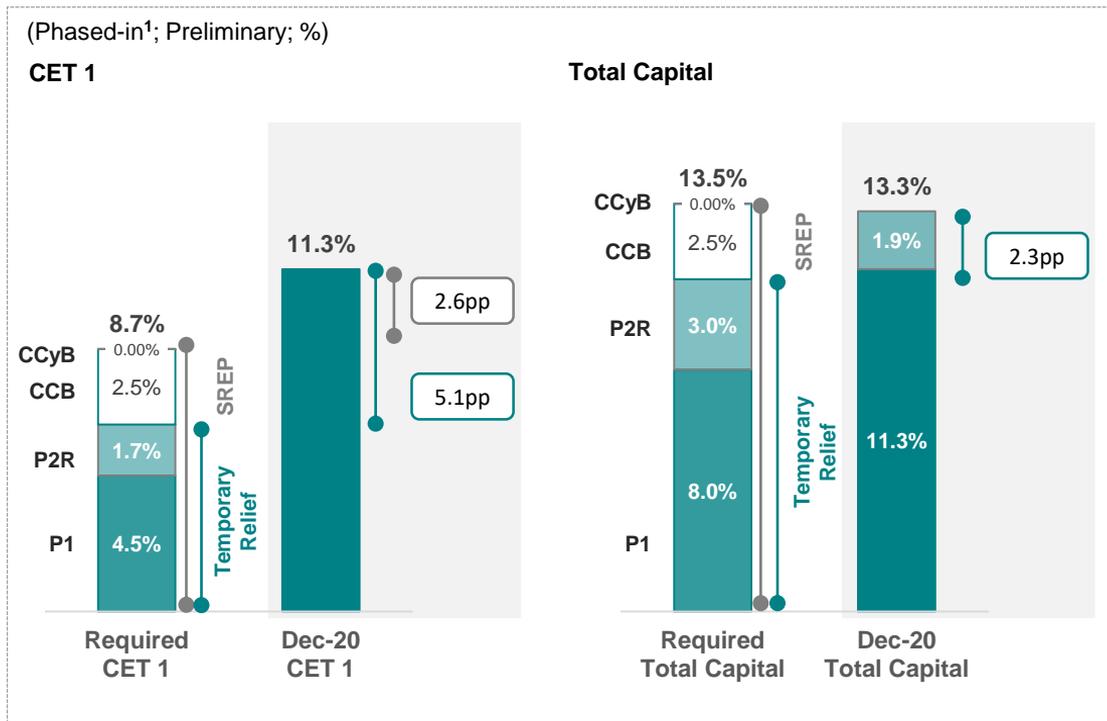
Securities Portfolio: Ratings²
(Dec-20; €bn)



FY 2020 Results

Ratios above temporary relief capital requirement...

...and is prepared to transition to sustainable profitability



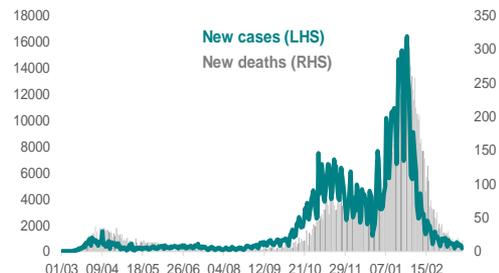
Agenda

1. Completion of restructuring process
2. Transition to sustainable profitability
3. FY 2020 Results
- 4. Appendix**

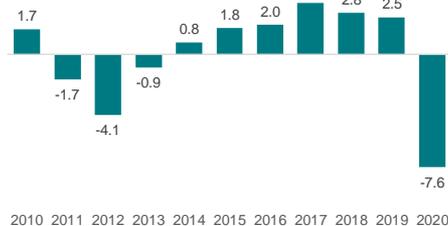
Macroeconomic Environment

Covid-19 with strong negative impact on economic activity

Number of Covid-19 cases in Portugal



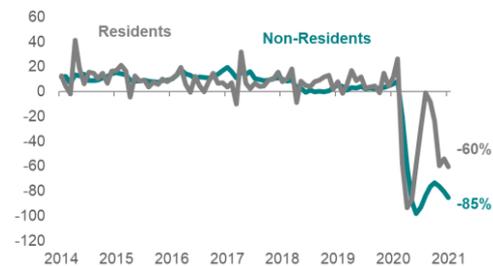
Annual GDP growth (%)



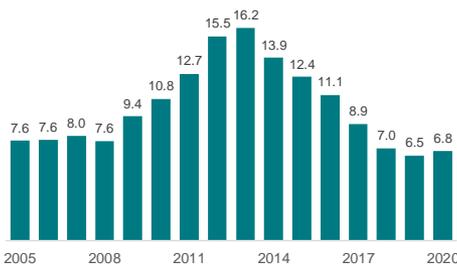
GDP retreated 7.6% in 2020. Support measures mitigated negative impacts of pandemic.

2020 was marked by the Covid-19 pandemic. In Portugal, which registered 414,000 cases and 6,900 deaths, GDP fell by 7.6% in the year. This downturn was underpinned by 4% and 13.9% QoQ drops, in 1Q and 2Q, respectively, driven by the tougher period of confinement in March and April. The economy picked up in the second half of the year, with GDP QoQ growth of 13.3% and 0.2% in 3Q and 4Q. At year-end, activity was still 6% below pre-Covid levels. In annual terms, the Portuguese economy contracted more than the Euro Zone (-6.6%), which can be attributed to its greater exposure to the tourism, restaurant and trade services sectors.

Number of overnight stays in tourist accommodation in Portugal (YoY %)



Annual unemployment rate (% labour force)

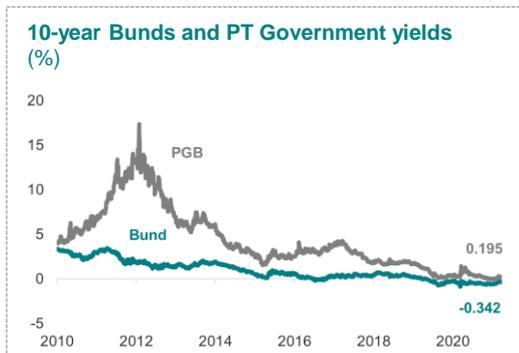
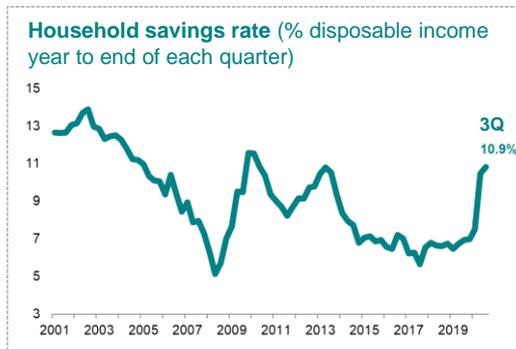
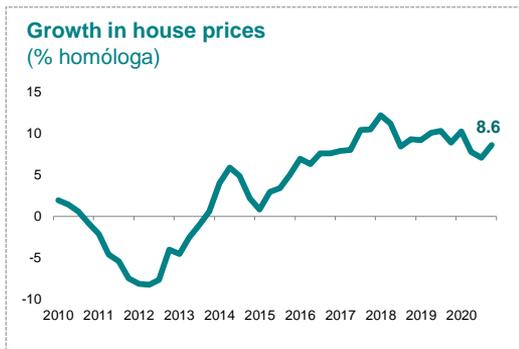


Measures to support businesses and the labour market (e.g., loan moratoria and guarantees, employment and income support) mitigated the economic impacts of the pandemic (e.g., on unemployment and disposable income).

Fontes: INE, Worldometer, NB DDAE-Research Económico.

Macroeconomic Environment

Expectations of a low interest rate environment for longer



Covid-19 bolstered low interest-rate environment

Resilient property prices, with the market benefiting from policy support measures. Strong rise in the savings rate, reflecting the increase in forced and precautionary household saving, as a result of the lockdown measures and higher uncertainty. Covid-19 generated asymmetric impacts on economic activity. Industry and exports of goods recovered in the second half of the year (though contracting in annual terms). Services activity continued to be penalised by restrictions on mobility.

The spread on the 10-year PGB remained tight, closing the year at 60 bps (vs. 63 bps at the start of the year and 134 bps at the end of Q1). The Portuguese debt benefited from the ECB's debt purchases and from the optimism generated around the announcement of a European Recovery Fund (Next Generation EU). Despite some volatility, market expectations for Euribor remain on negative ground.

(1) Projeções do Banco do Portugal. Fontes: BPortugal; Bloomberg, NB DDAE-Research Económico.

NOVO BANCO Consolidated Balance Sheet

(€ thousands)	Dec-19 Reported	Dec-19 Pro-forma	Dec-20
Cash, cash balances at central banks and other demand deposits	1,854,081	1,826,567	2,695,459
Financial assets held for trading	748,732	701,305	655,273
Financial assets mandatorily at fair value through profit or loss	1,314,742	1,311,922	960,962
Financial assets at fair value through profit or loss, or through other comprehensive income	8,849,896	8,815,946	7,907,587
Financial assets at amortised cost	27,141,460	25,542,491	25,898,046
Debt securities	1,622,545	1,622,545	2,229,947
Loans and advances to credit institutions	369,228	389,415	113,795
Loans and advances to customers	25,149,687	23,530,531	23,554,304
Derivatives – Hedge accounting	7,452	7,452	12,972
Fair value changes to the hedged items in portfolio hedge of interest rate risk	52,540	51,314	63,859
Investments in subsidiaries, joint ventures and associates	92,628	92,414	93,630
Tangible assets	889,152	879,517	779,657
Tangible fixed assets	188,408	178,773	187,052
Investment properties	700,744	700,744	592,605
Intangible assets	26,378	24,757	48,833
Tax assets	900,095	877,849	775,498
Current tax assets	1,628	885	610
Deferred tax assets	898,467	876,964	774,888
Other assets	3,378,492	3,302,122	2,944,292
Non-current assets and disposal groups classified as held for sale	40,255	1,862,247	1,559,518
Total Assets	45,295,903	45,295,903	44,395,586

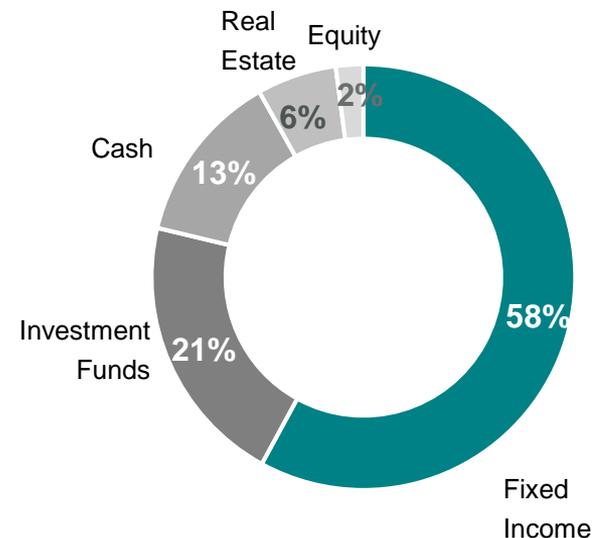
	Dec-19 Reported	Dec-19 Pro-forma	Dec-20
Financial liabilities held for trading	544,825	544,646	554,791
Financial liabilities designated at fair value through profit or loss	102,012	102,012	0
Financial liabilities measured at amortised cost	39,673,649	37,693,519	37,808,767
Due to banks	9,849,623	9,741,090	10,102,896
Due to customers	28,400,127	26,528,530	26,322,060
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,065,211	1,065,211	1,017,928
Other financial liabilities	358,688	358,688	365,883
Derivatives – Hedge accounting	7,452	58,855	12,972
Provisions	307,817	269,877	384,382
Tax liabilities	17,980	14,019	14,324
Current tax liabilities	11,873	7,912	9,203
Deferred tax liabilities	6,107	6,107	5,121
Other liabilities	586,066	547,554	417,762
Liabilities included in disposal groups classified as held for sale	1,942	2,062,664	1,996,382
Total Liabilities	41,293,146	41,293,146	41,248,951
Capital	5,900,000	5,900,000	5,900,000
Other comprehensive income – accumulated	-702,311	-702,311	-823,420
Retained earnings	-6,115,245	-6,115,245	-7,202,828
Other reserves	5,942,501	5,942,501	6,570,153
Profit or loss attributable to parent company shareholders	-1,058,812	-1,058,812	-1,329,317
Minority interests (Non-controlling interests)	36,624	36,624	32,047
Total Equity	4,002,757	4,002,757	3,146,635
Total Liabilities and Equity	45,295,903	45,295,903	44,395,586

NOVO BANCO Consolidated Pension Funds

Key Figures (€ Millions)	Dec-18	Dec-19	Dec-20
Retirement Pension Liabilities	1 676	1 849	1 935
Fund Assets	1 648	1 791	1 908
Liabilities Coverage	98%	97%	99%
Fund Performance			2.4%

Actuarial Assumptions	Dec-18	Dec-19	Dec-20
Project rate of return on plan assets	2.10%	1.35%	1.00%
Discount rate	2.10%	1.35%	1.00%
Pension increase rate	0.50%	0.25%	0.25%
Salary increase rate	0.75%	0.50%	0.50%
Mortality table men	TV 88/90	TV 88/90	TV 88/90
Mortality table women	TV 88/90-2 yrs	TV 88/90-2 yrs	TV 88/90-2 yrs

Pension Fund Portfolio
(Dec-20)



NOVO BANCO Consolidated Income Statement

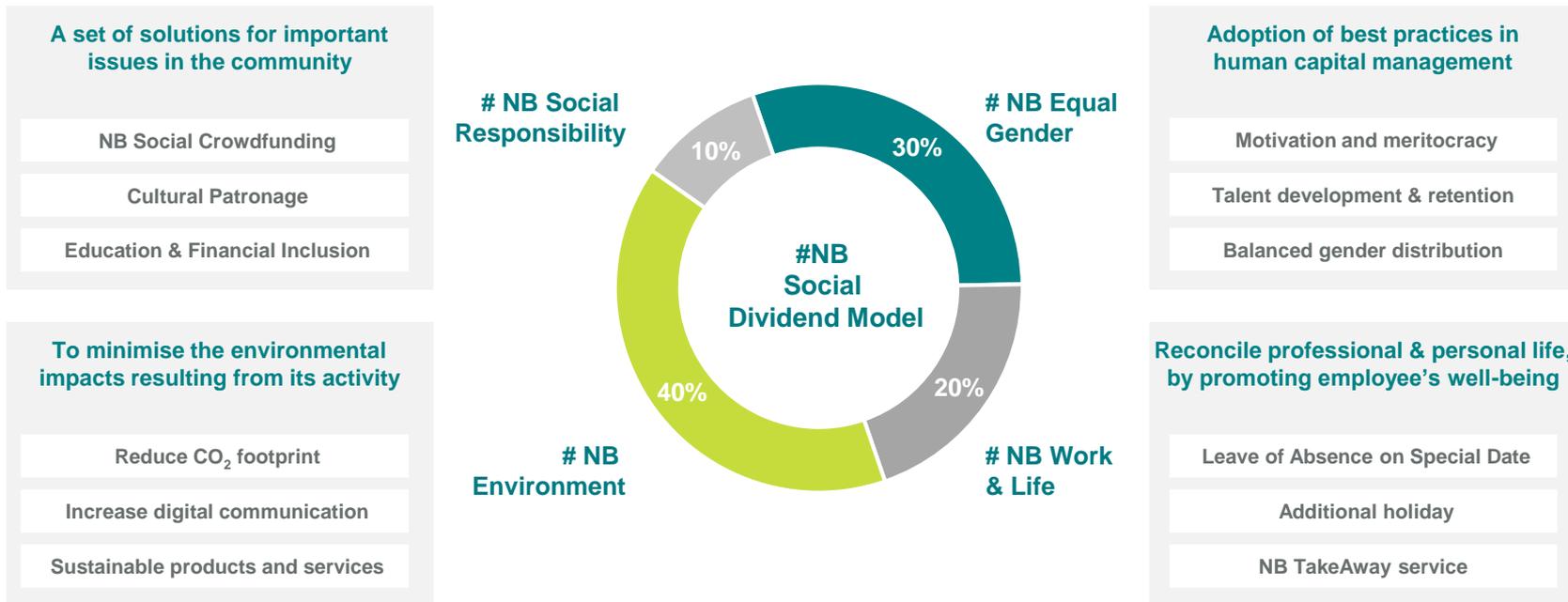
(€ million)	2019 Reported	2019 Pro-forma	2020	4Q 2019 Reported	4Q 2019 Pro-forma	4Q 2020
Net Interest Income	540.6	512.4	555.1	138.9	131.7	154.1
Fees and Commissions	323.5	312.3	271.9	93.9	90.8	75.4
Commercial Banking Income	864.1	824.7	827.0	232.8	222.5	229.5
Capital Markets Results	- 196.8	- 197.7	- 75.6	- 152.5	- 152.8	- 52.2
Other Operating Results	- 247.0	- 326.8	- 136.6	- 50.5	- 90.0	- 66.2
Banking Income	420.3	300.2	617.9	29.8	- 20.3	111.1
Operating Costs	478.5	438.7	431.8	116.7	108.0	113.7
Staff Costs	265.4	246.4	245.6	64.7	60.1	62.8
General and Administrative Costs	179.5	161.9	153.2	45.2	42.0	42.0
Depreciation	33.7	30.3	33.1	6.8	5.9	9.0
Net Operating Income	- 58.2	- 138.4	186.1	- 86.9	- 128.3	- 2.7
Restructuring funds - independent valuation	0.0	0.0	- 300.2	0.0	0.0	- 39.6
Net Impairments and Provisions	935.4	855.1	1,191.5	294.5	251.5	358.1
Credit	627.5	540.6	524.4	171.3	151.2	141.1
Securities	- 0.2	- 0.1	41.0	2.0	2.0	23.5
Other Assets and Contingencies	308.1	314.7	626.0	121.2	98.3	193.5
Income before Taxes	- 993.6	- 993.6	- 1,305.6	- 381.4	- 379.8	- 400.4
Corporate Income Tax	45.8	45.8	- 1.1	97.0	98.7	78.8
Special Tax on Banks	27.1	27.1	32.8	0.0	0.0	0.0
Income after Taxes	- 1,066.5	- 1,066.5	- 1,339.4	- 478.4	- 478.4	- 479.2
Non-Controlling Interests	- 7.7	- 7.7	- 10.1	8.0	8.0	- 3.0
Net Income for the period	- 1,058.8	- 1,058.8	- 1,329.3	- 486.5	- 486.5	- 476.2

NOVO BANCO Consolidated Income Statement

Consolidated Income Statement ¹ (€mn)	2019			2020			▲ % Consolidated
	Recurrent	Legacy	Consolidated	Recurrent	Legacy	Consolidated	
+ Net Interest Income	464.7	47.7	512.4	517.0	38.1	555.1	8.3%
+ Fees and Commissions	309.5	2.7	312.3	270.6	1.3	271.9	-12.9%
= Commercial Banking Income	774.3	50.5	824.7	787.7	39.4	827.0	0.3%
+ Capital Markets Results & Oth.Operating Inc.	30.4	-554.9	-524.5	-69.5	-139.6	-209.1	-60.1%
- Operating Costs	421.0	17.7	438.7	418.6	13.2	431.8	-1.6%
= Net Operating Income	383.7	-522.1	-138.4	299.6	-113.5	186.1	-234.4%
+ Restructuring funds - independent valuation	0.0	0.0	0.0	0.0	-300.2	-300.2	-
- Net Impairments and Provisions	208.4	646.8	855.1	386.0	805.5	1191.5	39.3%
of which Credit Impairments	199.1	341.5	540.6	311.6	212.8	524.4	-3.0%
- Tax & Non-Controlling Interests	-2.3	67.6	65.2	44.0	-20.2	23.8	-63.6%
= Net Income for the period	177.6	-1,236.4	-1,058.8	-130.4	-1,198.9	-1,329.3	25.5%

NOVO BANCO Dividend Model

NOVO BANCO remains committed to give back added value to society and its employees...



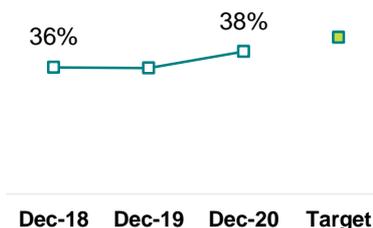
NOVO BANCO Dividend Model

...surpassing the targets points of its Dividend Model for 2020

Social Dividend – Main indicators

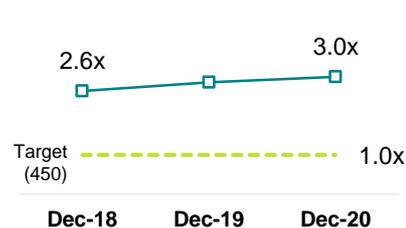
NB Equal Gender

% Women in leadership roles¹



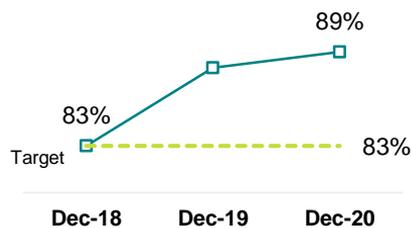
NB Work & Life

Early Friday/Late Monday (x vs target)



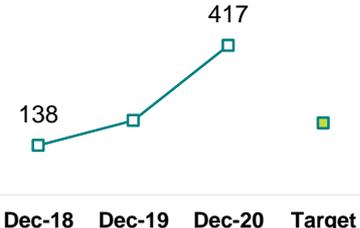
NB Environment

Digital Communications to Clients (%)



NB Social Responsibility

Cultural patronage (# thousand visitors)



Current indicators 2020 vs 2018

% Women in "First Line"	31%	↑
Global salary gap	10%	↑

% of target accomplished 2020 vs 2018

Special Day	>150%	↑
Home Office	>300%	↑
Additional vacations	58%	↑
Takeaway	>150%	↑

% of target accomplished 2020 vs 2018

CO ₂ Car emissions	72%	↓
Electricity consumption (GWh)	120%	↓
Paper consumption (million sheets)	88%	↓
% Waste Recycled	40%	▬

% of target accomplished 2020 vs 2018

NB Crowdfunding	74%	↑
Educational patronage	71%	↑

NOVO BANCO Separate

Sustainability metrics



	2019	2020
Social Indicators		
Employees (#)	4,326	4,321
Training hours	200,545	194,925
Turnover ¹	6.8%	7.4%
Woman employment rate	52.5%	53.3%
Woman in leadership roles rate	34.7%	38.2%
Woman senior leaders' roles rate	31.3%	31.3%
Pay Gap (%)	9.6%	10.2%
Environmental Indicators		
ESG structured products issued (#; in period)	12	9
ESG structured products subscriptions (#; in period)	5,399	5,120
ESG structured products subscriptions (#; cumulative amount)	6,735	11,855
Clients who subscribed ESG structured products (#; in period)	4,870	4,911
Clients who subscribed ESG structured products (#; cumulative amount)	5,973	9,540
Total ESG structured products subscriptions (in period; € million)	121	117
Total ESG structured products subscriptions (cumulative; € million)	151	268
CO2 Emissions from electricity consumption (tCO2e)	5,828	4,241
Active digital customers (#; thousand)	566	600
Governance Indicators		
Account monitoring – alerts generated (#)	11,457	11,422
Communication to the authorities (#)	1,035	843
Account opening scoring Investigation (#)	3,705	3,101
Participation Entry scoring Investigation (#)	1,138	901
Account opening rejected with scoring Investigation (#)	63	93
Economic – Community Indicators		
Planned savings/"Poupança programada" (# of clients)	277,495	225,935
Planned savings/"Poupança programada" (€ million)	1,090	1,039
Minimum Banking Services Account (# of accounts)	8,491	9,740
Suppliers with sustainability scoring (#)	496	548
Very satisfied/satisfied clients with service quality (Retail; %)	97.0%	96.3%
Very satisfied/satisfied clients with service quality (SME; %)	99.3%	98.1%
Donations (€ million)	0.58	0.50
Direct economic value generated (€ million)	841	812
Economic value distributed (€ million)	412	381
Economic value retained (€ million)	429	431

Glossary (1/3)

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.

Glossary (2/3)

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.

Glossary (3/3)

Designations & abbreviations	
NB	NOVO BANCO
NBG	NOVO BANCO Group
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
tCO₂e	tonnes of carbon dioxide equivalent
RWA	Risk weighted assets



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